



Bank of Zambia

GUIDELINES FOR SETTING UP A FINANCIAL BUSINESS IN ZAMBIA

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1 Introduction

- 1.1 The Banking and Financial Services Act (BFSA), 2017, gives the Bank of Zambia (BoZ) the authority to license, regulate and supervise banks and other financial institutions registered under the referred Act. Licensing serves as a critical gatekeeping function in the financial sector, ensuring that only fit and proper entities are permitted to operate. A robust licensing process is, therefore, fundamental to ensuring the credibility, stability and integrity of the financial system.
- 1.2 Pursuant to Part II of the BFSA, these guidelines have been developed to ensure that entry into the financial sector is regulated. These guidelines apply in processing licence applications for different licence categories of the financial business. A financial business is a body corporate that conducts a financial service business, excluding acceptance of deposits. The categories of financial businesses include non-deposit-taking microfinance institutions, non-deposit taking leasing companies, non-deposit taking development finance institutions, bureaux de change, credit reference agencies and other financial businesses.
- 1.3 In this regard, as provided for in section 6 of the BFSA, no entity should be able to operate as a financial business without having obtained a licence from the BoZ.

PART 1

2 Name Clearance

- 2.1 It is preferable that the applicant seeking to obtain a financial business licence from the BoZ should first clear the proposed name for the financial business with the BoZ before registering it with the Patents and Companies Registration Agency (PACRA). In this regard, the applicant is required to write to the Registrar of Financial Service Providers (Registrar) submitting at least three proposed names for clearance. The application should be submitted to the following address:

The Registrar of Financial Service Providers
Bank of Zambia
7th Floor, Executive Building
Bank Square, Cairo Road
P. O. Box 30080
Lusaka, Zambia

- 2.2 For further guidance on proposed business names, kindly refer to Appendix 1.

PART 2

3 Pre-Licensing Meetings

- 3.1 Once the business name is cleared, the applicant is required to contact the BoZ, using the email address included in the letter approving the name clearance, to arrange for a pre-licensing meeting prior to submitting the licence application. The objective of this pre-licensing meeting is for the BoZ to explain the licencing requirements and the licencing process to minimise chances of licence applications being rejected on account of technicalities.

PART 3

4 Licensing Requirements

- 4.1 The applicant should complete and submit the following documents¹ to the Registrar:
- 1) A completed licence application form for the respective licence category i.e BDC Form 1 for bureaux de change, Form MFI for non-deposit taking microfinance institutions, Form BFI for all other financial businesses;
 - 2) A certificate of incorporation and certificate of share capital from PACRA;
 - 3) A PACRA computer printout with full disclosure of the natural beneficial owners and directors of the entity;
 - 4) Articles of association;
 - 5) A director's and officer's questionnaire and vital statistics form;
 - 6) Certified copies of academic and professional qualifications certificates;
 - 7) Detailed curriculum vitae with names and contact details of three (3) referees;
 - 8) Evidence of associate/fellow membership of the Zambia Institute of Chartered Accountants (ZICA) for a chief financial officer (CFO);
 - 9) Certified copies of national identity documents (National Registration Card or passport);
 - 10) A police clearance report, which should have been issued in the preceding six months, for non-resident applicants;
 - 11) A tax clearance certificates from the Zambia Revenue Authority (ZRA) for Zambian entities/individuals or other tax certificates from the relevant authority of the applicants' jurisdiction; and
 - 12) A report from a credit reference agency for beneficial owners, proposed directors, and senior managers.

¹ The following forms can be downloaded from the Bank of Zambia website (www.boz.zm):

- a) licence application forms for the respective licence categories i.e BDC Form 1 for bureaux de change, Form MFI for non-deposit taking microfinance institutions, and Form BFI for all other financial businesses;
- b) the director's and officer's questionnaire; and
- c) vital statistics forms.

