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The Banking and Financial Services Act, 2017
(Act No. 7 of 2017)

The Banking and Financial Services
(Computation of Minimum Capital Requirements for Market Risk) Directives, 2025

RULE 12

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PART 1

Short Title

1. These Directives may be cited as the Banking and Financial Services (Calculation of Minimum Capital Requirements for Market Risk) Directives 2025.

Interpretation

2. In these Directives, unless the context otherwise requires:

“Banking book” means positions that are not assigned to the trading book and all other assets of the bank.

“Commodity” means a physical product, which is or can be traded on a secondary market.

“Convertible bond” means a fixed-income corporate debt security that yields interest payments but can be converted into a predetermined number of common stock or equity shares.

“Derivative” means a financial instrument which derives its value from an underlying asset.

“Equity risk” means the potential that movements in equity prices will affect the value of equity positions.

“Financial instrument” means any contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity.

“Financial asset” means any asset that is cash, the right to receive cash or another financial asset or the contractual right to exchange financial assets on potentially favourable terms, or an equity instrument.

“Financial liability” means a contractual obligation to deliver cash or another financial asset or to exchange financial liabilities under conditions that are potentially unfavourable.

“Hedge” means a position that materially or entirely offsets the component risk elements of another trading book position or portfolio.

“Interest rate derivative” means a financial instrument based on an underlying financial security whose value is affected by changes in interest rates.

“Interest rate risk” means the potential that movements in interest rates would have an effect on the value of on balance sheet and off-balance sheet positions.

“Internal hedge” means a position that materially or completely offsets the component risk element of a banking book position or a set of positions.

“Long position” means the excess of assets over liabilities.

“Market risk” means the risk of losses in on and off-balance sheet positions arising from movements in market prices.

“Marking to market” means at least the daily valuation of positions at readily available close out prices that are sourced independently.

“Short position” means the excess of liabilities over assets.

“Specific risk” means risk associated with exposures to specific issuers of debt securities or equities.

“Trading book” means positions in financial instruments and commodities held either with trading intent or to hedge other elements of the trading book.

Application

3. These Directives shall apply to banks licenced under the Banking and Financial Services Act, and to financial institutions licenced under the Banking and Financial Services Act, where the Bank requests.

PART 11

CALCULATION OF MINIMUM CAPITAL REQUIREMENTS FOR MARKET RISK

Market Risk

4. The risks subject to this requirement are:

(a) The risks pertaining to interest rate related instruments and equities in the trading book; and

(b) foreign exchange risk and commodities risk.

Scope and Coverage of Capital Charges

5. (1) A bank, or financial institution, shall hold capital that is commensurate with the level of market risk in its trading book. For the purpose of these Directives, the risk management policy of the bank or financial institution shall incorporate an internal definition and clear distinction between its banking book and trading book, the latter incorporating all financial instruments held for trading activities. Financial instruments include both primary financial instruments and derivative financial instruments.

(2) A bank or financial institution, having a significant trading book shall be required to hold capital in accordance with these Directives. A trading book shall be deemed to be significant when the carrying value is five percent or more of regulatory capital. Where a bank or financial institution has an insignificant trading book, it shall not be required to hold capital against the risk, on condition that it can demonstrate to the Bank that it has adequate processes that enable it to allocate capital to cover such a risk should it arise.

(3) With regard to interest rate risk in the banking book, a bank is expected to hold capital to cover the interest rate risk exposures from non-trading activities as determined by its internal capital adequacy assessment process.

Trading Book

6. (1) Positions held with trading intent are those held intentionally for short-term resale and/or with the intent of benefiting from actual or expected short-term price movements or to lock in arbitrage profits. These positions may include proprietary positions, positions arising from client servicing, broking and market making.

(2) To be eligible for trading book capital treatment, financial instruments shall either be:

- (a) free of any restrictive covenants on their tradability; or
- (b) able to be hedged completely.

(3) In addition, financial instruments shall be frequently and reliably valued, and be part of an actively managed portfolio.

(4) Positions arising from internal hedges are eligible for trading book capital treatment provided that they are held with trading intent and comply with the general criteria on trading intent. A bank or financial institution shall be required to have written strategies, policies and procedures approved by the board to manage positions and portfolios. The bank or financial institutions shall have a documented criteria of a hedge position and its effectiveness.

Principles for Managing the Trading Book

7. (1) A bank, or financial institution, shall have clearly defined policies and procedures for determining which exposures to include in, and to exclude from, the trading book for purposes of calculating capital. These policies and procedures shall consider general principles for managing market risk.

(2) For the purpose of calculating a capital charge for market risk, positions shall meet the following basic requirements to be eligible for trading book capital treatment:

- (a) have a clearly documented trading strategy for the position/instrument or portfolios, approved by senior management; and
- (b) have clearly defined policies and procedures for the active management of positions.

(3) In the case of internal hedges, where one leg is booked in the banking book whilst the other is booked in the trading book, an internal hedge may be included in the trading book, without prejudice to the capital requirements applicable to the banking book leg of the internal hedge, provided the following are complied with:

- (a) Internal hedges are not primarily intended to avoid or reduce capital requirements;
- (b) Internal hedges are properly documented and subject to particular internal approval and audit procedures;
- (c) The internal transaction is executed at the market rate for such a deal, given the prevailing market conditions;
- (d) The bulk of the market risk that is generated by the internal hedge is dynamically managed in the trading book within authorised limits; and
- (e) Internal transactions are carefully monitored using clearly defined policies and procedures, and trading strategy including turnover and stale positions in the bank's trading book.

(4) A bank, or financial institution, is expected to carefully monitor the way in which financial instruments are allocated between the trading book and the banking book and supporting documentation shall be made available to the Bank upon request.

(5) The board shall have the ultimate authority for selling of financial instruments in the banking book and there should be intention to trade when selling banking book positions. A bank or financial institution shall include this requirement in its internal policies.

(6) Authority to sell banking book instruments may be delegated to the Asset and liability committee or board-appointed signatories provided that the board spells out the specific policies under which such delegation may be applicable. Any sale of an instrument from the banking book shall be notified to the board upon the sale.

(7) A bank or financial institution that undermines the capital adequacy requirements, through improper classification of financial instruments between its trading and banking books, shall be liable to supervisory action.

(8) The Bank may require a bank or financial institution to provide market risk capital for positions which exhibit patterns of regular trading from the banking book and to reclassify such positions to the trading book.

(9) A bank or financial institution shall have a trading book policy statement which, at a minimum, shall include the definition of a trading book and list of activities that fall within this category. The statement shall outline explicit arrangements that prevent inappropriate switching of positions between the trading and banking books in order to prevent a bank from understating its capital positions.

Classification of Specific Financial Instruments

8. (1) Where a loan or debt has been converted into another financial instrument, a bank or financial institution has the option to classify this financial instrument in the banking book. Financial instruments resulting from loan or debt restructured arrangements are deemed not to have trading intent and may be sold off from the banking book, subject to board approval.

(2) All derivative instruments shall be classified in the trading book except derivative instruments which qualify as hedges for banking book positions.

(3) A bank or financial institution shall be required to calculate market risk capital charge for both general and specific risks, for financial instruments held from a sell and buy-back repo transaction. Financial instruments pledged in collateralised lending-type repos shall be excluded from market risk capital charge. Securities borrowing and securities lending-type transactions shall have similar treatment to sell and buy-back repos.

Valuation of Financial Positions and Reserve Requirements

9. (1) A bank or financial institution shall mark-to-market its positions.
- (2) Where marking-to-market is not possible, a bank shall mark-to-model, with an appropriate degree of conservatism.
- (3) A bank or financial institution shall conduct regular independent verification of market prices or model inputs for accuracy, at least monthly or more frequently, depending on the nature of the market and trading activity.
- (4) A bank or financial institution shall establish and maintain procedures for considering valuation adjustments or reserves. At a minimum, the following valuation adjustments shall be formally considered: unearned credit spreads, close-out costs, operational risks, early termination, investing and funding costs and future administrative costs and, if appropriate, model risk.
- (5) A bank or financial institution shall establish a reserve for less liquid positions and, on an on-going basis, review their continued appropriateness. A bank or financial institution shall, at the minimum, consider the following factors when determining whether a valuation reserve is necessary for less liquid items:
 - (a) The amount of time it would take to hedge out the position/risks within the position;
 - (b) The average volatility of bid/offer spreads;
 - (c) The availability of market quotes, number and identity of market makers;
 - (d) The average and volatility of trading volumes;
 - (e) Market concentrations;
 - (f) The aging of positions; and
 - (g) The extent to which valuation relies on marking-to-model and the impact of other models.

PART III

MEASUREMENT AND CALCULATION OF MINIMUM CAPITAL CHARGES FOR MARKET RISK

Interest Rate Risk

10. (1) The financial instruments covered under this part shall include all fixed-rate and floating-rate debt securities and instruments that share similar characteristics as debt securities, including non-convertible preference shares in the trading book. Interest rate exposures arising from forward foreign exchange transactions, derivatives and forward sales and purchases of securities are also included. Convertible bonds shall be treated as debt securities if they trade like debt securities and as equities if they trade like equities.
- (2) Interest rate sensitive instruments are normally affected by general changes in market interest rates, known as general risk and changes in factors related to a specific issuer, in particular, an issuer's credit quality, which would affect the instrument, known as specific
- (3) The minimum capital requirement for interest rate risk shall be the summation of the capital charges for:
 - (a) Specific risk of each security, whether it is a short or long position; and
 - (b) General market risk where long and short positions in different securities or instruments may be offset.

Specific Risk

11. (1) The capital requirement for specific risk is designed to protect against adverse movements in the price of an individual security owing to factors related to the issuer. In measuring the risk, offsetting shall be restricted to matched positions in the identical issue, including positions in derivatives. Even if the issuer is the same, no offsetting is permitted between different issues since differences such as coupon rates, liquidity and call features mean that prices may diverge in the short run.
- (2) A bank or financial institution shall apply specific risk capital charges to the respective risk categories as provided in Table 1 according to the Directives provided below:

Table 1: Specific risk capital charges — issuer risk

<i>Category</i>	<i>Specific Risk Capital Charge</i>
Government	0.00%
Qualifying:	
Residual term to final maturity 6 months or less	0.25%
Residual term to final maturity greater than 6 and up to and including 24 months	1.00%
Residual term to final maturity exceeding 24 months	1.60%
Other	12.00%

- (a) The category Government includes all forms of Government securities such as bonds, treasury bills and other short-term instruments. Such debt instruments shall be given a zero percent specific risk charge if they are issued by the Government of the Republic of Zambia and are denominated in Zambian Kwacha.
- (b) For other qualifying instruments, the specific risk capital charge shall be based on residual term to final maturity as shown in table 1.
- (c) All other instruments including those issued by the Government of the Republic of Zambia and denominated in foreign currency shall be assigned a specific risk capital charge of 12 percent.
- (d) For debt securities issued by official entities and multilateral development banks as indicated in appendix 1, the specific risk capital charge shall be at zero percent.
- (e) The Qualifying category includes securities that are:
- (i) issued by a financial service provider supervised by the Bank; or
 - (ii) rated investment-grade by the credit rating agencies listed in Table 2 and any other as may be approved by the Bank.

