

The Banking and Financial Services Act, 2017

The Banking and Financial Services (Deposit Protection) Directives, 2025

PART I

PRELIMINARY

Pursuant to Section one hundred and thirty-two (five) and in exercise of the powers contained in Section one hundred and sixty-seven of the Banking and Financial Services Act, 2017, the following Directives are hereby made.

1. Short Title and Commencement

These Directives may be cited as the Banking and Financial Services (Deposit Protection) Directives, 2025 and shall come into force when published.

2. Interpretation

In these Directives, unless the context otherwise requires -

“Act” means the Banking and Financial Services Act, 2017;

“bank” shall have the meaning assigned to it in the Act;

“Bank” means the Bank of Zambia established in accordance with the Constitution of Zambia;

“court” means the High Court of Zambia or any other Court of competent jurisdiction;

“deposit” shall have the same meaning assigned to it in the Act;

“financial institution” shall have the same meaning assigned to it in the Act;

“Fund” means the Deposit Protection Fund established under these Directives;

“joint account” means a deposit account owned by two or more persons or over which two or more persons have equal rights to make withdrawals as opposed to an individual account, which is an account opened in the name of only one person;

“member institution” means a licenced bank or financial institution that is a member of the scheme;

“Minister” means the Minister responsible for Finance;

“person” includes an individual, a company, a partnership, an association and any group of persons acting in concert, whether or not incorporated;

“premium” means an amount payable into the Fund by a member institution as provided under these Directives;

“protected deposit” means that portion of deposit which is covered by the Fund as provided under Directive 18;

“subrogation” means the substitution of the Fund for a deposit with reference to a lawful claim, demand or right so that the Fund succeeds to the rights of the depositor in relation to the debt or claim, and its rights and remedies;

“trust account” means a deposit account established under a trust agreement whereby a trustee administers the funds for the benefit of one or more beneficiaries; and

“trustee deposit” means funds held by a depositor of a member institution in a fiduciary capacity.

3. Application

- (1) These Directives shall apply to all member institutions.
- (2) These Directives shall not apply to the Bank except in so far as they expressly confer or impose a duty on the Bank.

PART II

THE DEPOSIT PROTECTION SCHEME

4. Establishment of the Scheme

There is established by these Directives a Deposit Protection Scheme (hereinafter referred to as the Scheme).

5. Objectives of the Scheme

The objective of the Scheme is to protect depositors and contribute to financial system stability.

6. Membership of the Scheme

- (1) A bank or deposit taking financial institution licensed by the Bank shall be deemed a member of the Scheme at the coming into force of these Directives.
- (2) A bank or deposit taking financial institution licensed by the Bank after the commencement of these Directives shall be a member of the Scheme on the date on which it is issued with a license.
- (3) The Bank shall cause a list of all members of the Scheme to be published at least annually in either newspaper of general circulation or any other appropriate media in Zambia.

7. Cessation of Membership

An institution shall automatically cease being a member of the Scheme upon the –

- a) surrender, cancellation or revocation of an institution’s licence by the Bank;

- b) issue of a winding-up order against an institution;
- c) transfer of all deposit liabilities of an institution to any other institution;
- d) appointment of a liquidator in pursuance of a resolution for an institution's voluntary winding up;
- e) corporate restructuring of an institution with any other institution; or
- f) determination by the Bank that the affairs of an institution are being conducted in a manner detrimental to its own interests or to the interest of its depositors.

8. Effect of Cessation

- (1) Where an institution ceases to be a member of the Scheme under Directive 7, the institution shall-
 - a) not assume or in any other way give the impression that the institution is a member of the Scheme;
 - b) not be relieved from its obligations or liabilities to the Scheme that have accrued before the cessation of its membership; and
 - c) indemnify the Scheme in the event of any payment made by the Scheme to depositors, in respect of such deposits.
- (2) Any monies received by the institution subsequent to the date it ceases to be a member of the Scheme shall not be considered as part of protected deposits.

PART III

THE DEPOSIT PROTECTION FUND

9. Establishment of the Fund

There is hereby established for the Scheme a Deposit Protection Fund (hereinafter called the Fund).

10. Sources of Funds

(1) The Fund shall consist of:

- a) such sums as may be granted to the fund by the Bank and/or the Government of the Republic of Zambia;
- b) assessed premiums paid by member institutions in accordance with these Directives;
- c) money received as subventions, grants or donations to the Fund;
- d) income from investments;
- e) money recovered through subrogation, from the liquidation of assets of a member institution;
- f) money borrowed in terms of Directive 16;
- g) interest or penalties levied on member institutions; and
- h) money from any other sources as may be approved by the Bank.