4.2 The above stated forms must be accompanied by the following:

- 1) Evidence of minimum required capital for the entity. The evidence should be in the form of a letter from an accounting/auditing firm registered with the ZICA and a bank statement. The letter should clearly state the form in which the capital is being injected into the institution;
- 2) Full disclosure of the source of funds for the initial capital to be invested and that of any future funding. The disclosure of source of funds should be supported by documented evidence;
- 3) A business plan with financial projections and forecasts for a minimum of three years. The financial projections should include:
 - a) Statement of comprehensive income, statement of financial position, statement of cashflow and statement of changes in equity including underlying assumptions used in support of the financial projections;
 - b) Board charter stating the proposed roles and responsibility of board members;
 - c) Governance structures;
 - d) Business model including product offering, target market and distribution channels;
 - e) Management information system; and
 - f) An analysis of the internal strengths and weaknesses, as well as external opportunities and threats of the business (SWOT analysis).
- 4) Key institutional draft policies including risk management policy, credit policy, operational policy AML/CFTP policy, and accounting policy;
- 5) In case the shareholder is not a natural person, the following additional documents should be submitted:
 - a) A board resolution authorising investment in a financial business;
 - b) The audited financial statements for the last three years preceding the application; and
 - c) Disclosure of the ultimate beneficial owners of the business entity.
 - d) Any other relevant documents in support of the application, as may be requested by the BoZ.

4.3 The minimum capital requirements for financial businesses are shown in Table 1:

Table 1: Minimum Capital Requirements for Financial Businesses

Category of Financial Businesses (Non-Deposit Taking)	K
Development finance institutions	750,000,000
Leasing finance institutions	5,000,000
Credit reference agencies	1,500,000
Other financial businesses	5,000,000
Microfinance institution	100,000
Bureaux de change	250,000

- 4.4 An applicant is required to pay a non-refundable application fee as shown in Table 2:

Table 2: Licence Application Fee

Category of Financial Businesses (Non-Deposit Taking)	K
Development finance institutions	5,400
Leasing finance institutions	5,400
Credit reference agencies	5,400
Other financial businesses	5,400
Microfinance institution	1,000
Bureaux de change	5,400

- 4.5 Security screening fees for beneficial owners, directors and senior managers is shown in Table 3:

Table 3: Security Screening Fees

Description	Fee
Clearance of Zambians based locally	K400.00
Clearance of Zambians resident outside the country	K1,333.00
Local clearance of foreign nationals' resident in Zambia. (All foreign nationals must submit Interpol clearance certificates from their country of origin, immigration and work permits. For those who have lived in Zambia for more than six months, Zambia Police clearance must be provided)	K1,333.00

PART 4

5 Processing of a Licence Application

- 5.1 Upon receipt of a licence application, the BoZ will review the licence application and determine whether it is complete or not.
- 5.2 If the application is deemed not complete, the BoZ will highlight the inadequacies in the application and request the applicant to address the inadequacies and resubmit it. The licensing team may also hold a meeting with the applicant for further guidance. An applicant will be allowed to resubmit an application for up to three times after which if the application still does not meet the licensing requirements, the application will be escalated to the Licensing and Designation Committee with a recommendation that it be rejected.
- 5.3 If the application is deemed complete, the BoZ informs the applicant that the application is deemed complete. Within 120 days from the date when the application is deemed

complete, the BoZ reviews the application and determines whether a licence should be granted to the applicant.

- 5.4 Where the Registrar is satisfied that the applicant has met all the requirements of the BFSA and is fit and proper, he may then grant conditional approval of the licence application.
- 5.5 Where the Registrar rejects an application, the applicant may make written representations to the BoZ against the decision of the BoZ within a time stated in the letter of rejection in line with section 137 of the BFSA.