Table 2: Credit Rating Agencies and Investment Grade Ratings

<i>Rating Agency</i>	<i>Minimum Ratings</i>
Moody's Investor Services	Baa
Standard and Poor's Corporation	BBB
Fitch Investor Services Inc.	BBB-
Global Credit Rating Company	BBB-/ A3

(3) The specific risk capital requirement of securitisation positions which are held in the trading book is to be calculated by dividing the risk weight calculated as if it were held in the banking book.

General Risk

12. (1) The capital requirements for general risk are designed to capture the risk of loss arising from changes in market interest rates. Under these Directives, only the maturity method of measuring interest rate risk is allowed. The capital charge under the maturity method shall therefore be the sum of the following four components:

- (a) a net open position charge, the net short or long position in the whole trading book, to cover directional interest rate risk;
- (b) a small proportion of the matched positions in each time-band, otherwise known as the vertical disallowance charge, to cover basis risk and gap risk;
- (c) a larger proportion of the matched positions across different time-bands, otherwise known as horizontal disallowance charge, to cover yield curve risk; and
- (d) separate maturity ladders shall be used for each currency and capital charges shall be calculated for each currency in Zambian Kwacha equivalent, and then summed with no offsetting between positions of opposite sign.

Maturity Method

13. For currencies in which business is insignificant, separate maturity ladders for each currency is not required, instead a single maturity ladder may be constructed and slot within each appropriate time-band, the net long or short position for each currency. These individual net positions are to be summed within each time-band, irrespective of whether they are long or short positions, to produce a gross position figure.

Calculation of Positions

14. The long or short positions in debt securities and other sources of interest rate exposures including derivative instruments, shall be slotted into a maturity ladder comprising 13 time-bands as specified in Table 3. Fixed-rate instruments shall be allocated according to the residual term to maturity and floating-rate instruments according to the residual term to the next re-pricing date.

Table 3: General Interest Rate Risk Weights

<i>Zone</i>	<i>Coupon 3% or more</i>	<i>Coupon less than 3%</i>	<i>Risk Weight</i>
	1 month or less over 1 and up to 3 months over 3 and up to 6 months over 6 and up to 12 months	1 month or less over 1 and up to 3 months over 3 and up to 6 months over 6 and up to 12 months	0.00 0.20 0.40 0.70
2	over 1 and up to 2 years over 2 and up to 3 years over 3 and up to 4 years	over 1.0 and up to 1.9 years over 1.9 and up to 2.8 years over 2.8 and up to 3.6 years	1.25 1.75 2.25

Zone	Coupon 3% or more	Coupon less than 3%	Risk Weight
3	over 4 and up to 5 years over 5 and up to 7 years over 7 and up to 10 years over 10 and up to 15 years over 15 and up to 20 years over 20 years	Over 3.6 and up to 4.3 years over 4.3 and up to 5.7 years over 5.7 and up to 7.3 years over 7.3 and up to 9.3 years over 9.3 and up to 10.6 years over 10.6 and up to 12 years over 12 and up to 20 years over 20 years	2.75 3.25 3.75 4.50 5.25 6.00 8.00 12.50

Computation of Capital Charges For General Market Risk — Maturity Method

15. (l) The computation of the capital charge for general market interest rate risk shall involve slotting each position in their respective maturity ladder using the following steps:

- (a) Step 1- Risk weight the aggregate positions in each time band by a factor designed to reflect the price sensitivity of those positions to assumed changes in interest rates. The risk weights for each time band are set out in Table 3. Zero-coupon bonds and deep-discount bonds, defined as bonds with a coupon of less than three percent, shall be slotted according to the time-bands set out in the second column of the table.
- (b) Step 2- The weighted short or long weighted position in each time-band is then obtained.
- (c) Step 3 - The net weighted positions for all time-bands are added up to produce an overall net long or short position.
- (d) Step 4 - A vertical disallowance for each time-band shall be computed by applying a ten percent capital charge to reflect basis and gap risk, on the smaller of the offsetting positions, whether long or short, within each time band. The vertical disallowance would have neither a positive nor negative sign.
- (e) Step 5 -The result of the calculations in Step 4 produces two sets of weighted positions, the net long or short position in each time band. The maturity ladder is then divided into three zones for calculating horizontal disallowance:
 - Zone 1 Zero to one year;
 - Zone 2 One year to four years; and
 - Zone 3 Four years and over

Time bands are grouped into three zones and there are three rounds of horizontal disallowance as shown in Table 4.

Table 4: Horizontal Disallowance

Zones	Time-band	Within the zone (Round one)	Between adjacent zones	Between zones 1 and 3
Zone 1	0 — 1 month 1 — 3 months 3 — 6 months 6 — 12 months	40%	40%	100%
Zone 2	1 — 2 years 2 — 3 years 3 — 4 years	30%		
Zone 3	4 — 5 years 5 — 7 years 10 — 15 years 15 — 20 years Over 20 years	40%		

The three rounds of horizontal disallowance shall be conducted as follows:

- Round 1: Horizontal disallowance within each individual zone
- Round 2: Horizontal disallowance between adjacent zones
- Round 3: Horizontal disallowance between zones I and 3

- (f) Step 6 - For each currency add up the capital charges to produce the overall charge for the general market risk.

Interest Rate Derivatives

16. (1) The measurement of interest rate derivatives shall include all interest rate derivatives and off-balance sheet instruments in the trading book which react to changes in interest rates such as, forward rate agreements, other forward contracts, bond futures, interest rate and cross-currency swaps and forward foreign exchange positions.

(2) The derivatives shall be converted into positions in the relevant underlying security and be subjected to specific and general market risk charges. To determine the capital charge under these Directives, the amounts reported shall be the market value of the principal amount or of the notional amount of the underlying instrument.

Futures and Forward Contracts, Including Forward Rate Agreements

17. (1) Futures and forward contracts, including forward rate agreements, with the exception of futures or forwards on corporate bonds, corporate bond indices or other corporate securities, are treated as a combination of a long and a short position in a notional Government security. The maturity period of a futures or forward rate agreement shall be the period until delivery or exercise of the contract, plus — where applicable — the life of the underlying instrument.

(2) In case of a future or forward on a corporate bond or corporate bond index, positions shall be included at the market value of the notional underlying security or portfolio of securities. In the case of foreign currency forward contracts, either a long or short position in the market value of each underlying currency leg shall be recorded in the respective maturity ladders capturing the relevant currency interest rate risk.

Swaps

18. (1) Swaps shall be treated as two notional positions in government securities with relevant maturities.

(2) For swaps that pay or receive a fixed or floating interest rate against some other reference price, such as a stock index, the interest rate component shall be slotted into the appropriate re-pricing maturity category, with the equity component being included in the equity framework. The separate legs of cross-currency swaps are to be reported at market value in the relevant maturity ladders for the currencies concerned.

Offsetting Matched Positions

19. (1) A matched position in a future or forward and its corresponding underlying may also be fully offset, and thus excluded from the calculation. When the future or the forward comprises a range of deliverable instruments, offsetting of positions in the future or forward contract and its underlying is only permissible in cases where there is a readily identifiable underlying security which is most profitable for the trader with a short position to deliver. The price of this security, sometimes called the cheapest-to-deliver, and the price of the future or forward contract shall in such cases move in close alignment.

(2) Opposite positions in the same category of instruments can, in certain circumstances, be regarded as matched and allowed to offset fully. To qualify for this treatment, the positions shall relate to the same underlying instruments, be of the same nominal value and be denominated in the same currency.

(3) In the case of futures, offsetting positions in the notional or underlying instruments to which the futures contract relates shall be for identical products and mature within seven days of each other;

(a) for swaps and forward rate agreements, the reference rate, for floating rate positions, shall be identical and the coupon closely matched, that is, within 15 basis points; and

(b) for swaps, forward rate agreements (FRAs) and forwards, the next interest fixing date or, for fixed coupon positions or forwards, the residual maturity shall correspond within the following limits:

(i) less than one month hence same day;

(ii) between one month and one year hence within seven days; and

(iii) over one year hence within thirty days.

(4) When a bank holds a trading book security and enters into a repurchase agreement (Repo) to sell the underlying trading book security, the first leg of the repo agreement shall be treated as an offsetting short position to the long position in the underlying security based on the market value and remaining maturity of the underlying security.

(5) The second leg of the repo shall reflect the forward purchase of the underlying security and shall be recorded as:

(i) a long position in the market value and the remaining maturity of the underlying security; and

(ii) a short position in the market value of the underlying security and the remaining maturity of the repo agreement.

(6) When a bank enters into a reverse repo agreement to buy the underlying trading book security, the first leg is treated as a long position in the underlying security, where the position is recorded by the market value and the remaining maturity of the underlying security.

(7) The second leg of the repo agreement shall reflect the forward sale of the underlying security. This shall be recorded as:

(a) A short position in the market value and the remaining maturity of the underlying security; and

(b) A long position in the market value of the underlying security and the remaining maturity of the repo agreement.

A summary of the Directives for dealing with interest rate derivatives is set out in Table 5.

Table 5: Summary of Directives for treatment of interest rate derivatives

<i>Instrument</i>	<i>Specific risk charge</i>	<i>General risk charge</i>
<i>Exchange-traded futures/OTC forwards</i>		
- Government debt security	No	Yes, as two positions
- Corporate debt security	Yes	Yes, as two positions
- index on interest rates	No	Yes, as two positions
FRAs, Swaps	No	Yes, as two positions
Forward foreign exchange	No	Yes, as one position in each currency
<i>Options</i>		Either
- Government debt security		(a) carve out together with the associated hedging positions using the simplified method or; (b) general market risk charge according to the delta-plus method (Gamma and Vega shall receive separate capital charges)
- Corporate debt security	Yes	
- index on interest rates	No	
- FRAs, Swaps		
Repo	Yes	Yes, as 4 positions
Reverse Repo	No	Yes, as 3 positions

Equity Position Risk

20. (1) A bank or financial institution shall be required to hold capital to cover the risk of taking long or short positions, or both, in equities or instruments that exhibit market behaviour similar to equities, with the exception of non-convertible preference shares, in their trading book. The instruments covered shall include ordinary shares, whether voting or non-voting, exchange traded funds, convertible securities that behave like equities, and commitments to buy or sell equity securities, depository receipts, equity derivatives, stock indices, index arbitrage and any other on-balance or off-balance sheet positions which are affected by changes in equity prices. Underwriting of equities shall also be included and regarded as an option instrument.