(2) The receipts, earnings and accruals of the Fund and its balances shall not be accounted as an asset of the Bank.

11. Investment of the Fund

(1) The Fund account shall be held at the Bank in which premiums paid by member institutions, investment income, grants, money borrowed by the Fund, and any other monies of the Fund shall be deposited.

(2) Any money in the Fund that is not immediately required for expenditure may be invested in Government securities or any other investments in accordance with the investment policy for the Fund as approved by the Bank.

12. Target Fund Size

(1) The Bank shall determine the minimum target fund size for the Fund and the time frame within which such minimum target fund size shall be attained.

(2) The Bank shall, from time to time, review and may revise the minimum target fund size.

13. Application of the Fund

The Fund shall be used to meet:

- a) payments in respect of protected deposits;
- b) obligations for purposes of facilitating a resolution in accordance with the Act, provided the amount to be incurred does not exceed that which would have been expended in a liquidation; and
- c) any other purposes incidental to the objectives of the Fund as may be determined by the Bank.
- d) Notwithstanding the proviso in Directive 13.1 (b) the Bank may pursue a resolution option that exceeds the amount which will be incurred in a liquidation in exceptional circumstances.

14. Premiums to the Fund

14.1 Initial Premium

- (1) A member of the scheme shall pay to the Fund an initial one-off premium of 0.05 percent of total assets or as the Bank may determine from time to time.
- (2) The initial payment to be made by a member institution shall be paid not later than thirty days after the notice is served.

14.2 Annual Premium

- (1) Every member institution shall be obliged to pay a premium at a rate to be prescribed by the Bank from time to time.
- (2) The premium shall be assessed annually based on average monthly deposits.
- (3) The Bank shall serve on every member institution a notice specifying the amount of premiums to be paid into the Fund.
- (4) An assessed premium shall be paid in two equal instalments as follows:
 - a) the first instalment shall be paid not later than 21 days after the service of the notice; and
 - b) the second instalment shall be paid not later than 180 days after the service of the notice.

14.3 Special Premium

Where the Fund is not sufficient for the implementation of the objectives of these Directives, every member institution may be obliged without prejudice to Directive 14.2, to pay a special premium at an amount and on such terms and conditions as the Bank may determine.

14.4 Risk Based Premiums

- (1) The Bank may determine and charge a member institution a higher premium than the prescribed rate which reflects the risk posed to the Fund by the member institution.
- (2) The Bank shall establish a framework upon which risk-based premiums shall be determined.

14.5 Premium Default

- (1) Any premium payable by a member institution which remains unpaid after the due date, shall without notice, attract interest at a rate equivalent to the ninety-one-day treasury bill rate or any other applicable rate as may be determined by the Bank.
- (2) Where a member institution is in default of premium for more than ninety days from the due date, the Bank shall, in the case of—
 - (a) a bank, debit the current account of the member institution held at the Bank for the unpaid amount and any accrued interest; or
 - (b) deposit-taking financial institutions, issue an instruction to their sponsoring bank or commercial bank to debit the account of the member institution for the unpaid amount and any accrued interest, and remit to the Fund.
- (3) A member institution may not pay out a dividend or an amount in the nature of a dividend to a shareholder while the member institution is in default over the payment of any premium that has become due, or any interest connected therewith.

14.6 Non-Transfer of Premium Costs

The premiums payable under this Part shall not be chargeable to depositors in any form.

15. Prohibition of Premium Offset

A premium due from a member institution to the Fund shall not be reduced, adjusted, or withheld on the basis of any set-off or claim that a member institution may have against the Fund.

16. Emergency Funding

The Bank shall advance emergency funds in an event where the Fund does not have sufficient resources to meet its obligations provided that such emergency funds shall be repayable by the Fund.

17. Excluded Deposits

All deposits of a member institution shall be protected by the Fund with the exception of the following:

- a) counter claims from a person who maintains both deposit and loan account, the deposit serving as collateral for the loan;
- b) secured or guaranteed deposits;
- c) deposits of one member institution in another member institution;
- d) deposits of directors, senior management or other management personnel of the member institution as the Bank may determine;
- e) deposits of a person who participates or has the authority to participate in major policy making functions of the member institution whether or not employed by the member institution, as the Bank may determine;
- f) deposits of a shareholder of the member institution;
- g) deposits held in a foreign branch of a member institution;
- h) deposit accounts with garnishee order, seizure notice or restricted by any investigative agency;
- i) an account for which a depositor has not been identified; and
- j) deposits of an auditor of a member institution as may be determined by the Bank.