PART 5

6 Post-Licence Requirements

- 6.1 When the above licence requirements are met and the Registrar has approved the application, the applicant will be required to meet the minimum requirements for premises inspection and pay the annual licence fees.
- 6.2 The BoZ conducts an inspection of the premises to determine its suitability for the provision of financial services. The premises where a financial business is licensed to operate should meet the following minimum requirements:
 - 1) Possession of a lease agreement or a certificate of title, where the premises are owned by the entity;
 - 2) Suitable location in an area that meets the needs of the targeted customers;
 - 3) Proper offices for the conduct of intended business;
 - 4) The name of the financial business should be prominently displayed on the building in which the entity is housed;
 - 5) Telephone and email facilities dedicated to business operations;
 - 6) Safe(s);
 - 7) Adequate security measures e.g. CCTV, electronic alarm, security guard(s), etc:
 - 8) Adequate safeguards against fire, such as fire alarm, smoke detectors, serviced fire extinguishers and a designated assembly point; and
 - 9) Any other relevant requirements, as may be advised by the BoZ.
- 6.3 In addition, the applicant is required to pay annual licence fee according to the licence category as shown in Table 4:

Table 4: Annual Licence Fees

Category of Financial Businesses (Non-Deposit Taking)	K
Development finance institutions	2,700
Leasing finance institutions	2,700
Credit reference agencies	2,700
Other financial businesses	2,700
Microfinance institution	600
Bureaux de change	10,800

PART 6

7 Issuance of a Financial Business Licence

- 7.1 Upon approval of the application, payment of the annual licence fee, and satisfactory inspection of business premises, the Registrar issues the applicant with a financial business licence to conduct a financial business. When a licence is granted, it is valid until cancelled by the BoZ or surrendered by the financial business.
- 7.2 Following issuance of a licence, the financial business will be subject to the following:
- 1) The supervisory powers of the BoZ as provided for in the Bank of Zambia Act and the BFSA and various regulations and guidelines;
 - 2) Supervision by the Financial Conduct Supervision Department of the BoZ;
 - 3) Compliance with regulatory and financial conduct requirements relating to, *inter alia*, reserves, capital adequacy, liquidity, restrictions on lending, exposures to insiders, AML/CFTP and consumer protection;
 - 4) Commencement of business operations within twelve months from the date when the licence is issued;
 - 5) Regular financial conduct, AML/CFTP and Consumer protection on-site and off-site examinations, including requirements to, *inter alia*, to submit periodic returns;
 - 6) A requirement to obtain written approval of the BoZ prior to opening or closing a branch, as provided for under section 19 of the BFSA;
 - 7) A requirement to obtain written approval of the BoZ prior to changing its beneficial owners, directors, senior managers or its name;
 - 8) A requirement to designate a compliance officer who should, *inter alia*, ensure that the institution complies with the provisions of the BFSA, the Prohibition and Prevention of Money Laundering Act, the Financial Intelligence Centre Act, and all other relevant regulations.
 - 9) A requirement to ensure that it has adequate internal AML/CFTPF policies and training programmes upon commencement of business; and
 - 10) Submission to the BoZ of such other information as may be required by the BoZ from time to time.

PART 7

8 Contact Details

- 8.1 Further queries relating to requirements for operating financial business should be addressed to the Registrar. The contact details are as follows:

The Registrar of Financial Service Providers
Bank of Zambia
Bank Square, Cairo Road
P. O. Box 30080
Lusaka, ZAMBIA
Telephone: +260 211 399300, 0971 270090, 096 388482
Email: info@boz.zm

8.2 Information on the requirements for setting up a financial business is also available on the Bank of Zambia website: www.boz.zm.

APPENDIX 1: NAME CLEARANCE GUIDELINES

The Bank of Zambia considers the following factors when reviewing and clearing the proposed business names:

- 1) The name should connote the provision of financial services, where possible include the words 'financial services' or 'finance. For a bureau de change it is mandatory that the word 'Bureau de Change' is incorporated in its name;
- 2) The name should be clear and distinct or unique;
- 3) The name should not be confusingly similar to another financial service provider that already exists;
- 4) The name should not mislead the public on the nature of the services to be provided;
- 5) The name should not suggest that the applicant enjoys the patronage of the State/Government or administration of any foreign state;
- 6) The name should not be offensive, derogatory, indecent, or cause annoyance; and
- 7) The name should not be prefixed with the words 'Zambia', 'Kwacha' or 'Ngwee', or include the words 'Government' or 'State'.