



BANK of ZAMBIA

**REQUIREMENTS FOR SETTING UP A NON BANK
FINANCIAL INSTITUTION IN ZAMBIA**

REQUIREMENTS FOR SETTING UP A NON-BANK FINANCIAL INSTITUTION IN ZAMBIA

INTRODUCTION

The Banking and Financial Services Act (BFSA), 1994, gives the Bank of Zambia the authority to license, regulate and supervise banks and other financial institutions registered under the referred Act. The objective of the Bank of Zambia in this regard is to ensure and promote a safe and sound financial system.

Parts 1 and 2 of Chapter II of the BFSA relate to the licensing of banks and non-bank financial institutions. These guidelines focus on the licensing requirements for non-bank financial institutions.

The non-bank financial institution sector includes leasing companies, bureau de change, micro finance institutions, building societies, Development finance institutions, savings and credit institutions, housing finance institutions and credit reference bureaus. The licensing requirements may vary slightly depending on the category of non-bank financial institution.

PART 1

1.0 NAME CLEARANCE

1.1 A company intending to apply for a licence for a non-bank financial institution, shall be required to write to the Registrar of Banks and Financial Institutions (“the Registrar”) submitting the proposed name of the institution for clearance.

PART 2

2.0. Licensing Requirements

To operate a non-bank financial institution in Zambia, it is a requirement that the institution be registered with the Bank of Zambia.

2.1 The following forms, which can be collected from the Bank of Zambia or downloaded from the Bank of Zambia website, must be completed and submitted by the applicant to the Registrar:

- (i) An application form (**Form BFI**) completed by the promoters of the non-bank financial institution;
- (ii) The **Directors and Officers Questionnaire** and **Vital Statistics Forms** filled out by prospective directors, shareholders, chief executive officer as well as the chief financial officer;
- (iii) Certified copies of identities, that is, National Registration Cards or Passports;

- (iv) In case of foreigners, Interpol Clearance certificates from their countries of origin must be submitted;
- (v) Certified copies of academic and professional qualifications; and
- (vi) Curriculum vitae, including details of nationality or residence, for the directors and senior management and full names of referees and their contact details (i.e. proposed directors, chief executive officer and chief financial officer) of the proposed non-bank financial institution.

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

- (i) Certificate of Incorporation and Articles of Association for the company;
- (ii) Evidence of minimum required capital for the category of non-bank financial institution. The evidence shall be in the form of a letter from an audit firm registered with the Zambia Institute of Chartered Accountants. The minimum capital requirements for non-bank financial institutions are shown in **Table 1** below:

Table 1: Minimum capital requirements for NBFIs

CATEGORY	(K)
FINANCIAL INSTITUTIONS (DEPOSIT-TAKING)	
Housing Finance Institutions	50,000,000
Savings and Credit Institutions	50,000,000
Leasing Companies	50,000,000
FINANCIAL BUSINESSES (NON-DEPOSIT TAKING)	
Development Finance Institutions	750,000,000
Leasing Companies	5,000,000
Credit Reference Bureaux	1,500,000

- (iii) The source of the initial capital to be invested and that of any future funding shall be disclosed to the Bank of Zambia.
- (iv) A business plan with financial projections and forecasts for a minimum of three years from commencement date. This should include an income statement, balance sheet, cash flow statement and a copy of the accounting policies to be adopted by the proposed non-bank financial institution. Underlying assumptions must be clearly stated in the business plan;
- (v) Audited financial statements (where applicable) of the company for the year immediately preceding the application; and
- (vi) Any other documents in support of the application, as may be requested by the Bank of Zambia.

2.3 The applicant is required to pay the following:

- (a) A non-refundable application fee of K5,400.00 payable at the time of making the application; and
- (b) Upon grant of a licence, an annual licence fee applicable to the category of financial institution and payable at the beginning of each year. **Table 2** below shows the applicable annual licence fees for non-bank financial institutions.

Table 2: Bank of Zambia Fee Structure

Licence Category	Non-Bank Financial Institutions	Bureau de Change
Annual Licence Fee	K 2,700.00	K 10,800.00

(c) Security screening fees for directors and senior staff are depicted in **Table 3** below:

Table 3: Security Screening Fees

Category	Fee
Clearance of Zambians based locally	K84.00
Clearance of Zambians resident outside the country	K 795.00
Local clearance of foreigners 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)	K 795.00

The application, security screening and licence fees may be paid by cheque or by electronic funds transfer method or such other method as may be prescribed by the Bank of Zambia from time to time.

2.4 Processing of application

2.4.1 Upon receipt of a complete application, the Bank of Zambia shall, within 180 days for financial institutions other than bureau de change, review the application and determine whether a license should be granted to the applicant or not.