PART IV

COVERAGE AND DEPOSITOR REIMBURSEMENT

18. Coverage Limit

18.1 Extent of cover

- (1) The amount payable in the event of a payout shall be up to the coverage limit of K150,000 or as may be determined by the Bank from time to time.
- (2) Where a depositor owns only one deposit with a member institution, that deposit shall be protected in respect of the principal and interest up to the coverage limit.
- (3) Where a depositor owns more than one deposit with a member institution, the aggregate of those deposits shall be protected in respect of the principal and interest up to the coverage limit.

18.2 Coverage of Joint Accounts

- (1) Where an account is jointly held by depositors and the member institution has not been notified of the existence of any other contractual agreement between the depositors with respect to sharing the monies on the account, the Bank shall divide the balance equally among the depositors.

- (2) Where a joint account is held, depositors in that account will be identified separately for the purposes of determining the amount payable to each depositor up to the coverage limit.
- (3) Where the joint account holder has more than one account in the member institution, the amount payable to the depositor will be the principal and interest up to the coverage limit on the aggregated balance across different accounts held in the member institution.

18.3 Coverage Rules for Trusts

Notwithstanding Directive 18.1, the following rules shall apply for trust accounts:

- (1) Where a member institution is under a lawful obligation to repay monies to a depositor who is acting as a trustee for another, and the trusteeship is disclosed on the records of the member institution:
 - a) the trustee deposit shall be deemed to be a deposit separate from any deposit of that depositor acting on his own behalf or acting in another trust with the member institution;
 - b) the deposit held in trust by the trustee for each beneficiary, shall be deemed to be a separate deposit where the trustee is acting for two or more beneficiaries; and
 - c) the deposit held in trust by a trustee for a beneficiary in a member institution shall be deemed to be a deposit separate from a deposit of that beneficiary with the member institution on his own behalf and shall also be deemed to be separate from any deposit held in trust by another trustee for the beneficiary in the member institution.
- (2) Despite the provisions in Directive 18.3 (1), the Bank shall not separately protect the deposits held in trust for any beneficiary if, in the opinion of the Bank, the trust exists primarily for the purpose of obtaining or increasing the protection of these deposits.
- (3) For the purposes of Directive 18.3 (1) any deposit held in trust by the same trustee for the same beneficiary shall be aggregated and deemed to be one deposit.

18.4 Coverage for Mergers or Amalgamations

In the event of, or prior to, a merger or amalgamation of separate institutions that are members of the Scheme, depositors of the merged or amalgamated member institutions shall receive separate coverage, up to the coverage limit, for each of the banks until the effective date of the merger or amalgamation. Merging member institutions shall notify the affected depositors of the date on which the separate coverage will expire.

18.5 Limitation of claims

- (1) Notwithstanding the provisions of any other written law, a claim for payment of a protected deposit shall not be brought after the expiry of six years from the date of publication of commencement of such payment by the Bank; and

- (2) This section shall not apply to a person who has, for reasons beyond the depositor's control and to the satisfaction of the Bank, been unable to make a claim within the period specified under Directive 18.5 (1).

19. Depositor Reimbursement

- (1) In the event of a liquidation, the Bank, as it may determine, shall:
- a) within seven days of the liquidation order, inform the depositors of the procedures to be followed in claiming from the Fund, including the manner of lodging claims, the agents or persons who have been appointed to process claims and places where claims can be lodged; and
 - b) provide relevant information to stakeholders on the reimbursement process.
- (2) Payments shall be made out of the Fund in respect of protected deposits of a member institution within thirty days from the date of announcement of the modalities of payment.
- (3) Payment out of the Fund in respect of any protected deposit discharges the Fund from all liabilities to the extent of the amount of the payment made in respect of that deposit.
- (4) The payment of any sums as provided for under these Directives does not restrict the right of the depositor to the liquidation proceeds of the failed member institution for the unpaid balance.
- (5) The Bank may withhold, pending the determination of culpability or otherwise by a court, a payment due to a depositor where it is satisfied that the depositor had connived with the failed member institution's officials or had been a party to or had knowingly benefited from the circumstances which gave rise to the failure of a member institution or otherwise derived benefit from proceeds of crime.
- (6) The Bank may offset and withhold payment of such portion of the protected deposit of any depositor in an institution:
- a) against any loans or debts due and owing by that depositor to the institution; or
 - b) against any claims for damages or losses through negligence or other wrongdoing against any depositor who may be liable to the institution as a director, shareholder, officer, employee, agent, or other person.