(2) A bank or financial institution shall exclude non-convertible preference shares from these calculations as they are covered under the interest rate risk requirements described in these Directives.

Specific and General Market Risk

21. (1) The minimum capital standard for equities is expressed in terms of two separately calculated charges for the specific risk of holding a long or short position in an individual equity and for the general risk of holding a long or short position in the market as a whole. The long or short position in the market shall be calculated on a market-by-market basis. Hence, a separate calculation shall be carried out for each national market in which the bank holds equities. The long and short positions in instruments relating to the same issuer may be reported on a net basis.

(2) The capital charge for equity risk shall be the sum of the charges for general and specific market risks defined below.

Specific Risk

22. Matching opposite positions for the same equity issuer may be netted-off. The capital charge for specific risk shall be ten percent of the gross equity position. However, if a portfolio is both liquid and well diversified, the capital charge shall be eight percent.

General Risk

23. General risk shall be assessed on the difference between the sum of the longs and the sum of the shorts of all equity positions, that is, the overall net position in an equity market. The general risk capital charge shall be ten percent of the net overall position.

Equity Derivatives

24. (1) Equity derivatives and off-balance sheet positions which are affected by changes in equity and equity index prices shall be included in the measurement system. The equity derivatives are to be converted into positions in the relevant underlying as follows:

- (a) Futures and forward contracts relating to individual equities shall be reported at current market prices;
- (b) Futures relating to equity indices shall be reported at market value of the notional underlying equity portfolio;
- (c) Equity swaps are to be treated as two notional positions; and
- (d) Equity options and stock index options shall be either carved out together with the associated underlying instruments or be incorporated in the measure of general market risk described under the delta-plus method.

Calculation of Capital Charges — Measurement of Specific and General Market Risk

25. Matched equity derivative positions with identical equity or equity index underlying in each market may be fully offset, resulting in a single net short or long position to which the specific and general risk charges shall apply.

Risk in Relation to an Index

26. Besides general market risk, a further capital charge of two percent shall apply to the net long or short position in an index contract comprising a diversified portfolio of equities to cover factors such as execution risk.

Offsetting of Matched Equity Derivative Positions

27. (1) In the case of the futures-related arbitrage strategies described below, the additional two percent capital charge described above may be applied to only one index with the opposite position exempt from a capital charge. The strategies are:

- (a) When the bank or financial institution takes an opposite position in exactly the same index at different dates or in different market centres; and
- (b) When the bank or financial institution has an opposite position in contracts at the same date in different but similar indices, provided that the two indices contain sufficient common components to justify offsetting. This shall be subject to supervisory review.

(2) Where a bank or financial institution engages in a deliberate arbitrage strategy, in which a futures contract on a broadly-based index matches a basket of stocks, it shall be allowed to carve out both positions from the standardised methodology on condition that:

- (a) The trade has been deliberately entered into and separately controlled; and
- (b) The composition of the basket of stocks represents at least 90 percent of the index when broken down into its notional components.

(3) In such a case, as described in Sub-Directive (1), the minimum capital requirement will be four percent, that is two percent of the gross value of the positions on each side, to reflect divergence and execution risks. This applies even if all of the stocks comprising the index are held in identical proportions. Any excess value of the stocks comprising the basket over the value of the futures contract or excess value of the futures contract over the value of the basket is to be treated as an open long or short position.

(4) If a bank takes a position in depository receipts against an opposite position in the underlying equity or identical equities in different markets, it may offset the position but only on condition that any costs on conversion are fully taken into account.

(5) Table 6 summarises the regulatory treatment of equity derivatives for market risk purposes.

Table 6: Summary of treatment of equity derivatives

<i>Instrument</i>	<i>Specific Risk</i>	<i>General Risk</i>
<i>Exchange-traded or OTC-Future</i>		
Individual equity	Yes, as per the underlying equity	Yes, as per the underlying
Index	2%	Yes, as per the underlying index.
<i>Options</i>		
Individual equity	Yes, as per the underlying equity.	Either: (a) Carve out together with associated hedging positions — simplified approach; scenario analysis; internal models (b) Apply the general market risk charge according to the delta-plus method while gamma and vega shall receive separate capital charges.
Index	2%	

Foreign Exchange Risk

28. (1) This section sets out the minimum capital requirement to cover the risk of holding or taking positions in foreign currencies, including gold. Gold shall be treated as a foreign exchange position rather than a commodity because its volatility is more in line with foreign currencies. Two processes are needed to calculate the capital requirement for foreign exchange risk. The first is to measure the exposure in a single currency position. The second is to measure the risks inherent in the bank, or financial institution's mix of long and short positions in different currencies.

(2) The capital charge shall be ten percent of the higher of the total net long or total net short foreign currency position. The net position in gold shall be treated on a standalone basis and a ten percent capital charge shall be applied.

Measuring the Exposure in a Single Currency

29. (1) A bank or financial institution shall calculate the net open position in each currency by summing the following positions:

- (a) the net spot position, that is, all foreign currency asset items less all foreign currency liability items, such as, currency and notes, trade bills, government and private debt papers, loans and deposits, foreign currency accounts and accrued interest denominated in the currency in question;
- (b) the net forward position, that is, all amounts to be received less all amounts to be paid under forward foreign exchange transactions, including currency futures and the principal on currency swaps not included in the spot position;

- (c) guarantees and similar instruments that are certain to be called and are likely to be irrecoverable;
- (d) any other item representing a profit or loss in foreign currencies; and
- (e) the net delta-based equivalent of the total book of foreign currency options.

(2) Positions in gold shall be measured in terms of a standard unit of measurement which is then converted at reporting date spot exchange rate into Zambian Kwacha. Where gold is part of a forward contract, the quantity of gold to be received or to be delivered, any interest rate or foreign currency exposure from the other leg of the contract, shall be reported.

Treatment of Structural Position

30. (1) A matched currency position will protect a bank or financial institution against loss from movements in exchange rates but will not necessarily protect its capital adequacy ratio. A bank or financial institution shall be allowed to protect its capital adequacy ratio by running a short position in Zambian Kwacha. Thus, any positions which a bank has deliberately taken to hedge partially or totally against the adverse effect of the exchange rate on its capital adequacy ratio may be excluded from the calculation of net open currency positions, subject to each of the following conditions being met:

- (a) such positions need to be of a “structural”, that is, of a non-dealing, nature;
- (b) the “structural” position excluded does no more than protect the bank’s capital adequacy ratio; and
- (c) any exclusion of the position needs to be applied consistently, with the treatment of the hedge remaining the same for the life of the assets or other items.

(2) A capital charge shall not apply to positions related to items that are deducted from a bank’s capital when calculating its capital base, such as investments in non-consolidated subsidiaries, nor to other long-term participations denominated in foreign currencies, which are reported in the published accounts at historic cost. These may also be treated as structural positions.

Measuring Foreign Exchange Risk: Portfolio of Foreign Currency Positions and Gold

31. Under the standard shorthand method, the nominal amount or net present value of net position of the combined trading and banking book in each foreign currency is converted at spot rates, as at reporting date, into Zambian Kwacha. The overall net open position is measured by aggregating:

- (a) the sum of the net short positions or the net long positions, whichever is the greater, plus
- (b) the net position, short or long in gold, regardless of sign including gold futures, forwards, synthetic futures, and options if banks or financial institutions are applying the Delta plus method.

Commodities Risk

32. (1) This section sets out the minimum capital requirements to cover the risk of holding or taking positions in commodities. Commodities covered in this section include:

- (a) Precious metals, excluding gold which shall be treated as a foreign currency;
- (b) Minerals, including oil; and
- (c) Agricultural products.

(2) Positions in commodities resulting from derivatives contracts or off-balance sheet instruments are also included in this measurement framework. Commodities risk shall be captured throughout the trading book and the banking book.

(3) A bank or financial institution shall be required to use the Simplified Approach.

The Simplified Approach

33. To compute capital for commodities risk, banks shall be required to do the following:

- (a) express each commodity position, spot plus forward, in terms of the standard unit of measurement such as barrels, kilos and grams, including commodity derivatives and off-balance sheet positions, which are affected by changes in commodity prices;
- (b) Convert each position in (a) at current spot rates into Zambian Kwacha;
- (c) Convert the net long or short position in each commodity;
- (d) Compute a capital charge of fifteen percent on the overall net open position;
- (e) Compute the gross position, long plus short, in each commodity;
- (f) To protect the bank or financial institution against basis risk, interest rate risk and forward gap risk, an additional capital charge of three percent of the sum of the bank or financial institution’s gross positions, that is, the sum of the absolute values of the long and short positions in each commodity, shall be applied.
- (g) The total capital charge for each commodity shall be the sum of the fifteen percent and three percent capital charges.
- (h) The total capital charge shall be the sum of the capital charges computed for each commodity and the additional capital charges.

Off Setting

34. Offsetting between positions shall be applied as follows:

- (a) Offsetting is allowed between long and short positions in each commodity to calculate open positions; and
- (b) In general, offsetting is not allowed between positions in different commodities.

PART IV

TREATMENT OF OPTIONS

Capital Charge Approaches

35. Two approaches shall be permitted under these Directives. A bank or financial institution which solely uses purchased options shall be expected to use the simplified approach, whilst a bank or financial institution which writes options shall be expected to use the delta-plus approach.

The Simplified Approach

36. (1) A bank or financial institution which handles a limited range of purchased options only, shall use the simplified approach. In this approach, the positions for the options and the associated underlying, cash or forward, are not subject to the standardised methodology but rather are carved-out and subject to separately calculated capital charges that incorporate both general market risk and specific risk. The risk numbers thus generated are then added to the capital charges for the relevant category, that is, interest rate related instruments and foreign exchange.

(2) A bank or financial institution whose option risk emanates from underwriting of equity during initial public offering, rights issues and debt securities are expected to use the simplified approach to estimate the required capital charge for these transactions on a trade-by-trade basis.

Underwriting of Equity Type Instrument; Initial Public Offering and Rights Issue

37. The capital charge shall be the amount of equity in the underwriting agreement which the bank is committed to underwrite multiplied by the sum of the specific risk and general risk weights as prescribed in Directives 24 and 25. The resultant amount is then multiplied by fifty percent, the conversion factor which estimates the pick-up probability. The recognition period of the underwriting equity risk begins from the date when the underwriting agreement is signed until the date of issuance. Equity positions held post-issuance date shall be treated in line with the Directives on equity position risk.

