

## GOVERNMENT OF ZAMBIA

STATUTORY INSTRUMENT NO. 62 OF 2025

**The Banking and Financial Services Act, 2017**

(Act No. 7 of 2017)

**The Banking and Financial Services (Capital Adequacy)  
Rules, 2025**

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P.O. Box 30136, 10101 Lusaka, Price K60.00 each.*

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IN EXERCISE of the powers contained in section 168 of the Banking and Financial Services Act, 2017, the following Rules are made:

## PART I

### PRELIMINARY PROVISIONS

1. These Rules may be cited as the Banking and Financial Services (Capital Adequacy) Rules, 2025. Title
2. In these Rules, unless the context otherwise requires— Interpretation
  - “additional tier one capital” means a capital instrument which provides loss absorption on a going concern basis and enhances common equity tier one, although the capital instrument does not meet the criteria for inclusion in common equity tier one;
  - “associate” has the meaning assigned to the word in the Act;
  - “bank” has the meaning assigned to the word in the Act;
  - “Bank” has the meaning assigned to the word in the Act;
  - “capital conservation buffer” has the meaning assigned to the words in the Act;
  - “capital instrument” means a financial security issued to meet capital adequacy requirements;
  - “citizen” has the meaning assigned to the word in the Constitution; Cap. 1
  - “common equity tier one” has the meaning assigned to the words in the Act;
  - “consolidated basis” means a financial position of a financial service provider including all its subsidiaries and associates;
  - “countercyclical capital buffer” has the meaning assigned to the words in the Act;
  - “financial institution” has the meaning assigned to the words in the Act;
  - “financial service provider” has the meaning assigned to the words in the Act;
  - “general loan loss reserves” means an appropriation of retained earnings by a financial service provider to create a reserve against future, presently unidentified loan losses;

“goodwill” means an intangible asset which represents the excess of the purchase value over the value of the net identifiable assets at the time of acquisition;

“leverage ratio” means a non risk based measure of common equity tier one to the total sum of assets and off balance sheet exposures;

“microfinance institution” means a person who, as part of that person’s business, advances micro credit facilities;

“off balance sheet exposures” means contingent assets or liabilities which include letters of credit, guarantees, commitments to re-purchase loans or securities, acceptances and performance bonds that the Bank considers as constituting credit risk;

“paid up capital” means the amount of money paid for common shares issued by a financial service provider;

“primary capital” has the meaning assigned to the words in the Act;

“regulatory capital” has the meaning assigned to the words in the Act;

“regulatory consolidation” means the combination of a financial service provider with an affiliate, associate, holding or subsidiary company or person that controls a financial service provider where the Bank determines that an affiliate, associate, holding or subsidiary company or person is linked to the financial service provider with the potential to impact the safety and soundness of the financial service provider;

“revaluation reserves” means an increment in a recorded or book value of a financial service provider’s own fixed assets or long term equity investments arising from a formal revaluation to reflect their current value or an amount closer to their current value and not the historical cost;

“risk weighted assets” means the amount of a financial service provider’s assets and off-balance sheet exposures, multiplied by risk weights specified by the Bank for the purposes of determining the minimum amount of regulatory capital that a financial service provider is required to have;

“secondary capital” means supplementary capital which is used to absorb losses so as to protect depositors and creditors in a gone concern; and

“solo basis” means the financial position of a financial service provider as a stand alone entity.

## PART II

### CAPITAL REQUIREMENTS

3. (1) A bank in which at least fifty one percent of the equity is owned by citizens or owned by a company that has at least fifty-one percent equity owned by citizens shall commence operations with paid-up capital of not less than one hundred and four million kwacha.

Minimum  
paid up  
capital for  
bank

(2) A bank in which more than forty-nine percent of the equity is owned by non-citizens, a foreign company or a company incorporated outside the Republic shall commence operations with paid-up capital of not less than five hundred and twenty million kwacha.

(3) A bank referred to under sub-rule (1) and (2) shall maintain the paid-up capital referred to under this rule.

4. A bank shall maintain a minimum primary capital equivalent to eight percent of the sum of the bank's risk-weighted assets or the minimum paid-up capital specified in rule 3, whichever is higher.

Minimum  
primary  
capital for  
bank

5. (1) A financial institution or financial business shall commence operations with a paid-up capital specified in the First Schedule or primary capital equivalent to ten percent of the sum of the financial institution or financial business' risk-weighted assets, whichever is higher.

Minimum  
capital for  
financial  
institution  
or financial  
business

(2) A financial institution or financial business shall maintain the minimum capital referred to under sub-rule (1).

6. (1) A financial service provider shall maintain common equity tier one capital equivalent to six percent of the sum of the financial service provider's risk-weighted assets or the minimum paid up capital specified in rule 3 if it is a bank or rule 5(1) if it is a financial institution or financial business, whichever is higher.

Other  
minimum  
capital  
requirements

(2) A financial service provider, except a financial institution or financial business providing a micro-financing service, shall maintain regulatory capital equivalent to ten percent of the sum of its risk-weighted assets or the minimum paid-up capital specified in rule 3 if it is a bank or rule 5(1) if it is a financial institution or financial business, whichever is higher.

