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GAZETTE NOTICE No. 286 of 2020

The Bank of Zambia Act
(Cap 360 of the Laws of Zambia)

Prohibition Against Unwarranted Charges and Fees and Regulations of Specific Charges Directives, 2020

1.0 Preamble

The Bank of Zambia is charged with the responsibility of ensuring sound business practices and consumer protection mechanisms in the financial sector by the provisions of the Banking and Financial Services Act, No. 7 of 2017 (BFSA).

The Bank of Zambia is further empowered to regulate the charges that financial service providers may impose on a banking transaction in support of price and financial system stability under Section 44A of the Bank of Zambia Act, Chapter 360 of the Laws of Zambia.

The Bank of Zambia has determined that the imposition of unwarranted charges and fees on the members of the public is an affront to the rights of the consumers of financial services.

The Bank of Zambia has also determined that the imposition of unwarranted charges and fees threatens strides towards financial inclusion in the country.

These Directives are made by the Bank of Zambia pursuant to the powers contained in section 167 of the Banking and Financial Services Act, No. 7 of 2017 as read with section 44A of the Bank of Zambia Act.

2.0 Purpose of the Directives

The purpose of these directives is to—

1. revoke the Bank of Zambia Prohibition Against Unwarranted Charges and Fees Directives of 2018;
2. isolate and prohibit the charges and fees which the Bank of Zambia deems unwarranted as between financial service providers and retail customers and micro, small and medium enterprises; and
- (3) regulate specified charges and fees on banking transactions.

3.0 Definitions

"Bank" has the same meaning assigned to it under the Banking and Financial Services Act;

"Financial Service provider" has the same meaning assigned to it under the Banking and Financial Services Act, No.7 of 2017;

"Manager" means an officer of a financial service provider who is in a position to control, direct, or influence decision-making

"Unwarranted charges and fees" means such charges and fees imposed by banks and financial institutions which the Bank determines to be unjustifiable and undermines consumer protection and financial inclusion.

"Micro, Small and Medium Enterprise (MSMEs)" means an entity with an annual sales turnover of not more than K5,000,000.

"Retail customer" means a natural person.

"ATM" means an automated teller machine.

"Scheme Operator" means a person or body that is responsible for setting the rules and technical standards for the execution of a payment transaction using an underlying payment system and manages the daily operations of the payment system and its processes to ensure any regulatory requirements associated with the processing of a payment are met;

"Surcharge" means an extra fee or charge levied on the consumer, by a financial service provider, in addition to the fees set by scheme operator for the use of Automated Teller Machines.

4.0 Application of Directives

These Directives shall apply to all financial service providers operating in Zambia.

5.0 Revocation and Replacement of the Bank of Zambia Prohibition Against Unwarranted Charges and Fees Directives published under Gazette Notice 731 of 2018.

The Bank of Zambia hereby revokes the Bank of Zambia Prohibition Against Unwarranted Charges and Fees Directives published under Gazette Notice 731 of 2018. These Directives now replace the revoked directives.

6.0 Prohibition of unwarranted charges and fees

The imposition of charges and fees listed in the First Schedule by a financial service provider on a retail customer and micro, small and medium enterprises is hereby prohibited.

The Bank may prescribe additional charges and fees to constitute unwarranted charges and fees.

7.0 Regulation of charges and fees

A financial service provider shall not impose charges and fees on a specified banking transaction with a retail customer and micro, small and medium enterprises in excess of the charges indicated in the Second Schedule.

8.0 Publication of the Directives

A financial service provider shall publish the contents of this Directive to its customers.

9.0 Sanctions

9.1 General Penalty

A financial service provider that contravenes any provision of these Directives commits an offence and is liable upon conviction, to a fine not exceeding two hundred thousand penalty units or to imprisonment for a period not exceeding two years, or to both.

9.2 Administrative Penalties

(1) Notwithstanding the criminal sanctions provided for under Directive 9.1, the Bank may impose administrative sanctions on a financial service provider or a manager that contravenes the provisions of these Directives.

(2) The administrative sanctions that the Bank of Zambia may impose may include any of the following:

- (a) A caution not to repeat the conduct which led to the non-compliance with a provision of these Directives;
- (b) A reprimand;
- (c) A directive to take remedial actions or to make specific arrangements to redress the identified non-compliance;
- (d) A restriction or suspension of certain specified business activities;
- (e) A suspension of licence for a period not exceeding six months;
- (f) A suspension from office for a period not exceeding six months;
- (g) A removal from office;
- (h) Publication of a notice of any prohibition or requirement imposed by the Bank under this part and of any rescission or variation thereof and the notice made if the Bank considers necessary will include a statement of the reason for the prohibition, requirement, variation or rescission;
- (i) A fine not exceeding two hundred thousand penalty units.