Underwriting of Debt Instruments

38. The amount of debt to be raised in the underwriting agreement in which the bank or financial institution is committed to underwrite, multiplied by a conversion factor of fifty percent, which estimates the pick-up probability. The resultant figure shall be incorporated in the interest rate risk to calculate the capital charge for general risk. For specific risk charge, the same resultant figure is multiplied by the specific risk charge stipulated in Table 1. The recognition period for the underwriting agreement begins from the date when the underwriting agreement is signed until the date of issuance. Debt positions held post-issuance date shall be treated in line with the Directives on interest rate risk.

Purchased Options

39. Table 7 summarises what the capital charges would be under the simplified approach.

Table 7: Simplified approach — capital charges for options

<i>Position</i>	<i>Treatment</i>
Long cash and long put or Short cash or long call	The capital charge shall be the market value of the underlying security multiplied by the sum of specific and general market risk charges for the underlying less the amount the option is in the money, if any, bounded at zero.
Long call or Long put	The capital charge shall be the lesser of: (i) the market value of the underlying security multiplied by the sum of specific and general market risk charges for the underlying; and (ii) the market value of the option.

The Delta-plus method

40. (1) A bank or financial institution which writes options may, with prior Bank approval, include delta-weighted option positions within the standard methodology set out in these Directives. Such options shall be repositioned as a position equal to the sum of the market values of the underlying, multiplied by the sum of the absolute values of the deltas. However, since delta does not cover all risks associated with option positions, a bank or financial institution is also required to measure gamma, which measures the rate of change of delta, and vega, which measures the sensitivity of the value of an option with respect to a change in volatility, in order to calculate the total capital charge.

(2) Delta-weighted positions with debt securities or interest rates as the underlying, shall be slotted into the interest rate time bands, in line with the Directives on interest rate risk, under the following procedure: Similar to other derivative transactions, a two-legged approach shall be used, which requires one entry at the time the underlying contract takes effect and a second entry, at the time the underlying contract matures. Floating-rate instruments with caps or floors shall be treated as a combination of floating-rate securities and a series of European style options.

(3) The capital charge for options with equities as the underlying, shall also be based on the delta-weighted positions which shall be incorporated in the measurement of the exposure of the respective currency positions in line with the Directives on equity position risk.

(4) In addition to the capital charge arising from delta risk, there shall be further capital charges for gamma and vega risks. A bank or financial institution using the delta-plus method shall be required to calculate the gamma and the vega for each position separately.

(5) The capital charges shall be calculated in the following way:

Gamma impact $\frac{1}{2} \times (VU)^2$

Where VU = variation in the price of the underlying of the option

VU shall be calculated as follows:

- (a) for interest rate options, the market value of the underlying shall be multiplied by the risk weights set out in Table 1;
 - (b) for options on equity and equity indices, the market value of the underlying shall be multiplied by the equity general risk charge of ten percent;
 - (c) for options on foreign exchange, the market value of the underlying multiplied by ten percent; and
 - (d) for options on commodities, the market value of the underlying shall be multiplied by fifteen percent.
- (6) For the purpose of calculating the gamma impact, the following shall be treated as the same underlying:
- (a) for interest rates, each time band is set out in Table 3;
 - (b) for equities and stock indices, each national market; and
 - (c) for foreign currencies, each currency pair and gold.

(7) Each option on the same underlying shall have a gamma impact that is either positive or negative. These individual gamma impacts shall be summed, resulting in a net gamma impact for each underlying which is either positive or negative. Only net gamma impacts that are negative shall be included in the capital calculation.

(8) The total gamma capital charge shall be the sum of the absolute value of the net negative gamma impacts as calculated above.

(9) For volatility risk, a bank or financial institution shall be required to calculate the capital charges by multiplying the sum of the vegas for all options on the same underlying, as defined above, by a proportional shift in volatility of “plus or minus” twenty five percent.

(10) The total capital charge for vega risk shall be the sum of the absolute value of the individual capital charges that have been calculated for the vega risk.

Appendix 1: Official entities and multilateral development banks

Bank for International Settlements BIS
International Monetary Fund IMF)
European Central Bank (ECB)
European Community (EC)
World Bank Group (WBG)
International Bank for Reconstruction and Development IBRD
International Finance Corporation (IFC)
Asian Development Bank (ADB
African Development Bank (ADB)
European Bank for Reconstruction and Development
Inter-American Development Bank (IADB
European Investment Bank (EIB
European Investment Fund (EIF
Nordic Investment Bank (NIB)
Caribbean Development Bank (CDB)
Islamic Development Bank (IDB)
Council of European Development Bank CEDB
Netherlands Development Finance Com an / Dutch Development Bank FMO
Kreditanstalt fiir Wiederaufbau (KFW)
PROPARCO
United States International Development Finance Corporation (DFC)
African Export-Import Bank (Afrexim Bank)

Dated 10th September, 2025

F. CHIPIMO (PhD),
Deputy Governor

The Banking and Financial Services Act, 2017
(Act No. 7 of 2017)

Rule 20 of the Capital Adequacy Rules 2025

The Banking and Financial Services
(Internal Capital Adequacy Assessment Process) Directives, 2025

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PART 1

Short Title

1. These Directives may be cited as the Banking and Financial Services (Internal Capital Adequacy Assessment Process) Directives 2025.

Interpretation

2. In these Directives, unless the context requires—

‘market risk’ means the risk of losses in on and off-balance sheet positions arising from movements in market prices.

‘risk appetite’ means the aggregate level and types of risk a bank or financial institution is willing to assume, decided in advance and within its risk-taking capacity, to achieve its strategic objectives and business plan.

‘scenario analysis’ means a process of applying historical or hypothetical circumstances to assess the impact of a possible future event on a bank or financial institution, portfolio or product.

‘stress testing’ means a forward-looking risk management tool used to estimate the potential impact under adverse events or circumstances on a financial system, sector, institution, portfolio, or product.

Application

3. These Directives shall apply to banks licenced under the Banking and Financial Services Act, and to financial institutions licenced under the Banking and Financial Services Act, where the Bank requests.

PART 11

THE INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS

Overview of the Internal Capital Adequacy Assessment Process

4. (1) A bank or financial institution shall put in place an internal capital adequacy assessment process for determining its overall capital adequacy in relation to its risk profile, and a strategy for maintaining its capital at appropriate levels.

(2) Capital management for a bank or financial institution shall be an integral part of its risk management framework and shall be aligned to its strategy, risk appetite, risk profile and its capacity to absorb losses.

(3) The internal capital adequacy assessment process shall form an integral part of the management and decision-making process of a bank or financial institution. A bank or financial institution shall embed the internal capital adequacy assessment process in its business and organisational structures.

(4) The board of a bank or financial institution shall be responsible for maintaining a level and quality of capital commensurate with the risk profile of the bank or financial institution, taking into consideration any future changes.

Obligations under the Internal Capital Adequacy Assessment Process

5. As part of the internal capital adequacy assessment process, a bank or financial institution shall be required to:

(a) carry out regular assessments of the amounts, types, and distribution of financial and capital resources that it considers adequate to cover the nature and level of the risks to which it is or might be exposed;

(b) identify the major sources of risk to the bank or financial institution’s ability to meet liabilities as they fall due;

(c) conduct stress and scenario tests to assess the resilience of capital against severe but plausible shocks in relation to macroeconomic factors, the business environment, and other events that could have an adverse impact;

(d) put in place processes, strategies, and systems used in formulating its internal capital adequacy assessment process, proportionate to the nature, scale, and complexity of the bank or the financial institution’s activities;

(e) fully document the internal capital adequacy assessment process; and

(f) review and update the internal capital adequacy assessment process document at least annually, or at shorter intervals, when there are major changes in key processes, in its financial position, or the external environment.

PART 111

STRUCTURE OF THE INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS

Internal Capital Adequacy Assessment Process on a Solo and Consolidated Basis

6. A bank or financial institution shall prepare an internal capital adequacy assessment process report both on a solo and on a consolidated basis, where applicable.

Governance Framework

7. (1) The board of a bank or financial institution shall have primary responsibility for ensuring that the bank or financial institution has adequate capital to cover its risks and support business growth.

(2) The board shall consider capital planning and capital management as crucial elements in achieving desired strategic objectives and shall:

- (a) set the risk appetite and tolerance level for risk;
- (b) establish a capital management policy which should, at a minimum, include:
 - (i) current and future capital requirements in relation to its strategic objectives;
 - (ii) approved capital targets, consistent with both risk appetite and tolerance;
 - (iii) an outline of capital needs, anticipated capital expenditures, desirable capital level, and external capital sources; and
 - (iv) contingency measures to be taken in an event that capital falls below the internal minimum requirements.
- (c) maintain other policies that supplement the capital management policy, including stress testing and dividend policies;
- (d) establish methods for monitoring compliance with regulatory capital standards and internal policies; and
- (e) require management to:
 - (i) establish a risk framework to assess and appropriately manage the various risk exposures;
 - (ii) develop a system to monitor risk exposures and relate them to capital and financial resources;
 - (iii) establish a method to monitor compliance with internal policies on risk and capital management; and
 - (iv) effectively communicate relevant policies and procedures.

Monitoring and Reporting

8. (1) A bank or financial institution shall establish an adequate system for monitoring and reporting risk exposures and assessing how the changing risk profile affects the need for capital.

(2) A bank or financial institution shall have adequate systems of reporting on its risk profile and capital needs to the board on a regular basis to enable the board to:

- (a) evaluate the level and trend of material risks and their effect on capital levels;
- (b) evaluate the sensitivity and reasonableness of key assumptions used in the capital assessment and measurement system;
- (c) determine whether the bank or financial institution holds sufficient capital against the various risks and complies with established capital adequacy requirements; and
- (d) assess future capital requirements based on its reported risk profile and make necessary adjustments to the strategic plan.

Independent Review of the Internal Capital Adequacy Assessment Process

9. (1) A bank, or a financial institution, shall subject the internal capital adequacy assessment process to independent reviews through an internal or external audit process.

(2) The independent review shall assess whether the internal capital adequacy assessment process is comprehensive and proportionate to the nature, scope, scale, and level of complexity of its activities and accurately reflects the major sources of risk.

(3) A bank or financial institution shall conduct periodic reviews of its risk management framework and processes through an internal or external audit process to maintain their integrity, accuracy, and reasonableness.

