



BANK *of* ZAMBIA

REQUIREMENTS FOR SETTING UP A BANK IN ZAMBIA

PROCEDURES AND REQUIREMENTS FOR SETTING UP A BANKING INSTITUTION UNDER THE BFSA IN ZAMBIA

INTRODUCTION

The Banking and Financial Services Act (BFSA), 1994, gives the Bank of Zambia the authority to license, regulate and supervise banks 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.

To operate a bank in Zambia, it is a requirement that the bank be licenced by the Registrar of Banks, Financial Institutions and Financial Businesses (“the Registrar”) whose office is based at the Bank of Zambia. The decision to licence banks lies with the Registrar.

PART 1: PROCEDURES FOR OBTAINING A LICENCE

The following are the stages of licensing:

1.1 Name Clearance Stage

Prior to submission of the formal application and registration of the company with the primary regulators (e.g. Registrar of Companies, Registrar of Societies etc.) an applicant must obtain clearance to use a proposed name for the bank. This is to ensure that the proposed name is not similar to an existing bank, which might create confusion in the market. An applicant is required, therefore, to seek written approval from the Registrar.

1.2 Registration of Company at Patents and Companies Registration Agency (PACRA)

Once the BoZ has approved the name, the applicants should apply to PACRA for incorporation of the proposed bank as a limited liability company.

1.3 Informal Pre-filing Stage

This stage involves meeting with prospective applicants to discuss the requirements for obtaining a licence, the licensing process and the feasibility of the prospective proposal. The importance of this stage is to clearly explain the requirements.

1.4 The Application Stage

The applicant submits a formal application to the Registrar. At this stage, an acknowledgement will be sent to the applicant in writing clearly stating that a preliminary review of the application will be conducted to determine among other things, whether the application is complete. An application is considered complete when all the necessary documents have been submitted and the application fee has been paid. These documents are listed in Clauses 2.0 and 2.1 of Part 2 below. Where the application is complete, the Bank of Zambia shall write the applicant and inform them that it has received a complete application and that, **within 180 days**, it shall review the application and determine whether a license should be granted to the applicant or not.

1.5 Licensing Process

This is the stage where the evaluation of the application is conducted. In evaluating a licence application, the following factors are considered:

- i) The bank's prospects for future earnings (i.e. whether it will be successful and profitable)
- ii) The character, qualifications and experience of the proposed directors and management i.e. "fit and proper test"
- iii) The adequacy of the bank's paid up capital; and
- iv) The convenience and needs of the community to be served by the bank.

1.6 Gazette Notice of Licence Issuance

Upon issuance of a licence a gazette notice shall be made.

PART 2: LICENSING REQUIREMENTS

2.0 The following forms, which can also be collected from the Bank of Zambia, or printed from the Bank Zambia website, must be completed and submitted by the applicant to the Registrar at the Bank of Zambia.

- (i) Application form (**Form BFI**) completed by the promoters of the bank; and
- (ii) The **Directors Questionnaires**, and **Vital Statistics Form** filled out by prospective directors, shareholders, chief executive officer as well as the chief financial officer.

2.1 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 of K104 million for a local bank and K520 million for a foreign bank;

- (iii) The disclosure of the source of the initial capital to be invested and that of any future funding;
- (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 bank. 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 where applicable or confirmed;
- (vi) Curriculum Vitae, including details of nationality or residence, for the senior management (i.e. proposed directors, senior executive officers) of the proposed bank;
- (vii) Evidence of compliance with sections 23 and 24A of the Banking and Financial Services Act, Chapter 387 of the Laws of Zambia as amended and;
- (viii) Any other documents in support of the application, as may be requested by the Bank of Zambia.

2.2 The applicant is required to pay the following:

- (a) A non-refundable application fee of 50,000 fee units (currently K9,000) payable at the time of making the application; and
- (b) Upon grant of a licence, an annual licence fee of 25,000 fee units (currently K4, 500) payable at the beginning of each year.

The application and licence fees may be paid by way of cash, cheque, the Direct Debit and Credit Clearing method or such other method as may be prescribed by the Registrar from time to time.

PART 3: POST-LICENCE REQUIREMENTS

3.0 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 bank. When the premises are ready, but before commencement of business, the Bank of Zambia will conduct an inspection of the premises.

3.1 The premises where a bank 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 bank);
- b) Suitable location in an area that meets the needs of the targeted clientele;
- c) Proper offices for the conduct of banking business;
- d) The name of the bank should be prominently displayed on the building in which the bank is housed;
- e) Telephone, facsimile and email facilities;
- f) Safe (s);
- g) A board for displaying exchange rates;

- h) Note counting machine(s)
- i) Note detector(s)
- j) Adequate security measures e.g. electronic alarm, security guard(s), etc.; and
- k) Any other requirements, as may be advised by the Bank of Zambia.

PART 4: ISSUANCE OF A BANK LICENCE

- 4.0 Upon approval of the application and payment of the annual licence fee, the Registrar shall issue the applicant with a bank licence to conduct banking business.
- 4.1 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 bank.
- 4.2 Once a bank 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 BFSA. A bank 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.
- 4.3 All banks operating in Zambia are supervised by the Bank Supervision Department of the Bank of Zambia.

PART 5: OTHER REQUIREMENTS

The following are some of the other key requirements that banks are supposed to take into account:

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

6.0. Contact Details

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

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

Telephone: + 260 211 226844
Fax No.: + 260 211 237070

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