	<p>(3) A financial institution or financial business that is providing a micro-financing service shall maintain regulatory capital equivalent to fifteen percent of the sum of its risk-weighted assets or the minimum paid-up capital specified in rule 5(1), whichever is higher.</p>
Leverage ratio	<p>7. Despite rules 3, 4, 5 and 6, a bank or financial institution shall maintain a leverage ratio in the form of common equity tier one capital of not less than six percent of the sum of total assets and off-balance sheet exposures.</p>
Capital conservation buffer	<p>8. (1) A bank or financial institution shall build and maintain a capital conservation buffer in the form of common equity tier one capital of three percent of the bank or financial institution's risk-weighted assets.</p> <p>(2) The capital conservation buffer referred to under sub-rule (1), shall be maintained in addition to the common equity tier one capital under rule 6(1).</p> <p>(3) Capital distribution constraints shall be applied by a bank or financial institution where the capital conservation buffer under sub-rule(1) falls below the minimum capital conservation buffer ratio specified in the Second Schedule.</p> <p>(4) For the purposes of sub-rule (3), capital distribution constraints shall apply to the following:</p> <ul style="list-style-type: none"> <li>(a) dividends and share buy backs;</li> <li>(b) discretionary payments on additional tier one capital instruments;</li> <li>(c) discretionary bonus payments to staff; and</li> <li>(d) any other capital distribution constraints that the Bank may determine.</li> </ul>
Counter cyclical capital buffer	<p>9. (1) A bank or financial institution shall build and maintain a counter cyclical capital buffer of between zero and two and a half percent of the risk-weighted assets in the form of common equity tier one capital.</p> <p>(2) The counter cyclical capital buffer referred to in sub-rule (1) shall be maintained in addition to the capital conservation buffer referred to under rule 8.</p>
Criteria for inclusion in common equity tier one	<p>10. A capital instrument issued by a financial service provider qualifies for inclusion in common equity tier one capital if the capital instrument meets the criteria set out in the Third Schedule.</p>

11. (1) The following shall, for the purposes of computing minimum common equity tier one capital, be deducted from or added to common equity tier one capital in the manner specified in the Fourth Schedule:

Regulatory adjustments applied in computation of common equity tier one

- (a) goodwill arising from an acquisition net of adjustments to the income statement reflecting changes from impairment of the goodwill;
- (b) other intangible assets net of adjustments to the income statement reflecting amortisation and impairment, except core banking software and other related software, where prior approval of the Bank has been obtained;
- (c) deferred tax assets net of associated deferred tax liabilities, where netting is permitted, except deferred tax assets relating to temporary differences and where deferred tax liabilities exceed the amount of deferred tax assets, the excess shall not be added to common equity tier one capital;
- (d) cash flow hedge reserve relating to the hedging of items that are not recorded at fair value on the balance sheet, including projected cash flows;
- (e) shortfall of specific provisions for loans and other losses;
- (f) net unrealised gains or losses on securities carried at fair value through other comprehensive income;
- (g) gain on sale related to securitisation transactions;
- (h) cumulative unrealised gains and losses due to changes in own credit risk on fair valued financial liabilities;
- (i) assets and liabilities of a defined benefit pension fund, sponsored by a financial service provider as an employer, after netting associated deferred tax liabilities if not already reflected in common equity tier one capital;
- (j) investments in own shares, whether held directly or indirectly;
- (k) reciprocal cross holdings of capital instruments of other financial service providers and insurance companies;
- (l) investments in the capital of entities outside the scope of regulatory consolidation;
- (m) lending of a capital nature to subsidiaries and associates;



(n) value of assets pledged to secure liabilities if the assets are not available to meet the liabilities;

(o) regulatory adjustments applied to common equity tier one capital due to insufficient additional tier one capital and tier two capital to cover deductions; and

(p) any other adjustments that the Bank may determine.

(2) Assets deducted from common equity tier one capital under sub-rule (1) shall not be included in the computation of risk-weighted assets.

Classification  
of assets  
and  
computation  
of risk  
weighted  
assets

12. (1) A bank shall classify assets and compute risk-weighted assets in a manner that the Bank determines.

(2) A financial institution shall, where the Bank requests, classify assets and compute risk-weighted assets in a manner that the Bank determines.

(3) A financial service provider, other than a bank or financial institution referred to under sub-rule (1) and (2), shall classify assets and compute risk-weighted assets in a manner set out in the Fifth Schedule.

Additional  
tier one  
capital

13. (1) A bank's or financial institution's additional tier one capital shall consist of the sum of the bank's or financial institution's capital instruments and share premium as set out in the Fourth Schedule.

(2) A capital instrument issued by a financial service provider qualifies for inclusion in additional tier one capital if the capital instrument meets the criteria set out in the Sixth Schedule.

(3) Additional tier one capital shall not exceed twenty-five percent of the primary capital.