(4) The frequency of the review and audit may vary depending on the size and complexity of the bank or financial institution, or as the Bank may request. Aspects that should be reviewed include:

- (a) the appropriateness of the capital assessment process given the nature, scope, and complexity of activities;
- (b) the identification of all key and material risks including large exposures and risk concentrations;
- (c) the appropriateness of measurement methodology, and accuracy and completeness of data inputs into the assessment process;
- (d) the reasonableness and validity of scenarios used in the assessment process;
- (e) the reasonableness of assumptions and inputs into the stress test;
- (f) integration of internal capital adequacy assessment process results and risk management;
- (g) the reasonableness of capital planning and capital targets; and
- (h) the adequacy of management information systems to support the implementation of the internal capital adequacy assessment process.

PART IV

OPERATING FRAMEWORK

Sound Capital Assessment

10. (1) The capital assessment shall include:

- (a) policies and procedures designed to identify, measure, and report all material risks including new risks;
- (b) a process that relates capital to the level of risk;
- (c) a process that states the capital adequacy goals concerning risks, considering strategic focus, business plan, and operating environment; and
- (d) a process of internal controls, reviews, and audit to enhance the integrity of the overall management process.

(2) A bank, or a financial institution's internal capital adequacy assessment process, shall provide a reasonable estimate of the overall capital required.

(3) Where the actual capital levels fall below the capital requirement estimated under the internal capital adequacy assessment process, a bank or financial institution shall provide a detailed explanation for the shortfall and shall provide a plan to increase capital to the level estimated by the internal capital adequacy assessment process.

Comprehensive Risk Management Policies and Procedures

11. The policies and procedures that a bank or financial institution uses to identify, measure and report the risks faced in the conduct of its activities shall:

- (a) be sufficiently comprehensive and rigorous to capture the nature and magnitude of credit, market, operational, and any other risks faced;
- (b) include adequate controls for objectively and consistently identifying and measuring all material risks;
- (c) include risk measurement techniques that are reliable and based on inputs of good quality;
- (d) provide for qualitative assessment and management judgment for risks that are not easily quantifiable;
- (e) provide for prompt incorporation of changes in the risk profile into the risk measurement systems; and
- (f) require that stress tests be conducted to assess the impact of possible adverse events on capital.

Proportionality

12. (1) The internal capital adequacy assessment process shall meet a sufficient degree of sophistication regarding risk measurement and management commensurate with the nature, scope, scale, and degree of complexity of operations.

(2) A bank or financial institution shall, depending on the degree of complexity of operations, include the following catalogue of broad approaches when formulating the internal capital adequacy assessment process:

- (a) Where a bank or financial institution categorises activities and risk management practices as simple, in carrying out the internal capital adequacy assessment process, a bank or financial institution shall:
 - (i) identify and consider the largest losses incurred over the preceding three to five years and assess the likelihood of recurrence of such losses ;
 - (ii) prepare a list of the material risks to which the institution is exposed;
 - (iii) assess the institution's response to each identified risk and estimate the amount of capital that it would require in the event such risks materialised;
 - (iv) evaluate how the institution's capital requirements might change with its business plans over a period of three to five years; and
 - (v) document the estimated capital ranges identified in (iii) and (iv) and form an overall assessment of the appropriate amount and quality of capital that the bank or financial institution should hold subject to board review and approval.

- (b) Where a bank or financial institution categorises activities and risk management practices as moderately complex, in carrying out its internal capital adequacy assessment process, a bank or financial institution shall:
- (i) prepare a comprehensive list of the material risks to which the business is exposed;
 - (ii) determine, where applicable and with the reference to historical data, the potential range and distribution of losses that may arise from each identified risk, and consider the application of stress testing methodologies to estimate the potential losses;
 - (iii) assess the extent to which the institutions capital adequately covers the material risks to which the business is exposed;
 - (iv) identify both the additional capital needed and other risk mitigation actions that could be taken;
 - (v) evaluate the risk that its analysis of capital adequacy may be flawed and provide mitigatory measures to address the weaknesses;
 - (vi) project business activities for three to five years and estimate capital requirements, assuming that the business develops as expected with such projections being reviewed annually;
 - (vii) assess how the capital and capital requirements would change and how the bank or financial institution would respond to a range of adverse economic scenarios, assuming that business does not develop as expected;
 - (viii) document the results from the scenario analyses under (vi) and (vii) subject to review and approval by the institution's board; and
 - (ix) perform back-testing to review the accuracy of estimates.
- (c) Where a bank or financial institution categorises activities as complex, the institution shall follow a proportional approach to the internal capital adequacy assessment process which should cover the issues identified in (2) (b) (i) — (ix) and use models to generate an overall estimate of the appropriate amount of capital for its business needs.

Capital Planning

13. (1) The internal capital adequacy assessment process shall be forward-looking, taking into account expected future developments, strategic plans, macroeconomic factors, and possible stress situations, including the likely future constraints in the availability and use of capital.

(2) The board shall, at a minimum, develop and maintain an appropriate strategy, factoring in macroeconomic conditions, that allows the bank or financial institution to maintain adequate capital commensurate with the nature, complexity, and risks inherent in onbalance sheet and off-balance sheet activities.

(3) A bank or a financial institution shall have a board-approved capital plan and a formalised capital planning process. The capital plan shall include:

- (i) the capital target;
- (ii) the time horizon for achieving the set target;
- (iii) the anticipated capital utilisation; and
- (iv) a general contingency plan for dealing with divergence and unexpected events.

Risk-based Capital Targets

14. (1) A bank or financial institution shall set capital targets that are consistent with its risk profile and operating environment.

(2) The internal capital adequacy assessment process document shall include all material risk exposures.

(3) The internal capital adequacy assessment process document shall indicate which risks are measured quantitatively or qualitatively.

Stress Tests and Scenario Analysis

15. A bank or financial institution shall periodically conduct relevant stress tests and scenario analyses to evaluate the potential vulnerability to some unlikely but plausible events or movements in market conditions that could have an adverse impact. The frequency of the stress tests and scenario analyses shall be proportionate to the nature, scope, scale, and level of complexity of the bank or financial institutions activities.

Use of internal models

16. (1) Depending on the degree of complexity of operations of a bank or financial institution, a bank or financial institution may adopt an internal model for capital planning purposes as part of the bank or financial institutions internal capital adequacy assessment process. The model shall have the following:

- (a) documented specifications, including the methodology and the underlying assumptions;
- (c) a robust system for independent validation of inputs and outputs;
- (d) a system of authenticating the plausibility or logicity of model outputs even under extreme conditions or assumptions;
- (e) a confidence level assigned to the model output; and
- (f) a clear linkage to the bank's business strategy.

(2) A bank, or a financial institution shall demonstrate the extent of its reliance on historical data in the model and the system of back-testing carried out to assess the validity of the outputs of the model against the actual outcome.

(3) A bank, or a financial institution shall have the requisite skills and resources to operate, maintain and develop the model.

Challenge and Approval of the Internal Capital Adequacy Assessment Process by the Board

17. (1) A bank or financial institution shall have a documented outcome of the internal capital adequacy assessment process which should be challenged and approved by the board.

(2) The board shall have ultimate responsibility for the structure, content, and implementation of the internal capital adequacy assessment process.

(3) The internal capital adequacy assessment process document shall be submitted to the Bank and shall include the amount of capital deemed to be appropriate as well as the composition of the capital resources.

Format of an Internal Capital Adequacy Assessment Process

18. A bank or financial institution may adopt any appropriate format of the internal capital adequacy assessment process provided that, at a minimum, the issues covered in Schedule I are addressed.

PART V

SUPERVISORY REVIEW OF THE INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS

Bank of Zambia Assessment

19. (1) The Bank shall conduct a supervisory review and evaluation of the internal capital adequacy assessment process of a bank or financial institution.

(2) The Bank may, following supervisory review and evaluation process, impose prudential measures on a bank or a financial institution with respect to its internal capital adequacy assessment process.

(3) The prudential measures that the Bank may impose include requiring a bank or a financial institution to:

- (a) hold regulatory capital above the minimum level prescribed under the capital adequacy Directives;
- (b) raise provisions;
- (c) improve its internal control and risk management framework;
- (d) take measures to reduce the risks inherent in its activities, products, and systems or
- (e) Any other measure provided for in the Act necessary to safeguard the financial soundness of the bank or financial institution

Dated 10th day of September, 2025.

F. Chipimo (PhD),
Deputy Governor

SCHEDULE I

OWNERSHIP AND APPROVAL OF THE INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS

A bank or financial institution is required to provide evidence of review, challenge and approval.

The internal capital adequacy assessment process has been prepared by:

<i>Name</i>	<i>Designation</i>	<i>Signature</i>	<i>Date</i>
1.			
2.			
3.			
4.			

The internal capital adequacy assessment process has been reviewed by:

<i>Name</i>	<i>Designation</i>	<i>Signature</i>	<i>Date</i>
1.			
2.			
3.			
4.			

The internal capital adequacy assessment process has been challenged and approved by the board:

<i>Name</i>	<i>Designation</i>	<i>Signature</i>	<i>Date</i>
1.			
2.			
3.			
4.			

EXECUTIVE SUMMARY

This section should present a summary of the subsequent sections covered in the reporting template and should include:

1. The purpose and overview of the internal capital adequacy assessment process including extent of challenge, approval and embedment;
2. A written description covering the background of the bank or financial institution, its subsidiaries, and the percentage of shareholding in the subsidiaries;
3. Information on shareholders' funds and ability and willingness to meet future capital needs;
4. Significant developments during the past five years, such as acquisitions, mergers, changes in the share capital, and regulatory/accounting changes and their impact;
5. An overview of the board and senior management structure and composition;
6. A summary on how the bank or financial institution manages its risk on a day-to-day basis and how this is embedded into its management process and decision-making culture;
7. A formally documented risk appetite statement;
8. Capital allocation for Pillar I and Pillar 2 risks;
9. Any other method apart from capital used to mitigate material risks;
10. A brief commentary of how liquidity risk is managed;
11. Stress testing results including scenarios, methodologies, assumptions, results, controls/actions applied to mitigate the outcome of the stress testing results and the amount of capital required preand post-management actions;
12. A commentary on the bank or financial institution's capital needs, anticipated capital expenditures, targeted capital level, and external capital sources aligned to its strategic objectives; and
13. Challenges faced in making improvements in the overall risk management framework, control processes, and other relevant areas including any anticipated future refinements envisaged in the internal capital adequacy assessment process.

