

# GOVERNMENT OF ZAMBIA

## GAZETTE NOTICE No.xx of 2025

### The Banking and Financial Services Act

#### The Banking and Financial Services (Insider Lending) Rules, 2025

In EXERCISE of the powers contained in section 168 of the Banking and Financial Services Act, the following Rules are hereby made:

1. These Rules may be cited as the Banking and Financial Services (Insider Lending) Rules, 2025.

Title

2. In these Rules, unless the context otherwise requires-

Interpretation

“advance” has the meaning assigned to the word in the Banking and Financial Services Act;

“associated person” has the meaning assigned to the word in the Banking and Financial Services Act;

“common enterprise” has the meaning assigned to the word in the Banking and Financial Services Act;

“common equity tier one capital” has the meaning assigned to the word in the Banking and Financial Services Act;

“control” has the meaning assigned to the word in the Banking and Financial Services Act;

“credit facility” has the meaning assigned to the word in the Banking and Financial Services Act;

“director” has the meaning assigned to the word in the Banking and Financial Services Act;

“exposure” means an advance or a credit facility as defined in the Banking and Financial Services Act;

“holding company” in relation to a bank or financial institution means any corporate entity which has control over a bank or financial institution;

"insider" has the meaning assigned to the word in the Banking and Financial Services Act;

"principal shareholder" has the meaning assigned to the word in the Banking and Financial Services Act;

"significant shareholder" has the meaning assigned to the word in the Banking and Financial Services Act;

"public sector entity" means any legal entity that is created by government that deals with either the production, ownership, sale, provision, delivery, or allocation of goods and services, by and for the government or its citizens, whether national, regional, local or municipal. Public sector entities may include local authorities, administrative bodies, and commercial undertakings.

"related interest" means a company that is controlled by a person, the funds or services of which will benefit that person;

"related party transaction" has the meaning assigned to the word in the Banking and Financial Services Act;

"segregated deposit" means an account whose funds a bank or financial institution is allowed to mark a lien on, as collateral for an exposure; and

"subsidiary" has the meaning assigned to the word in the Banking and Financial Services Act.

3. These Rules shall apply to banks and financial institutions, and any other financial service provider as the Bank may determine.

Application

4. (1) A bank or financial institution shall not grant a credit facility to an insider, without the prior written approval of the board of directors or an appropriate committee of the board.

Board approval of  
insider loans

(2) All insider exposures submitted to the board or committee of the board for approval shall be supported, by necessary documentation including a full credit appraisal report, at a minimum.

(3) Where an insider has an existing exposure with a bank or financial institution, any additional advance or credit facility shall require the prior written approval of the board of directors or an appropriate committee of the board.

(4) An insider shall not participate directly or indirectly in the approval process of a facility in which they have a vested interest.

(5) Where an insider directly or indirectly participated in the approval process of a credit facility, such credit facility shall be subjected to a new independent and objective credit appraisal.

(6) Following the credit appraisal in Sub-Rule 5, where it is found that the initial transaction was not done at arm's length, the approval shall be nullified and funds recalled immediately.

5. (1) A bank or financial institution shall not grant a credit facility to an insider or their related party, unless the credit facility is extended at arm's length on substantially the same terms and conditions and subjected to credit underwriting procedures that are not less stringent than those prevailing at the time for similar transactions, with other persons that are not insiders.

Conditions for  
lending to an insider

(2) An exception shall apply to Sub-Rule (1) for beneficial terms that are part of overall remuneration packages such as staff receiving credit at favourable rates.

(3) A bank or financial institution shall not lend to an insider mainly on the basis of future allowances or dividends from the same bank or financial institution as source of repayment.

6. (1) A bank or financial institution may use credit risk mitigation techniques subject to a twenty percent (20%) floor in line with the provisions of the Banking and Financial Services (Computation of Credit Risk Weighted Assets) Directives, 2025.

(2) One or more of the following shall qualify for credit risk mitigation:

- (a) fully secured by cash or cash equivalents;
- (b) fully secured by a segregated deposit in a bank or financial institution;
- (c) fully secured by a debt security or guarantee issued by the Government of the Republic of Zambia, where the security is:
  - (i) denominated in Kwacha, up to one hundred percent (100%) of the total value of the exposure; or
  - (ii) denominated in a foreign currency, covering at least one hundred and twenty-five percent (125%) of the total value of the exposure.

- (d) guaranteed by a multilateral development bank recognised by the Bank.

7. A bank or financial institution shall not extend a credit facility to any insider or the insider's related party where after application of the credit risk mitigation under Rule 6 (2):

Lending limits to an insider

- (a) the aggregate of any new and outstanding exposures exceeds ten percent (10%) of the bank or financial institution's common equity tier one capital; or
- (b) the aggregate of all exposures including any proposed new credit facility, to all insiders and their related parties, exceeds one hundred percent (100%) of the bank or financial institution's common equity tier one capital.

8. (1) Any breach of the limit imposed in Rule 7 shall be treated as exceptional and immediately communicated to the Bank.

Conditions for approval to exceed insider limits

(2) The Bank may exceptionally grant dispensation to exceed the limit for a shorter period, but up to a maximum of 180 days.

(3) Where a bank or financial institution does not rectify the limit breach in Sub-Rule 1 within the period prescribed in Sub-Rule 2, the Bank may take supervisory action in line with the Banking and Financial Services Act, 2017.

(4) The excess of the exposure above the limit shall be risk weighted under higher risk categories (exposures in excess of regulatory limits) in line with the provisions of the Banking and Financial Services (Computation of Credit Risk Weighted Assets) Directives, 2025.

10. A director shall disclose their indebtedness to other banks or financial institutions within ten days of contracting the debt. The information disclosed shall include the following:

Disclosure of indebtedness

- (a) the lender's name;
- (b) the date of the credit facility;
- (c) the amount of the credit facility;
- (d) security pledged as collateral; and
- (e) the tenor and status of the credit facility.

11. A bank or financial institution shall:

Submission of reports  
to the Bank

- (a) submit a report of its insider loans to the Bank in the format and frequency determined by the Bank; and
- (b) upon request by the Bank, submit further information on all or any other exposures that may be necessary for the assessment of an insider.

12. (1) The Bank may, in respect of an offence committed under these Rules, impose an administrative penalty not exceeding two hundred thousand penalty units for every day that the contravention continues and, every director, and any person concerned in the management of the bank or financial institution may be personally liable to the same fine.

Administrative  
Sanctions

(2) The Bank may take one or more of the following supervisory actions where a bank or financial institution fails to comply with these Rules:

Supervisory Actions

- (a) Deduct from regulatory capital any amount granted in excess of prescribed limits;
- (b) Direct a bank or financial institution to regularise an insider credit exposure which exceeds the prescribed lending limit within a specified time frame;
- (c) Require adequate collateral and perfection of security interests where applicable;
- (d) Reverse any preferential terms and conditions of the loan as the case may be;
- (e) Prohibit the payment of bonuses, incentives, management fees or other discretionary compensation to directors or officers; or
- (f) Any other supervisory action as provided for in the Banking and Financial Services Act.

Dated .....

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**Francis Chipimo (PhD)**  
**DEPUTY GOVERNOR**