Secondary  
capital

14. (1) A bank's or financial institution's secondary capital shall consist of the sum of the bank's or financial institution's capital instruments, share premium, general loan loss reserves, latent revaluation reserves or cumulative unrealised gains as set out in the Fourth Schedule.

(2) A capital instrument issued by a financial service provider qualifies for inclusion in secondary capital if the capital instrument meets the criteria set out in the Seventh Schedule.

Minimum  
regulatory  
capital  
requirements

15. (1) A financial service provider shall compute its minimum regulatory capital as set out in the Fourth Schedule.

(2) A financial service provider shall, in computing minimum regulatory capital in sub-rule(1), consider the following components of regulatory capital:



- (a) common equity tier one capital and primary capital shall not be less than sixty percent and eighty percent, respectively, of a financial service provider's regulatory capital;
- (b) secondary capital shall not be more than twenty percent of a financial service provider's regulatory capital;
- (c) revaluation reserves shall not be considered as primary capital; and
- (d) revaluation reserves may qualify as secondary capital if—
  - (i) they relate to the revaluation of long term investments and immovable fixed assets which have been formally identified as strategic long term investments by the board of directors of a financial service provider;
  - (ii) the revaluation is done by an independent party, whose qualifications are considered appropriate by the auditors of the financial service provider concerned, at intervals that are consistent with the accounting policy of the financial service provider;
  - (iii) the assets being revalued are of a similar nature and the revaluation of assets is undertaken at the same time;
  - (iv) a reduction in the value of the assets being revalued is taken into account where current market values are no longer supportive of the recorded values in a financial service provider's balance sheet; and
  - (v) details of the revaluations are disclosed in the financial statements of a financial service provider.

## PART III

## REGULATORY COMPLIANCE

Bank's  
guidance  
before  
issuance of  
capital  
instrument

16. (1) A financial service provider that intends to issue a capital instrument shall request the guidance of the Bank as to whether a capital instrument qualifies for inclusion as regulatory capital.

(2) Subject to sub-rule (3), the Bank shall, within sixty days of receipt of a request under sub-rule (1), provide guidance on whether a capital instrument qualifies for inclusion as regulatory capital.

(3) Where the Bank requires a financial service provider under sub-rule (1) to furnish additional information, the period of sixty days referred to in sub-rule (2) shall commence on the date the Bank receives the additional information.

Amortisation  
of  
secondary  
capital  
instruments

17. (1) A secondary capital instrument that meets the criteria set out in the Seventh Schedule shall be subject to straight line amortisation in the five years prior to—

(a) maturity; or

(b) the effective dates governing a shareholder's retraction or redemption rights.

(2) A financial service provider shall, where a secondary capital instrument approaches maturity, redemption or retraction under sub-rule (1), amortise outstanding balances in accordance with the criteria set out in the Eighth Schedule.

Exclusion  
of certain  
guarantees  
from  
regulatory  
capital  
computation

18. (1) A guarantee made by a financial service provider applicable to the liabilities of a subsidiary of the financial service provider and which is already incorporated in the consolidated financial statements, shall not be included in the computation of regulatory capital.

(2) The inclusion of off-balance sheet exposures applies to arms' length contingent liabilities of a financial service provider and the financial service provider's subsidiaries and excludes corresponding inter company commitments.

Significantly  
under  
capitalised  
financial  
service  
provider

19. A financial service provider is considered significantly under capitalised if the financial service provider holds less than fifty percent of any of the minimum capital requirements specified in rules 3, 4, 5, 6 and 7.

Internal  
capital  
adequacy  
assessment  
process

20. (1) A bank or financial institution shall have an internal capital adequacy assessment process for determining that bank's or financial institution's overall capital adequacy in relation to the bank's or financial institution's risk profile and strategy.

(2) A bank or financial institution shall, where the Bank requests, submit an internal capital adequacy assessment process report and any other supporting reports to the Bank, within one hundred and eighty days after the end of each financial year.

(3) The Bank may, after reviewing an internal capital adequacy assessment process report and other supporting reports of a bank or financial institution submitted in accordance with sub-rule (2), direct, in writing, a bank or financial institution to hold additional capital.

(4) A bank or financial institution shall be required to hold the additional capital referred to under sub-rule (3) until the Bank determines otherwise.

21. (1) A bank or financial institution shall prepare and publish information on capital and risk exposures as the Bank may determine.

Public disclosure of capital and risk exposures

(2) A bank or financial institution shall submit to the Bank, within one hundred and eighty days after the end of each financial year, disclosures on capital and risk exposures as the Bank may determine.

#### PART IV GENERAL PROVISIONS

22. A financial service provider shall maintain relevant records to facilitate verification of the financial service provider's capital adequacy position in accordance with the duration specified in section 50 of the Act.

Maintenance of Records

23. A financial service provider shall comply with the minimum capital requirements set out in these Rules as follows:

Consolidated reports

(a) on a solo basis, which measures the capital adequacy of the financial service provider based on its stand alone capital strength and risk profile; and

(b) on a consolidated basis, which measures the capital adequacy of the financial service provider based on the capital strength and risk profile after consolidating the assets and liabilities of the financial service provider's subsidiaries and associates regardless of country of domicile.