REVIEW, CHALLENGE, APPROVAL AND EMBEDMENT OF THE INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS

This section should describe the extent of review, challenge and approval that the internal capital adequacy assessment process was subjected to. It should also demonstrate the extent to which the internal capital adequacy assessment process has been embedded into the bank or financial institution's processes. The section should provide information on the following:

1. The purpose and overview of the internal capital adequacy assessment process;
2. The role of the board in challenging and approving the internal capital adequacy assessment process with reference to its scope, methodologies, and objectives;
3. A review of the internal capital adequacy assessment process by the board, senior management, external party, if any, and internal audit. For each review, provide separately the frequency, detailed findings of any such review along with follow-up actions taken on such findings;
4. The role of senior management in the implementation of the internal capital adequacy assessment process;
5. In a case where a component of the internal capital adequacy assessment process (whole or parts thereof) has been outsourced, the bank or financial institution should provide details of the service provider and the associated risks arising therefrom and how these risks have been mitigated or managed;
6. Demonstrate how the internal capital adequacy assessment process is embedded in the decisionmaking process, business planning, and risk management processes;
7. A list of all the relevant documents and policies used in the preparation, review, approval, and implementation of the internal capital adequacy assessment process; and
8. Any significant changes made in the current internal capital adequacy assessment process report in comparison with the previous report.

BACKGROUND

The background section should provide a written description supported by tables and graphs, covering the background of the bank or financial institution, its subsidiaries, and the percentage of shareholding in the subsidiaries. The section should also provide tables of historical, current, and projected financial and capital positions supported by written commentary on the tables and graphs (e.g. 3-5 years). The section should include:

1. The bank or financial institution's structure including group entities, if any;
2. Composition of the bank or financial institution's capital;
3. Where applicable, an indication of the immediate and ultimate parent and the ownership structure together with details of their regulator;
4. For banks or financial institutions that have subsidiaries, an indication of the extent of ownership in the subsidiaries;
5. Information on current and projected business environment including the macroeconomic, regulatory, and competitive environment;
6. Information on the bank or financial institution's main activities including its customer focus (corporate/ retail, etc.), key clients, and main products;
7. Information on the strategic plan, including financial projections (balance sheet, profit or loss, and projected capital available and capital resource requirements) for at least 3 to 5 years;
8. Current financial results indicating the contribution of each business line according to the bank or financial institution's categorisation;
9. Financial data for the last five years (e.g., balance sheet, profit or loss, regulatory capital) including an analysis and a commentary on the significant changes in its financial condition during these years;
10. Sufficient information on total assets including a breakdown of loans and advances which at a minimum should include:
 - (a) An analysis of its portfolio including retail, SME, and corporates;
 - (b) Concentration risk (classification by exposures to economic sector, large credit exposures, exposures by geographic areas and exposures to insiders);
 - (c) Internal grading criteria and an analysis of the portfolio in line with its grading criteria;
 - (d) An analysis of non-performing loans and provisioning levels;
 - (e) Outstanding off-balance sheet positions;
 - (f) Government and other securities including maturities and level of encumbrance.
11. Information on shareholders' funds and ability and willingness to meet future capital needs; and
12. Significant developments during the past five years, such as acquisitions, mergers, changes in the share capital, and regulatory/ accounting changes and their impact.

GOVERNANCE STRUCTURE

The section should provide details on the governance arrangements in the bank or financial institution including an overview of the board and senior management structure and composition. The section should also highlight how the bank or financial institution manages its risks on a day-to-day basis and how this is embedded into its management process and decision-making culture. The section should include:

1. Board composition, experience, and the number of independent directors;
2. Organisational structure, composition of senior management team and their experience;
3. Composition of board sub-committees and management committees, their terms of reference and delegation of authority for day-to-day management;
4. List of key policies, including the risk management framework, approved by the board indicating the date of subsequent updates/review(s);
5. Salient features of the risk management framework outlining the three lines of defence principles;
6. An organisation chart with reporting lines for the risk management function;
7. Evidence of independent review of internal controls conducted, a summary of major findings submitted to the board and remediation actions taken;
8. A description of the functional matrix reporting lines including a listing of functions approved at group level for banks or financial institutions that operate within group-wide business lines; and
9. An indication of who is responsible for identifying, assessing, monitoring, and managing key risks in the business and their reporting lines.

RISK APPETITE AND MATERIAL RISK ASSESSMENT

This section should clearly outline the bank or financial institution's risk appetite using qualitative and quantitative terms, which can be easily translated into tactical business limits or decisions. The section should also provide the identification, measurement or quantification, control, and mitigation of all material Pillar I and Pillar 2 risks faced, including the capital allocation for each risk, where applicable.

Refer to Appendix I which is mandatory for reporting purposes.

At a minimum, the section should include:

1. A formally articulated risk appetite statement which should state the overriding risk appetite and risk tolerance levels. It should also state the frequency of the review of the risk tolerance limits by the board and management;
2. Evidence of how the risk appetite is aligned to strategy;
3. Identification of material risks and for each risk type, document:
 - (a) how material risks under Pillar I and Pillar 2 are defined and identified;
 - (b) details of risk assessment and quantification methodology; and
 - (c) risk controls or limits, number of times when these limits have been breached, remedial actions taken, and changes in such limits, if any, along with reasons for the change.
4. The frequency of reporting material risks to the board and senior management;
5. A summary of internal and external review, if any, of the bank or financial institution's risk management system to verify its relevance with the business activities;
6. A determination of an overall risk position by aggregating the material risks taking into account the interdependencies or correlations among various risk types;
7. Details of any other method apart from capital used to mitigate material risks;
8. Outline how liquidity risk is managed including:
 - (a) details of the day-to-day management of liquidity risk by the asset-liability committee;
 - (b) liquidity and funding policy;
 - (c) liquidity and funding risk management delegated authorities;
 - (d) explanation of intra-group liquidity arrangements;
 - (e) number, size, and timeline of commitments whether informal or formal including off balance sheet financing vehicles;
 - (f) analysis of liquidity sources and demands;
 - (g) quantified contingency funding plans; and
 - (h) the link between liquidity planning and capital planning.

SCENARIO ANALYSIS AND STRESS TESTING

This section should explain the stress testing approach used to estimate the potential impact on the bank or financial institution's capital position under adverse events or circumstances. Stress tests conducted should be used to assess vulnerability under severe but plausible shocks, and to enhance decision making in the management of risks. The section should include:

1. Key features of its stress testing framework;
2. The role of the board in the review and approval of the stress testing framework, including the frequency of any such review;
3. A list of material risks covered under the stress testing program along with reasons for their inclusion and the reasons for non-inclusion of material risks, if any, in the stress testing framework;
4. Details of scenarios, including the effect of an economic recession or downturn, methodologies, assumptions, results and management actions applied to mitigate the outcome of the stress testing results; and
5. The amount of capital required pre- and post-management actions taken for all the stress tests, both in-house as well as regulatory stress tests, and a capital buffer.

CAPITAL PLANNING

This section should outline the bank's capital needs, anticipated capital expenditures, targeted capital level, and external capital sources and must be aligned to the bank's strategic objectives. Capital planning should also consider the bank's dividend policy and planned growth. This section should include:

1. A description of the capital planning approach including the frequency, stakeholder involvement, and the tools used;
2. Projected capital requirements based on an approved business plan and capital contingency plan highlighting:
 - (a) the sources, quality, and composition of capital and/ or alternative arrangements in case of sudden internal business shocks and/ or external economic recession;
 - (b) sources of capital to fund major investments, mergers, acquisitions, and new ventures, if any;
 - (c) capital needs for group entities and subsidiaries, if any;
 - (d) expectation of any capital injection, basis for this expectation, quantity and timelines; and
 - (e) expectation of internally generated capital, basis for this expectation, quantity and timelines.
3. Evidence of review of the capital planning process by the board and senior management to assess its appropriateness considering any significant changes to the bank's risk profile and other relevant factors;
4. The outcome of the bank or financial institution's capital planning specifying the adequacy of capital resources over its planning horizon including during periods of economic stress;
5. Key elements from the bank or financial institution's dividend policy vis-à-vis the capital planning process; and
6. Information on the capital buffer and how it would be replenished once depleted, including a demonstration of the adequacy of the buffer in stressed conditions.

CHALLENGES AND WAY FORWARD

In this section, the bank should summarize the challenges faced in making improvements in the overall risk management framework, control processes, and other relevant areas. The bank may also discuss the details of any anticipated future refinements envisaged in the internal capital adequacy assessment process.

Icaap Reporting Template - Bank Of Zambia

APPENDIX I

Summary of Internal Capital Adequacy Assessment Process (Internal Capital Adequacy Assessment Process) as at dd/mm/yyyy

Institution code:	0021000					
Financial Year	2024					
Start Date	01/04/2024					
End Date:	30/04/2024					
	Summary of Internal Capital Adequacy Assessment Process (Internal Capital Adequacy Assessment Process)					
	ZMW'000	Amount	Pillar 1Minimum Regulatory Capital	Capital under Internal Capital Adequacy Assessment Process	Stressed Capital	Methodology
	Regulatory Capital					
	(i) Common Equity Tier I					
	(ii) Additional Tier 1					
	(i +ii) Primary Capital					

	(iii) Eligible Supplementary Capital (Tier 2)					
	Regulatory Capital (i+ii+iii)					
	<i>Risk Covered under Pillar 1</i>					
	Credit risk					
	(i) Simplified Standardized approach*					
	(ii) Foundation IRB approach					
	(iii) Advanced IRB approach					
	Market risk					
	(i) Standardized approach*					
	(ii) Internal Model approach					
	Operational risk					
	(i) Basic Indicator approach*					
	(ii) The standardized approach					
	(iii) Alternative standardized approach					
	Pillar 1 total capital requirement (a)**					
	<i>Risks not covered under pillar 1</i>					
	Residual risk					
	Securitisation risk					
	Model risk					
	<i>Risks covered under pillar 2</i>					
	Concentration risk					
	Individual/ Group					
	(ii) Sectorial					
	(iii) Other					
	Interest rate risk in the banking book (IRRBB)					
	Liquidity risk					
	Reputation risk					
	Strategic / Business risk					
	Other material risks identified during Internal Capital Adequacy Assessment Process					
	Internal Capital Adequacy Assessment Process / Pillar 2 capital (b)					
	Overall Capital requirement (a) + (b) + (c)					
	Current Total Capital					
	Surplus/(deficit) capital					
	* Approaches allowed by the Bank of Zambia					
	** Minimum Regulatory capital					

The Banking and Financial Services Act, 2017
(Act No. 7 of 2017)

The Banking and Financial Services (Public Disclosure of Capital And Risk Exposures) Directives, 2025

RULE 21

ARRANGEMENT OF SECTIONS

PART I

PRELIMINARY

1. Short Title
2. Interpretation
3. Application

PART II

GENERAL CONSIDERATIONS

4. Disclosure Policy
5. Validation
6. Materiality
7. Publication
8. Interaction with other regulatory Disclosures
9. Proprietary and Confidential Information

PART III

THE DISCLOSURE REQUIREMENTS

10. Coverage of Disclosures
11. Capital Adequacy Disclosures
12. Risk Exposures
13. General Qualitative Disclosure Requirements
14. Credit Risk
15. Market Risk
16. Operational Risk
17. Interest Rate Risk in the Banking Book

PART I

PRELIMINARY

Short Title

1. These Directives may be cited as the Banking and Financial Services (Public Disclosure of Capital And Risk Exposures) Directives, 2025.