10.0 Effective date of Directives

These Directives shall come into force on the day they are published in the *Government Gazette*.

FIRST SCHEDULE

UNWARRANTED CHARGES AND FEES

The following charges and fees are deemed to be unwarranted and are hereby prohibited:

- (1) Charge for account opening for local currency.
 2. Charge for over-the-counter cash deposits (where the amount and/or denominations cannot be deposited using alternative and convenient channels), except for bulk cash deposits, where the financial service provider may impose a charge.
 3. Charge for over-the-counter withdrawals (where the amount and/or denominations being withdrawn cannot be dispensed by an alternative and convenient channel such as an ATM).
 4. Charge for local currency cash deposit made by a third party into a customer's account.
 5. Automated Teller machine (ATM) surcharge.
 6. Charge for local currency cash deposit on Automated Teller machine.
 7. Charge for aborted ATM cash withdrawals.
 8. Charge for ATM pin reset.
 9. Charge on a basic Savings Account (without cheque book) operating within contractual terms.
 10. Monthly maintenance fees on basic savings accounts (without cheque book).
 11. Charge for transfer of funds between retail accounts domiciled in the same bank, if in local currency.
 12. Charge for transfer of an account from one branch to another branch of the same bank.
 13. Point of Sale (POS) transaction (own bank customer and other bank customers).
 14. Additional charges arising from an initial charge generated by the bank (where a customer's account has been overdrawn by a debit transaction initiated by the bank, the customer will not incur charges for the overdrawn balance).
 15. A charge for closure of a customer's account, which has operated for more than six months.
 16. Charge for re-activating a bank account.
 17. Charge for statement of account upon closing of the account, provided the customer has not received a free statement for the month.
 18. Charge for Monthly Account Statement (customers are entitled to a free statement per month. However, a charge may apply for any additional statement).
 19. Charge for balance and other account inquiries by a customer over the counter or any electronic platform.

20. Initial debit card issuance fees.
21. Debit card maintenance and renewal fees (annual, quarterly or monthly).
22. Charge on inward local fund transfers including on RTGS system and Electronic Funds Transfer (EFT).
23. Charge on inward international funds transfer where the remitter bears the full cost.
24. Charges for amendment or cancellation of a standing order.
25. Ledger fees per entry on a current or savings account.
26. Commission on turnover activities on the account.
27. Fees on debit transactions

SECOND SCHEDULE

A financial service provider shall not impose a charge or fee higher than the amounts stipulated below:

<i>Item No.</i>	<i>Nature of Bank Transaction.</i>	<i>Charge/Fee.</i>
1.0	1.1 Card PIN reissue	No Charge for electronic processing but chargeable on manual processing on a cost recovery basis.
	1.2 Card dispute investigation	No charge, unless the matter goes for arbitration. Where the matter goes for arbitration, the appropriate fee shall apply on a cost recovery basis.
2.0	Merchant Discount Rate (% range)	Not to exceed 2% of the value of the transaction
3.0	Outward transfer RTGS- Electronic	Not to exceed K40
4.0	Outward transfer RTGS- Manual	Not to exceed K55
5.0	Outward transfer DDACC/EFT- Electronic	Not to exceed K10
6.0	Outward transfer DDACC/EFT- Manual	Not to exceed K25
7.0	Processing of Salary /Bulk files using DDACC/EFT -Electronic	Not to exceed K10 per transaction
8.0	Processing of Salary /Bulk files using DDACC/ EFTs -Manual	Not to exceed K25 per transaction.
9.0	Dormant Account: An account shall be declared dormant where there is no transaction generated by the customer for a period of 12 months. Thereafter, funds shall be quarantined and no charges shall be levied. The FSP shall not create an overdraft through bank charges.	No charges shall apply on quarantined funds.
10.0	Insurance	<ol style="list-style-type: none"> i. Insurance should be disclosed separately; ii. Insurance should clearly spell out what it covers; iii. In the event of early repayment of the facility, the insurance charge shall be pro-rated and the difference refunded to the customer; and iv. Customer, except those using Bancassurance, to choose from a list of insurance companies to be recommended by the FSP.
11.0	Loan Settlement Quotation/summary statement fee	No charge