24. (1) A bank or financial institution shall submit a monthly report on its capital adequacy position to the Bank in the Form set out in the Ninth Schedule.

Submission of reports

(2) A financial business shall submit to the Bank a quarterly report or at a shorter frequency as may be determined by the financial business' capital adequacy position, in the Form set out in the Ninth Schedule.

(3) A financial service provider shall require its external auditors to—

- (a) compute the capital adequacy position of the financial service provider at the end of each financial year, taking into account the requirements of the Act and all relevant prudential guidelines and rules issued by the Bank; and
- (b) render an opinion to the financial service provider on the adequacy or inadequacy of the financial service provider's capital position and send a copy of the opinion to the Bank.

Submission  
of state of  
affairs and  
results of  
operations

25. (1) The Bank shall, where the Bank considers it necessary to determine the capital adequacy of a financial service provider under these Rules and within such period as the Bank may determine, require a financial service provider to submit to the Bank, the financial service provider's state of affairs and the results of the operations of the financial service provider and those of its subsidiaries and associates which conduct banking or financial service business.

(2) A financial service provider shall furnish the Bank with details of the activities of each subsidiary and associate of the financial service provider to enable the Bank verify which common enterprises, if any, shall not be considered in determining the capital adequacy of the financial service provider.

(3) A financial service provider shall, where there is a change to the activities referred to under sub-rule (2), inform the Bank of the change within fourteen days from the date on which the change occurred.

Rules not  
applicable  
to bureau  
de change

26. Rules 7, 8, 9, 12, 14, 15, 17, 18 and 24 do not apply to a financial business licensed to provide the purchase and sale of foreign exchange.

General  
offence and  
administrative  
penalties

27 (1) A financial service provider that contravenes these rules commits an offence.

(2) The Bank shall, 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 financial service provider may be personally liable to the same fine.

28. (1) Subject to sub-rule (2), the Banking and Financial Services (Reserve Account) Regulations, 1995, and the Banking and Financial Services (Capital Adequacy) Regulations, 1995, are revoked.

Revocation  
of statutory  
instruments  
and saving  
and  
transitional  
provisions  
S.I. No. 182  
of 1995  
S.I. No. 184  
of 1995

(2) Despite sub-rule(1), a decision made, or action taken, by the Bank under regulations 26 and 27 of the Banking and Financial Services (Capital Adequacy) Regulations, 1995, and in operation on the date of publication of these Rules shall continue to be in operation as if made under these Rules.

S.I. No. 184  
of 1995

(3) A financial service provider that does not meet the requirements of these Rules on commencement of these Rules shall enter into an agreement with the Bank to build its capital to the required level, over a period not exceeding eighteen months from the date of commencement of these Rules.

## FIRST SCHEDULE

(Rule 5)

## MINIMUM PAID-UP CAPITAL FOR FINANCIAL INSTITUTION AND FINANCIAL BUSINESS

<i>Category</i>	<i>Amount (ZMW)</i>
<b>Financial Institutions</b>	
Housing Finance Institution	50,000,000
Savings and Credit Institution	50,000,000
Leasing Finance Institution	50,000,000
Deposit-Taking Micro Institution	2,500,000
<b>Financial Business</b>	
Development Finance Institutions	750,000,000
Leasing Finance Institutions	5,000,000
Non-Deposit Taking Micro Finance Institutions	100,000
Bureaux de Change	250,000
Credit Reference Bureaux	1,500,000
Other Financial Businesses	5,000,000



## SECOND SCHEDULE

(Rule 8(3))

## MINIMUM CAPITAL CONSERVATION BUFFER RATIOS

*Buffer ranges above minimum common  
equity tier one (6.0 percent)**Minimum capital conservation  
ratios (expressed as percent of  
earnings)*

Less than or equal to 0.75 percent	100 percent
Greater than 0.75 percent but less than or equal to 1.5 percent	80 percent
Greater than 1.5 percent but less than or equal to 2.25 percent	60 percent
Greater than 2.25 percent but less than 3.0 percent	40 percent
Equal to or greater than 3.0 percent	0 percent

**THIRD SCHEDULE***(Rule 10)***CRITERIA FOR INCLUSION IN COMMON EQUITY TIER ONE CAPITAL**

A capital instrument issued by a financial service provider qualifies for inclusion in common equity tier one capital if the capital instrument meets the following criteria:

1. The capital instrument represents the most subordinate claim in liquidation of the financial service provider.
2. The capital instrument is entitled to a claim on the residual assets that is proportional with its share of issued capital, after all senior claims have been repaid in liquidation.
3. The capital instrument's principal is perpetual and never repaid outside of liquidation.
4. The financial service provider does not create an expectation at issuance that the capital instrument will be bought back, redeemed or cancelled. Neither do the statutory or contractual terms provide a feature that might give rise to such an expectation.
5. Distributions are paid out of distributable items (retained earnings included). The level of distributions is not tied or linked to the amount paid in at issuance and is not subject to a contractual cap (except to the extent that a financial service provider is unable to pay distributions that exceed the level of distributable items).
6. There are no circumstances under which the distributions are obligatory. Non-payment is, therefore, not an event of default. Features that require a financial service provider to make payments in kind are also prohibited.
7. Distributions are paid only after legal and contractual obligations have been met and payments on more senior capital instruments have been made and therefore, there are no preferential distributions, including in respect of other elements classified as the highest quality issued capital.
8. The capital instrument is the issued capital that takes the first and proportionately greatest share of any losses as they occur. Within the highest quality capital, each instrument absorbs losses on a going concern basis proportionately and on equal footing with all the others.
9. The paid-in amount is recognised as equity capital and not recognised as a liability for determining balance sheet insolvency.
10. The paid-in amount is classified as equity under the accounting standards recognised by the Zambia Institute of Chartered Accountants.
11. The capital instrument is directly issued and paid-in and the financial service provider could not have directly or indirectly funded the capital instrument or the purchase of the capital instrument.
12. The paid-in amount is neither secured nor covered by a guarantee of the issuer or related entity or subject to any other arrangement that legally or economically enhances the seniority of the claim.
13. The capital instrument is only issued with the approval of the owners of the issuing financial service provider—
  - (a) given directly by those owners;
  - (b) if legally permitted, by the Board of Directors; or
  - (c) by other persons duly authorised by the owners.
14. The capital instrument is clearly and separately disclosed on the balance sheet of a financial service provider.

## FOURTH SCHEDULE

(Rules 11(1), 13(1), 14(1) and 15(1))

## COMPUTATION OF REGULATORY CAPITAL

I.	Common equity tier one
(a)	Paid-up common shares issued by the bank or financial institution
(b)	Share premium resulting from the issue of common shares
(c)	Retained earnings
(d)	Accumulated comprehensive income and other disclosed reserves
(e)	Common shares issued by consolidated subsidiaries and held by third parties that meet the criteria for inclusion in common equity tier one
(f)	Common equity tier one before adjustments: [Sum of I(a) to I(e)]
II.	Adjustments to common equity tier one
(a)	Deduct goodwill (net of related tax liability)
(b)	Deduct other intangibles
(c)	Deduct deferred tax assets (that rely on future profitability)
(d)	Cash flow hedge reserves, deduct gains or add back losses
(e)	Deduct Shortfall of specific provisions for loan and other losses
(f)	Deduct net unrealised gains or add back net unrealised losses on securities carried at fair value through other comprehensive income
(g)	Deduct gain on sale related to securitisation transactions
(h)	Deduct cumulative unrealised gains due to changes in own credit risk on fair valued financial liabilities or add back cumulative unrealised losses due to changes in own credit risk on fair valued financial liabilities
(i)	Deduct any surplus in a defined benefit pension fund, net of any associated deferred tax liabilities and deduct any deficit in a defined benefit pension fund, if it is not already reflected in common equity tier one
(j)	Deduct investments in own shares, unless already de-recognised in accounting standards
(k)	Deduct reciprocal cross holdings of capital instruments of other financial service providers and insurance service providers

	(l)	Deduct investments in the capital of entities outside the scope of regulatory consolidation
	(m)	Deduct lending of a capital nature to subsidiaries and associates
	(n)	Deduct value of assets pledged to secure liabilities, if such assets are not available to meet the liabilities
	(o)	Regulatory adjustments applied to common equity tier one capital due to insufficient additional tier one and tier two capital to cover deductions
	(p)	Adjustments as directed by the Bank
	(q)	Adjustments to common equity tier one: [Sum of II(a) to II(q)]
III.		<b>Common equity tier one [ I(f) less II(p)]: Minimum of 75% of primary capital</b>
IV.		<b>Minimum common equity tier one: 6% of total risk-weighted assets</b>
V.		<b>Common equity tier one excess (Deficiency): [ (III) less (IV)]</b>
VI.		<b>Additional tier one capital</b>
	(a)	Instruments that meet the criteria for inclusion in additional tier one capital and are not included in common equity tier one capital
	(b)	Share premium resulting from the issue of instruments included in additional tier one capital
	(c)	Instruments issued by consolidated subsidiaries that meet the criteria for inclusion in additional tier one capital
	(d)	Additional tier one capital before regulatory adjustments [Sum of VI(a) to VI(c)]
VII.		<b>Additional tier one capital: Regulatory Adjustments</b>
	(a)	Investments in own additional tier one instruments
	(b)	Reciprocal cross-holdings in additional tier one instruments
	(c)	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation
	(d)	Adjustments as directed by the Bank
	(e)	Regulatory adjustments applied to additional tier one capital due to insufficient tier two capital to cover deductions
	(f)	Adjustments to additional tier one: [Sum of VII(a) to VII(e)]
VIII.		<b>Eligible additional tier one capital [VI(d) - VII(f)]: Maximum of 25% of Primary Capital</b>