Interpretation

2. In these Directives, unless the context requires—

“bank” has the meaning assigned to the word in the Act;

“Bank” has the meaning assigned to the word in the Act;

“consolidated basis” means financial positions of a financial service provider including all its subsidiaries;

“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;

“common equity tier one” has the meaning assigned to the words in the Act;

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

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

Application

3. These Directives shall apply to banks licenced under the Banking and Financial Services Act, and to financial institutions licenced under the Banking and Financial Services Act, where the Bank requests.

PART II
GENERAL CONSIDERATIONS

Disclosure Policy

4. (1) A bank or financial institution shall be required to make publicly available, information about the bank or financial institutions activities, performance, risks, and assessment of the business environment.

(2) A bank or financial institution shall have a formal public disclosure policy approved by the board. The policy shall guide a bank's or financial institution's approach for determining disclosures and the internal controls over the disclosure process.

(3) A bank or financial institution shall specify a process for assessing the appropriateness of its disclosures, including the validation and frequency.

Validation

5. A bank or financial institution shall establish sound internal processes to provide assurance that disclosures are correct, factual, and consistent with disclosures made in the financial statements and elsewhere.

Materiality

6. A bank or financial institution shall decide which disclosures are relevant based on the materiality concept. Information shall be regarded as material if its omission or misstatement could change or influence the assessment or decision of a user relying on that information.

Publication

7. (1) A bank or financial institution shall publish annually, and concurrently with its annual financial statements, Pillar 3 disclosures on its capital adequacy and risk exposures.

(2) The Bank may, where deemed necessary, require the publication of this information on a more frequent basis.

(3) The publication shall be made on the official website of the bank or financial institution and other media platforms the Bank deems appropriate.

Interaction with other regulatory Disclosures

8. If a disclosure required under accounting requirements or to satisfy listing requirements also fulfils the requirements of these Directives, the bank or financial institution may comply with the disclosure requirement under these Directives by providing access to those other disclosures.

Proprietary and Confidential Information

9. (1) Subject to the Bank's approval, proprietary and confidential information may be withheld from public disclosure, where a bank or financial institution determines that disclosing such information to the public would put it at a disadvantage. The Bank's approval shall be sought for such information to be withheld from public disclosure.

(2) For purposes of these Directives, information shall be considered proprietary when its disclosure would undermine the bank's competitive position, whilst information shall be considered confidential, when its disclosure contravenes the bank's legal obligations.

PART III
THE DISCLOSURE REQUIREMENTS

Coverage of Disclosures

10. A bank or financial institution shall make qualitative and quantitative disclosures in the following areas:

(a) Capital adequacy; and

(b) Risk exposures.

Capital Adequacy Disclosures

11. A bank or financial institution shall make qualitative and quantitative disclosures regarding its capital structure and adequacy as indicated in Tables I and 2:

Table 1: Capital structure

Qualitative Disclosures	(a) Summary information on the terms and conditions of the main features of all capital instruments.
Quantitative Disclosures	(b) The amount of common equity tier one capital, with separate disclosure of: (i) paid-up common shares; (ii) share premium resulting from the issue of common shares; (iii) retained earnings;

	(iv) accumulated comprehensive income and other disclosed reserves; (v) common shares issued by consolidated subsidiaries and held by a third party meeting the criteria set by the Bank; and (vi) regulatory adjustments. (c) Total amount of additional tier one capital. (d) Total amount of primary capital. (e) Total amount of secondary capital. (f) Total amount of regulatory capital.
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Table 2: Capital Adequacy

Qualitative disclosures	(a) A summary discussion of the bank's approach to assessing the adequacy of its capital to support current and future activities.
Quantitative disclosures	(b) Capital charge for credit risk. (c) Capital charge for market risk. (d) Capital charge for operational risk. (e) Capital adequacy ratios: (i) common equity tier one ratio; (ii) primary capital ratio; and (iii) regulatory capital ratio.

Risk Exposures

12. (1) A bank or financial institution shall disclose information relating to the risks to which the bank or financial institution is exposed, and the techniques used to identify, measure, monitor and control the risks.

(2) The information disclosed shall categorise the types of risks, to include:

- (a) credit risk;
- (b) market risk;
- (c) interest rate risk in the banking book;
- (d) operational risk; and
- (e) liquidity risk.

(3) A bank or financial institution shall also disclose information relating to credit risk mitigation and asset securitisation exposures, if any.

General Qualitative Disclosure Requirements

13. A bank or financial institution shall, for each separate risk area, describe its risk management objectives and policies, including:

- (a) strategies and processes;
- (b) the structure and organisation of the relevant risk management function;
- (c) the scope and nature of risk reporting and measurement systems; and
- (d) policies for hedging and mitigating risk, and strategies and processes for monitoring the continuing effectiveness of hedges and mitigants.

Credit Risk

14. A bank or financial institution shall make the disclosures listed in Table 3, pertaining to a bank or financial institution's exposure to credit risk.

Table 3: Credit Risk: General Disclosures

Qualitative Disclosures	(a) The general qualitative disclosure requirement, with respect to credit risk, including: (i) Definitions of past due and non-performing loans; (ii) Description of approaches, including statistical methods, followed for specific and general allowances; and (iii) Discussion of a bank or financial institutions credit risk management policy.
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Quantitative Disclosures	(b) Gross credit exposures and average exposures over the period broken down by major types of exposure. (c) Geographic distribution of exposures, broken down in significant areas by major types of exposure. (d) Industry or counterparty type distribution of exposures, broken down by major types of exposure. (e) Residual contractual maturity breakdown of the whole portfolio, broken down by major types of exposure. (f) By major industry or counterparty type: (i) Amount of non-performing loans and past due loans, provided separately; (ii) Specific and general allowances; and (iii) Charges for specific allowances and charge-offs during the period. (g) Reconciliation of changes in the allowance for loan losses.
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Market Risk

15. A bank or financial institution shall make the disclosures listed in Table 4 pertaining to a bank or financial institution's exposure to market risk.

Qualitative Disclosures	(a) The general qualitative disclosure requirement for market risk.
Quantitative disclosures	(b) The capital charges for: (i) interest rate risk; (ii) equity risk; (iii) foreign exchange risk; (iv) commodity risk; and (v) option risk.

Operational Risk

16. A bank or financial institution shall make the disclosures listed in Table 5 pertaining to a bank or financial institution's exposure operational risk:

Table 5: Operational risk

Qualitative Disclosures	(a) The general qualitative disclosure requirement for operational risk.
Quantitative disclosures	(b) Capital charge for operational risk

Interest Rate Risk in the Banking Book

17. A bank or financial institution shall make the disclosures listed in Table 6 pertaining to a bank or financial institution's exposure to Interest Rate Risk in the Banking Book.

Table 6: Interest rate risk in the banking book

Qualitative disclosures	(a) The general qualitative disclosures, including, the nature of interest rate risk in the banking book (IRRBB) and key assumptions.
Quantitative disclosures	(b) The increase (decrease) in earnings or economic value (or relevant measure used-by management) for upward and downward rate shocks according to management's method for measuring IRRBB, broken down by currency (as relevant).

The Banking and Financial Services Act, 2017

(Act No. 7 of 2017)

Rule 12 of the Capital Adequacy Rules 2025**The Banking and Financial Services
(Computation of Credit Risk Weighted Assets) Directives, 2025**

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1. Short Title
2. Definitions
3. Application
4. Risk weighted assets for on-balance sheet exposures
5. Risk weighted assets for off-balance sheet exposures
6. Recognition of credit risk mitigation techniques
7. Calculation of capital charge for credit risk
8. Recognition of consensus risk scores assigned by export credit agencies

PART II

CLASSIFICATION OF ASSETS AND PRESCRIPTION OF RISK WEIGHTS

9. Notes and Coins
10. Claims on the Bank of Zambia
11. Claims on the Government of the Republic of Zambia
12. Claims on foreign central banks
13. Claims on other official entities and multilateral development banks
14. Claims on domestic banks
15. Claims on foreign banks
16. Claims on Public Sector Entities
17. Claims on securities firms and corporates
18. Claims included in the regulatory retail portfolio
19. Claims secured by residential property
20. Claims secured by commercial real estate
21. Inter-branch assets in transit
22. Inter-bank assets in transit
23. Higher risk categories
24. Past due loans
25. Other Assets
26. Securitisation
27. Revision to the risk weights

PART III

CLASSIFICATION AND DETERMINATION OF CREDIT CONVERSION FACTORS AND RISK-WEIGHTS FOR OFF-BALANCE SHEET EXPOSURES

28. Risk weights for off-balance sheet exposures
29. Sales and repurchase agreements
30. Other commitments

PART IV

CREDIT RISK MITIGATION TECHNIQUES

31. Credit risk mitigation techniques
32. Funded credit protection
33. Unfunded credit protection

- 34. Minimum requirements for recognition of credit risk mitigation techniques
- 35. Eligible collateral
- 36. Operational requirements for financial collateral
- 37. Risk weights applicable to eligible financial collateral
- 38. Operational requirements for guarantees
- 39. Risk weights applicable to eligible guarantees
- 40. Treatment of pools of credit risk mitigation techniques

IN EXERCISE of the powers contained in Section 167 of the Banking and Financial Services Act, 2017, the following Directives are hereby issued:

PART I

Short Title

1. These Directives may be cited as the Banking and Financial Services (Computation of Credit Risk Weighted Assets) Directives 2025.

Interpretation

2. In these Directives, unless the context otherwise requires:

“Assets of little or no realisable value” means an asset of such low value that its continuation as a bankable asset is not justifiable.

“Collateralised transaction” means a transaction where a bank has an exposure or potential exposure which is hedged in whole or in part by collateral posted by a counterparty or a third party on behalf of the counterparty.

“Credit conversion factor” means a rate at which an off-balance sheet exposure is converted to its on-balance sheet credit exposure equivalent.