2.4.2 An application is considered to be **complete** when all the necessary documents have been submitted and the application fee has been paid. These documents are listed above under clauses 1.1 and 1.2. Upon receipt of a complete application, the Bank of Zambia shall inform the applicant that it has received a complete application and the stipulated days for consideration of an application referred to in 2.1 will commence from this date.

2.4.3 Where the Registrar is satisfied that the applicant:

- (a) is fit and proper and has met all the requirements of the Banking and Financial Services Act, Chapter 387 of the Laws of Zambia; and
- (b) has met all the requirements set by the Bank of Zambia,

The Registrar may then consider approving the application.

2.5 Appeal against decision not to award a licence

When an application has been rejected by the Registrar, the applicant may make written representations to Registrar who may then reaffirm, modify or revoke his/her decision. Where the Registrar reaffirms his decision to reject the said application, the applicant may within 7 days of receipt of the rejection appeal to the Minister of Finance who shall appoint a three-person Tribunal to preside

over the appeal. The decision of the Tribunal is final and binding on the parties except as to a point of law i.e. where the decision is in direct conflict with the law.

PART 3

3.0. Post-Licence Requirements

- 3.1 When the requirements under Part 2 have been fulfilled and the Registrar has approved the application, the applicant will be required to provide evidence of fulfilment of the minimum requirements for the premises of a NBF. When the premises are ready, the Bank of Zambia will conduct an inspection of the premises.
- 3.2 The premises where a non-bank financial institution is licensed to operate should meet the following minimum requirements:
- a) Possession of a lease agreement, where the premises are on lease or a Certificate of Title, where the premises are owned by the company (i.e., the non-bank financial institution);
 - b) Suitable location in an area that meets the needs of the targeted clientele;
 - c) Proper offices for the conduct of intended business;
 - d) The name of the non-bank financial institution should be prominently displayed on the building in which the non-bank financial institution is housed;
 - e) Telephone, facsimile and email facilities;
 - f) Safe (s);
 - g) Adequate security measures e.g. electronic alarm, security guard(s), etc.; and
 - h) Any other requirements, as may be advised by the Non-bank Financial Institution of Zambia.

PART 4

4.0. Issuance of a non-bank financial institution licence

- 4.1 Upon approval of the application and payment of the annual licence fee, the Registrar shall issue the applicant with a non-bank financial institution licence to conduct non-bank financial institution business.
- 4.2 When a licence is granted, it is subject to a number of conditions and is valid until revoked by the Bank of Zambia or surrendered by the non-bank financial institution.
- 4.3 Once a non-bank financial institution is registered, it becomes subject to the supervisory powers of the Bank of Zambia as provided for in the Bank of Zambia Act and the BFS. A non-bank financial institution is also supposed to adhere to regulatory and prudential requirements relating to, *inter alia*, reserves, capital adequacy, liquidity, restrictions on lending and exposures to insiders.
- 4.4 All non-bank financial institutions operating in Zambia are supervised by the Non-Bank Financial Institutions Supervision Department of the Bank of Zambia.

PART 5

5.0 Other Requirements

The following are some of the key requirements that non-bank financial institutions are supposed to take into account:

- 5.1 Once licensed, the non-bank financial institution shall be subjected to regular on-site and off-site inspections;
- 5.1 The non-bank financial institution shall be expected, *inter alia*, to file monthly prudential returns;
- 5.2 A non-bank financial institution shall not close a branch without giving the Bank of Zambia notice, as provided for under the Banking and Financial Services Act;
- 5.3 A non-bank financial institution shall not change its shareholders, directors, senior managers or its name without prior written approval from the Bank of Zambia;
- 5.4 A non-bank financial institution shall ensure that it is compliant with sections 23 and 24 of the BFSFA at **all times**;
- 5.5 A non-bank financial institution shall ensure that it has a Compliance Officer who shall, *inter alia*, ensure that a non-bank financial institution complies with the provisions of the BFSFA the Prohibition and Prevention of Money Laundering Act, Number 14 of 2001 and all other relevant legislation. A non-bank financial institution shall also ensure that it has adequate internal anti-money laundering policies, guidelines and training programmes upon commencement of business;
- 5.6 A non-bank financial institution shall submit to the Bank of Zambia such other information as may be required by the Bank of Zambia from time to time.

PART 6

6.0 Contact Details

Further queries relating to requirements for operating a non-bank financial institution should be addressed to the Registrar of Banks, Financial Institutions & Financial Businesses. The contact details are as follows:

The Registrar of Banks, Financial Institutions & Financial Businesses
Bank of Zambia
7th Floor, Executive Building
Bank Square, Cairo Road
P. O. Box 30080
Lusaka, Zambia 10101

Telephone: + 260 1 226844
Fax No.: + 260 1 237070

Information on the requirements for setting up a bank or non-bank financial institution is also available on the Bank of Zambia website: www.boz.zm.