IX.	Primary Capital [sum of III and VIII]
X.	Minimum primary capital: 8% of Total Risk Weighted Assets
XI.	Primary capital excess (Deficiency): [ (IX) less (X)]
XII.	Secondary capital
(a)	Instruments that meet the criteria for inclusion in secondary capital and are not included in primary capital
(b)	Share premium resulting from the issue of instruments included in secondary capital
(c)	Instruments issued by consolidated subsidiaries and held by third parties that meet the criteria, set out in the Sixth Schedule, for inclusion in secondary capital
(d)	General loan loss provisions limited to a maximum of 1.25% of credit risk weighted assets
(e)	40% of latent revaluation reserves or cumulative unrealised gains arising from changes in fair value of equity instruments
(f)	Secondary capital: [sum of XII(a) to XII(e)]
XIII.	Regulatory capital is the sum of Primary capital and secondary capital as computed under IX and XII.
XIV.	Minimum regulatory capital: 10% of Total Risk-Weighted Assets.
XV.	Regulatory capital excess (Deficiency): [ (XIII) less (XIV)].
XVII.	Risk-Weighted Assets.

## FIFTH SCHEDULE

(Rule 12)

## Computation of Risk-Weighted Assets for Financial Institution and Financial Businesses

## PART 1

## Computation of Risk-Weighted Assets (On-Balance Sheet)

Name of Financial Service Provider : .....

Risk-Weighted Assets as at : .....

	-1	-2	-3
	<i>Risk</i>	<i>Balance (Net</i>	<i>Risk</i>
	<i>Weight</i>	<i>of allowances</i>	<i>Weighted</i>
	<i>Percent</i>	<i>For losses</i>	<i>assets (1 x 2)</i>
		<i>(K'000)</i>	<i>K'000)</i>
ASSETS			
Notes and Coins			
-Zambian notes and coins	0		
-other notes and coins	0		
Balances held with the Bank of Zambia			
-statutory reserves	0		
-other balances	0		
Balances held with commercial banks in Zambia			
-with residual maturity of up to 12 months	20		
-with residual maturity of more than 12 months	100		
Balances with foreign financial institutions			
-with residual maturity of up to 12 months	20		
-with residual maturity of more than 12 months	100		
Assets in transit			
-from other financial service provider	50		
-from branches of reporting financial service provider	20		
Investment in Debt Securities			
-treasury bills	0		
-other government securities	20		
-issued by Local Government Units	100		
-Private securities	100		
Bills of Exchange			



-portion secured by cash or treasury bills			
-others	100		
Loans and Advances			
-portion secured by cash or treasury bills	0		
-loans to or guaranteed by the Government of Zambia	50		
-loans repayable in instalments and secured by a mortgage on owner-occupied residential property	50		
-loans to or guaranteed by local Government Units	100		
-loans to parastatals	100		
Micro Finance Loans	150		
Loans and advances to other financial service providers			
-advances guaranteed by commercial banks	20		
-with a residual maturity of 12 months	100		
-with a residual maturity of more than 12 months	100		
Business premises	100		
Acceptances	100		
Other assets	100		
Investment in equity of other companies	100		
TOTAL RISK-WEIGHTED ASSETS (on balance sheet)			

## PART 2

## Computation of Risk-Weighted Assets (Off-Balance Sheet)

Name of Financial Service Provider : .....

Risk-Weighted Assets as at : .....

	(1)	(2)	(3)
	<i>Risk</i>	<i>Balance (Net</i>	<i>Risk</i>
	<i>Weight</i>	<i>of allowances</i>	<i>Weighted</i>
	<i>Percent</i>	<i>for losses</i>	<i>assets (1 x 2)</i>
		<i>(K'000)</i>	<i>K'000)</i>
Letters of Credit			
-sight import Letters of credit	20		
-portion secured by Cash/Treasury bills	0		
-standby Letters of credit	100		
-export Letters of credit confirmed	20		
Guarantees and Indemnities			
-guarantees for loans, trade and securities	100		
-portion secured by Cash/Treasury bills	0		
-performance bonds	50		
-securities purchased under resale agreement	100		
-other contingent liabilities	100		
-net open position in foreign currencies	100		
TOTAL RISK-WEIGHTED ASSETS		_____	_____
(off balance sheet)		_____	_____
TOTAL RISK-WEIGHTED ASSETS (on- and off-balance sheets)		_____	_____

**SIXTH SCHEDULE***(Rule 13(2))***CRITERIA FOR INCLUSION IN ADDITIONAL TIER ONE CAPITAL**

A capital instrument issued by a financial service provider qualifies for inclusion in additional tier one capital if the capital instrument meets the following criteria:

1. The capital instrument is issued and paid-in.
2. The capital instrument is subordinated to depositors, general creditors and subordinated debt of the financial service provider.
3. The capital instrument is not secured or covered by—
  - (a) a guarantee of the issuer or related entity; or
  - (b) another arrangement that legally or economically enhances the seniority of the claim in relation to the creditors of the financial service provider.
4. The capital instrument is perpetual as it has no maturity date and step-ups or other incentives to redeem.
5. The capital instrument may be callable at the initiative of the financial service provider only after a minimum of five years' subject to the following:
  - (a) the financial service provider must receive the prior approval of the Bank to exercise a call option;
  - (b) the financial service provider must not do anything which creates an expectation that the call will be exercised; and
  - (c) the financial service provider must not exercise a call option unless—
    - (i) the financial service provider replaces the called instrument with capital of the same or better quality and the replacement of this capital is done on conditions that are sustainable for the income capacity of the financial service provider; or
    - (ii) the financial service provider demonstrates that its capital position will be well above the minimum capital requirements after the call option is exercised.
6. Any repayment of principal, such as through repurchase or redemption, must be made with prior supervisory approval and the financial service provider should not assume or create market expectations that supervisory approval will be given.
7. The capital instrument gives a dividend or coupon discretion as follows:
  - (a) the financial service provider must have full discretion at all times to cancel distributions or payments;

- (b) cancellation of discretionary payments must not be an event of default;
  - (c) the financial service provider must have full access to cancelled payments to meet obligations as they fall due; and
  - (d) cancellation of distributions or payments must not impose restrictions on the financial service provider except in relation to distributions to common stockholders.
- 8. Dividends or coupons must be paid out of distributable items.
- 9. The capital instrument cannot have a credit sensitive dividend feature, that is a dividend or coupon that is reset periodically based wholly or partly on the credit standing of the financial service provider.
- 10. The capital instrument cannot contribute to liabilities exceeding assets in the event of insolvency.
- 11. A capital instrument classified as liabilities for accounting purposes must have principal loss absorption through—
  - (a) conversion to common shares at an objective pre-specified trigger point; or
  - (b) a write-down mechanism which allocates losses to the capital instrument at a pre-specified trigger point and having the following effects:
    - (i) reducing the claim of the instrument in liquidation;
    - (ii) reducing the amount re-paid when a call option is exercised; and
    - (iii) partially or fully reducing coupon or dividend payments on the capital instrument.
- 12. The financial service provider or a related party over which the financial service provider exercises control or significant influence should not have purchased the capital instrument, and neither should the financial service provider have directly or indirectly funded the purchase of the capital instrument.
- 13. The capital instrument cannot have features that hinder recapitalisation, such as provisions that require the issuer to compensate investors if a new capital instrument is issued at a lower price during a specified time frame.
- 14. If the capital instrument is not issued out of an operating entity or the holding company in the consolidated group, proceeds from issuance of the capital instrument must be immediately available without limitation to an operating entity or the holding company in the consolidated group in a form that meets or exceeds the other criteria for inclusion in additional tier one capital.

**SEVENTH SCHEDULE***(Rule 14(2) and 17(1))***CRITERIA FOR INCLUSION IN SECONDARY CAPITAL**

A capital instrument issued by a financial service provider qualifies for inclusion in secondary capital if the instrument meets the following criteria:

1. The capital instrument is issued and paid-in.
2. The capital instrument is subordinated to depositors and general creditors of the financial service provider.
3. The capital instrument is not secured or covered by—
  - (a) a guarantee of the issuer or related entity; or
  - (b) another arrangement that legally or economically enhances the seniority of the claim in relation to depositors and general creditors of the financial service provider.
4. The capital instrument has a minimum original maturity of not less than five years and has no step-ups or other incentives to redeem it.
5. The capital instrument may be callable at the initiative of the financial service provider only after a minimum of five years' subject to the following:
  - (a) the financial service provider must obtain the prior approval of the Bank;
  - (b) the financial service provider must not do anything that creates an expectation that the call option will be exercised; and
  - (c) the financial service provider must not exercise a call option unless—
    - (i) the financial service provider replaces the called capital instrument with capital of the same or better quality and the replacement of this capital is done on conditions which are sustainable for the income capacity of the financial service provider; or
    - (ii) the financial service provider demonstrates that its capital position would be well above the minimum capital requirements after the call option is exercised.
6. A person that invests in the capital instrument must not have rights to accelerate the repayment of future scheduled payments (coupon or principal), except in bankruptcy and liquidation.
7. The capital instrument cannot have a credit sensitive dividend feature, that is, a dividend or coupon that is reset periodically based in whole or in part on the credit standing of the financial service provider.
8. The financial service provider or a related party over which the financial service provider exercises control or significant influence should not have purchased the capital instrument and neither should the financial service provider have directly or indirectly funded the purchase of the capital instrument.
9. If the capital instrument is not issued out of an operating entity or the holding company in the consolidated group, proceeds from the issuance of the capital instrument must be immediately available without limitation to an operating entity or the holding company in the consolidated group in a form which meets or exceeds the other criteria for inclusion in secondary capital.

**EIGHTH SCHEDULE***(Rule 17 (2))***AMORTISATION OF SECONDARY CAPITAL**

<i>Years to Maturity</i>	<i>Amount included in Capital</i>
5 years or more	100 percent
4 years but less than 5 years	80 percent
3 years but less than 4 years	60 percent
2 years but less than 3 years	40 percent
1 year but less than 2 years	20 percent
Less than 1 year	0 percent



## NINTH SCHEDULE

(Rule 24)

Form

## COMPUTATION OF REGULATORY CAPITAL

As at.....