20. Currency Reimbursement

- (1) The Bank shall reimburse a protected depositor in Zambian Kwacha.
- (2) Deposits held in foreign currency shall be converted to Zambian Kwacha using the market exchange rates at the date the member institution ceases or suspends normal operations.
- (3) If the date referred to in Directive 20 (2) falls on a Saturday, Sunday, or a public holiday, the Bank shall convert deposits held in foreign currency to Zambian Kwacha using the ruling rate published by the Bank on the immediately preceding business day.

21. Subrogation

Where the payment is made out of the Fund in respect of any protected deposit, the Fund shall be subrogated, to the extent of the amount of the payment made, to all the rights and interest of the depositor.

PART V

FINANCIAL STATEMENTS OF THE FUND

22. Books of Accounts and Records

- (1) The Bank shall maintain proper books of accounts and other records for the Fund in conformity with the Bank's accounting policy and standards.
- (2) The financial year for the Fund shall be the same as the Bank's financial year.
- (3) The books of accounts and records referred to in Directive 22 (1) shall be maintained separately from the Bank's other financial reports.

23. Audits

The Fund shall be audited annually by the Bank's external auditor.

24. Annual Report

The Bank shall include a report on the Fund in its annual report to the Minister.

PART VI

GENERAL PROVISIONS

25. Public Awareness

- (1) The Bank shall provide member institutions with information, at least once a year, including public education materials containing the following —
 - a) general information about the Scheme;
 - b) what constitutes a protected deposit and an unprotected deposit;
 - c) the coverage limit;
 - d) deposit claims procedure; and
 - e) any other information that the Bank considers relevant to the depositors.
- (2) A member institution shall display the information provided in Directive 25 (1) in a conspicuous place at its head office, branches and outlets.

- (3) A member institution shall on its website, Automated Teller Machines screen saver, mobile applications, official stationery and print adverts, make the following representation —

“Member of the Deposit Protection Scheme of Zambia”.

- (4) A radio, television or podcast advertisement made by a member institution shall contain the following statement in English, and any other local language —

“Member of the Deposit Protection Scheme of Zambia”.

26. Submission of Information

- (1) A member institution shall submit to the Bank information, data, statements and reports in a form and manner determined by the Bank.
- (2) A member institution that delays or provides inaccurate or incomplete information, data, statement, or reports to the Bank commits an offense.

27. Appointment of Agent

The Bank may appoint an agent for the purposes of executing any of its functions under these Directives.

28. Assignment

The Bank may, where it deems necessary, withhold payment to a third party in respect of any deposit with an institution until it has received an assignment in writing of all the rights and interests of the depositor in relation to the deposit.

29. Penalty for Non-Compliance

- (1) A person who contravenes any provision of these Directives commits an offence and is liable, on conviction, to a fine not exceeding Two thousand five hundred penalty units or to a term of imprisonment not exceeding two years or to both.
- (2) Despite the provision of Directive 29 (1), the Bank shall have power to compound the offence and impose an administrative sanction for any breach of these Directives.

30. Duties and Powers of the Bank

- (1) The Bank shall be responsible for the administration and management of the Fund.
- (2) Without prejudice to the generality of Directive 30 (1), the Bank shall:
- a) Provide strategic direction to the Fund;
 - b) Establish appropriate governance structures for the Fund to ensure independence of the Fund from all other operations of the Bank;
 - c) Formulate policies, internal rules and regulations of the Fund;

- d) Be responsible for the public awareness activities of the Fund and keep the public informed of the –
- (i) roles and responsibilities of the Fund in the financial sector; and
 - (ii) rights of depositors and the procedures to be followed by depositors in a resolution.
- e) Compel member institutions to comply with their legally enforceable obligations to the Fund;
- f) Enter into contracts on behalf of the Fund; and
- g) Perform any other function or duty conferred on, entrusted to or imposed on, the Bank by these Directives or by any other law or do any other thing or take any other action necessary for the attainment of the objectives of these Directives.

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Date

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F. Chipimo (PhD)
DEPUTY GOVERNOR