Name of Bank/Financial Institution.....

I.	<i>Common equity tier one</i>		<i>K'000</i>
	(a)	Paid-up common shares issued by the bank or financial institution	
	(b)	Share premium resulting from the issue of common shares	
	(c)	Retained earnings	
	(d)	Accumulated comprehensive income and other disclosed reserves	
	(e)	Common shares issued by consolidated subsidiaries and held by third parties that meet the criteria for inclusion in common equity tier one	
	(f)	Common equity tier one before adjustments: [Sum of I(a) to I(e)]	
II.	<i>Adjustments to Common Equity Tier One</i>		
	(a)	Deduct goodwill (net of related tax liability)	
	(b)	Deduct other intangibles	
	(c)	Deduct deferred tax assets (that rely on future profitability)	
	(d)	Cash flow hedge reserves, deduct gains or add back losses	
	(e)	Deduct Shortfall of specific provisions for loan and other losses	
	(f)	Deduct net unrealised gains or add back net unrealised losses on securities carried at fair value through other comprehensive income	
	(g)	Deduct gain on sale related to securitisation transactions	

	(h)	Deduct cumulative unrealised gains due to changes in own credit risk on fair valued financial liabilities or add back cumulative unrealised losses due to changes in own credit risk on fair valued financial liabilities
	(i)	Deduct any surplus in a defined benefit pension fund, net of any associated deferred tax liabilities and deduct any deficit in a defined benefit pension fund, if it is not already reflected in common equity tier one
	(j)	Deduct investments in own shares, unless already de-recognised in accounting standards
	(k)	Deduct reciprocal cross holdings of capital instruments of other financial service providers and insurance service providers
	(l)	Deduct investments in the capital of entities outside the scope of regulatory consolidation
	(m)	Deduct lending of a capital nature to subsidiaries and associates
	(n)	Deduct value of assets pledged to secure liabilities, if such assets are not available to meet the liabilities
	(o)	Regulatory adjustments applied to Common Equity Tier 1 capital due to insufficient additional tier one and Tier two capital to cover deductions
	(p)	Adjustments as directed by the Bank
	(q)	Adjustments to common equity tier one: [Sum of II(a) to II(q)]
III.		Common equity tier one [ I(f) less II(p)]: Minimum of 75% of primary capital
IV.		Minimum common equity tier one: 6% of Total Risk Weighted Assets
V.		Common equity tier one excess (Deficiency): [ (III) less (IV)]
VI.		Additional tier one capital
	(a)	Instruments that meet the criteria for inclusion in additional tier one capital and are not included in Common Equity Tier One capital
	(b)	Share premium resulting from the issue of instruments included in additional tier one capital
	(c)	Instruments issued by consolidated subsidiaries that meet the criteria for inclusion in additional tier one capital
	(d)	Additional tier one capital before regulatory adjustments [Sum of VI(a) to VI(c)]
VII.		Additional tier one capital: regulatory adjustments

	(a)	Investments in own additional tier one instruments
	(b)	Reciprocal cross-holdings in Additional tier one instruments
	(c)	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation
	(d)	Adjustments as directed by the Bank
	(e)	Regulatory adjustments applied to Additional tier one capital due to insufficient tier two capital to cover deductions
	(f)	Adjustments to additional tier one capital [Sum of VII(a) to VII(e)]
VIII.		<b>Eligible additional tier one capital [VI(d) - VII(f)]: Maximum of 25% of primary capital</b>
IX.		<b>Primary Capital [sum of III and VIII]</b>
X.		<b>Minimum primary capital: 8% of Total Risk Weighted Assets</b>
XI.		<b>Primary capital excess (Deficiency): [ (IX) less (X)]</b>
XII.		<b>Secondary capital</b>
	(a)	Instruments that meet the criteria for inclusion in secondary capital and are not included in primary capital
	(b)	Share premium resulting from the issue of instruments included in secondary capital
	(c)	Instruments issued by consolidated subsidiaries and held by third parties that meet the criteria, set out in the Sixth Schedule, for inclusion in secondary capital
	(d)	General loan loss provisions limited to a maximum of 1.25% of credit risk weighted assets
	(e)	40% of latent revaluation reserves or cumulative unrealised gains arising from changes in fair value of equity instruments
	(f)	Secondary capital: [sum of XII(a) to XII(e)]
XIII.		<b>Regulatory capital: Sum of primary and secondary capital as computed under IX and XII</b>
XIV.		<b>Minimum regulatory capital: 10% of Total Risk-Weighted Assets</b>
XV.		<b>Regulatory capital excess (Deficiency): [ (XIII) less (XIV)]</b>
XVII.		<b>Risk-Weighted Assets</b>

LUSAKA  
10th September, 2025  
[BOZ.101/24/5]

F. CHIPIMO,  
Deputy Governor,  
Bank of Zambia