“Credit risk” means the potential that a borrower or a counterparty will fail to meet its obligations in accordance with the agreed terms resulting in economic loss to the bank or financial institution.

“Credit risk mitigation” means techniques a bank or financial institution may use to reduce credit risk.

“Exposure” means the maximum possible loss to a financial service provider in the event that a counterparty defaults.

“Funded credit protection” means a type of credit risk mitigation that reflects financial or non-financial collateral held against an exposure, which the bank or financial institution can retain or liquidate in case of the default of a borrower or counterparty. It also includes the use of on-balance sheet nettings.

“Loan to value ratio” means a relationship, expressed as a percentage, between the principal amount of the loan and the appraised value of the asset securing that loan.

“Micro and small-sized enterprise (MSE)” a business enterprise generating annual turnover of up to K10.0 million.

“Public sector entity (PSE)” means any legal entity that is created or owned by government that deals with either the production, ownership, sale, provision, delivery, and allocation of goods and services, by and for the government or its citizens, whether national, regional, local, or municipal. Public sector entities may include local authorities, administrative bodies and commercial undertakings.

“Sale and repurchase agreement” means an arrangement whereby a bank or financial institution sells an instrument to a third party with a commitment to repurchase the asset for an agreed price on demand, or after a stated time, or in the event of a particular contingency. It represents an irrevocable commitment and should be reported as an off-balance sheet item.

“Securitisation” means a structure where the cash flow from an underlying pool of exposures is used to service at least two different stratified risk positions or tranches reflecting different degrees of credit risk. Payments to the investors depend upon the performance of the specified underlying exposures as opposed to being derived from an obligation of the entity originating those exposures.

“Unfunded credit protection” means a technique of credit risk mitigation where the reduction of the credit risk of the exposure of an undertaking derives from the undertaking of a third party to pay an amount in the event of the default of the borrower or on the occurrence of other specified events.

“Unauthorised exposure” means an exposure that occurs when an account holder has accessed more than the available balance without prior authorisation or any such arrangement with the bank or where there was an existing facility or arrangement before the limit of the facility is exceeded.

Application

3. These Directives shall apply to banks and qualifying financial institutions as may be determined by the Bank and licenced under the Banking and Financial Services Act.

Computation of credit risk weighted assets for on-balance sheet and off – balance sheet exposures

4. A bank, or a qualifying financial institution, shall calculate risk weighted assets for on-balance sheet exposures by multiplying the gross amount of the exposure, net of any specific provisions or depreciation, by the relevant risk weight as indicated in Part One of Schedule I.
5. A bank, or a qualifying financial institution, shall convert off-balance sheet exposures to on-balance sheet credit equivalents by multiplying the off-balance sheet exposure amount by the Credit Conversion Factor (CCF) as provided in Part Two of Schedule I. The resultant credit equivalent amounts shall then be assigned to appropriate risk categories and multiplied by the corresponding risk weights of the counterparty, to obtain the risk weighted assets.

6. A bank, or a qualifying financial institution, may take into account the effect of any recognised credit risk mitigation techniques as set out in these Directives, when calculating the risk weighted amount of on-balance sheet or off-balance sheet exposures.
7. The on-balance sheet and off-balance sheet risk-weighted exposures shall be aggregated, for purposes of calculating the capital charge for credit risk.

Recognition of consensus risk scores assigned by export credit agencies

8. For the purpose of risk weighting claims on sovereigns or their central banks, the Bank shall recognise the country risk scores assigned by Export Credit Agencies (ECAs), if these agencies publish their risk scores and subscribe to the Organisation of Economic Cooperation and Development agreed methodology. A bank or financial institution shall be required to use the latest consensus risk scores of Export Credit Agencies participating in the “Arrangement on Officially Supported Export Credit”.

The Economic Cooperation and Development agreed methodology has eight risk scores which correspond to risk weight categories as indicated in **Table 1**:

Table 1 – Current Export Credit Agencies Consensus Risk Scores

<i>ECA risk scores</i>	0 to 1	2	3	4 to 6	7
<i>Risk weights</i>	0%	20%	50%	100%	150%

PART II

CLASSIFICATION OF ASSETS AND RISK WEIGHTS FOR ON-BALANCE SHEET EXPOSURES

Notes and Coins

9. Holdings of cash in local and foreign currencies shall be risk weighted at zero percent.

Claims on the Bank of Zambia

- 10(1). Claims on the Bank denominated in Kwacha and funded by liabilities in Kwacha shall be risk weighted at zero percent;
- 10(2). Claims on the Bank denominated in a foreign currency, including commercial banks’ statutory reserves in respect of foreign currency deposits, shall be risk weighted at zero percent; and
- 10(3). Claims on the Bank, both in local currency and foreign currency, arising from open market operations shall be risk weighted at zero percent.

Claims on the Government of the Republic of Zambia

- 11(1). Claims on the Government of the Republic of Zambia which are denominated in Kwacha and funded by liabilities in Kwacha shall be risk weighted at zero percent.
- 11(2). Claims on the Government of the Republic of Zambia denominated in a currency other than the Kwacha shall be risk weighted at twenty percent.

Claims on Foreign Sovereigns and Foreign Central Banks

12. In cases where a supervisory authority of another country opts to apply a preferential risk weight for claims on its sovereign or central bank, banks in Zambia that have exposures to that sovereign or central bank shall utilise the independent risk score generated by an ECA and map the score to an appropriate risk weight (**Table 2**). Where a country has no ECA risk score, a risk weight of one hundred percent shall be applicable.

Table 2– ECA Consensus Risk Scores and risk weights

<i>ECA risk scores for sovereigns</i>	0 to 1	2	3	4 to 6	7
<i>Sovereign/ Central Banks risk weights</i>	0%	20%	50%	100%	150%

Claims on Other Official Entities and Multilateral Development Banks

13. Claims on other official entities and multilateral development banks designated by the Bank and listed in **Schedule II**, shall be risk weighted at zero percent. Claims on other official entities and multilateral development banks not designated by the Bank shall be risk weighted at one hundred percent. The Bank shall update Schedule II whenever there is a new designation.

Claims on Domestic Banks

- 14(1). Claims on licensed banks in Zambia shall be risk weighted as indicated in **Table 3**.

Table 3 – Balances with Banks

<i>Balances held with banks in Zambia (including advances guaranteed by banks in Zambia)</i>	<i>Risk weight</i>
- transactions for settlement within two days	0.0%
- with original maturity of more than 2 days but up to 3 months	20.0%
- with original maturity of between 3 and 6 months	50.0%
- with original maturity of between 6 and 12 months	75.0%
- with original maturity of more than 12 months	100.0%

- 14(2). If a claim on a bank is secured by a debt instrument denominated in Kwacha issued by the Government of the Republic of Zambia, then that claim shall be risk weighted at zero percent for that portion covered by the debt instrument.
- 14(3). If a claim on a bank is secured by a debt instrument denominated in a currency other than the Kwacha and issued by the Government of the Republic of Zambia, then that claim shall be risk weighted at twenty percent for that portion covered by the debt instrument.

Claims on Foreign Banks

15. Claims on foreign banks shall be assigned a risk weight one category less favourable than that assigned to the country in which they are incorporated, regardless of the original maturities and as per the risk weights indicated in **Table 4**. Claims on foreign banks domiciled in countries without ECA risk scores shall be risk weighted at one hundred percent.

Table 4 – ECA Consensus Risk Scores

<i>ECA risk scores for sovereigns</i>	0 to 1	2	3	4 to 6	7
<i>Sovereign risk weights</i>	0%	20%	50%	100%	150%
<i>Bank risk weights</i>	20%	50%	100%	150%	150%

Claims on Public Sector Entities

- 16(1). Claims on domestic public sector entities (PSEs) that are denominated and funded in Kwacha and guaranteed by the Government of the Republic of Zambia shall be risk weighted at twenty percent.
- 16(2). Claims on domestic PSEs denominated in a currency other than the Kwacha and guaranteed by the Government of the Republic of Zambia shall be risk weighted at fifty percent.
- 16(3). Claims on domestic PSEs with commercial undertakings shall be considered as corporates and therefore attach the applicable risk weight as stipulated under claims on securities firms and corporates.
- 16(4). Claims on domestic PSEs which are not guaranteed by the Government of the Republic of Zambia shall be risk weighted at one hundred percent. These include:
- PSEs that have specific revenue raising powers and specific institutional arrangements, the effect of which is to reduce the risk of default, such as receivables being paid directly into an escrow account held by the lender for the specific purpose of servicing the obligation;
 - PSEs operating in monopolistic markets and providing essential services; and
 - PSEs that are incapable of being declared bankrupt due to their special public status, unless an Act of Parliament is passed for this purpose.

- 16(5). Claims on foreign PSEs shall be assigned a risk weight one category less favourable than that assigned to the respective country. If claims on a foreign PSE are regarded as claims on the sovereign for the purposes of capital adequacy calculation by the regulator of the jurisdiction in which the PSE is established, then the risk weight applicable to that sovereign shall also apply to the PSE. Claims on foreign PSEs which are not rated shall be risk weighted at one hundred percent.

Claims on Securities Firms and Corporates

- 17(1). Claims on securities firms and corporates shall be risk weighted at one hundred percent, with the exception of: claims on corporates identified as “investment grade”, claims on MSEs within or outside the regulatory retail portfolio.
- 17(2). Claims on corporates that meet the criteria for “investment grade” shall be risk weighted at 65 percent. Investment grade shall only be attributed when the exposure is to a corporate entity that is listed in a recognised securities exchange and approved by the Bank.
- 17(3). To attribute the “investment grade”, a bank or qualifying financial institution shall make reference to the Bank approved external credit assessment institutions as may be advised from time to time.

Claims Included in the Regulatory Retail Portfolio

- 18(1). Claims under the regulatory retail portfolio shall include exposures to individual persons, MSEs or connected counterparties. These exposures can take the form of any of the following: revolving credits and lines of credit including credit cards and overdrafts, personal term loans and leases including instalment loans, motor vehicle loans and leases, student and educational loans and personal finance, and MSE facilities and commitments. Mortgage loans are excluded, to the extent that they qualify for treatment as claims secured by residential property. To be included in the regulatory retail portfolio, claims must meet the following criteria:
- (a) Orientation Criteria – the exposure should be to an individual person or persons, to MSEs or to connected counterparties. Connected counterparties refers to two or more persons who are to be regarded as constituting a single risk because they are so interconnected that, if one of them were to experience financial problems, the other or all of the others would be likely to encounter repayment difficulties. For example, if a bank has exposures to an owner of a retail MSE in his personal capacity and exposures to the retail MSE, the bank should aggregate the two types of exposures as a single risk. However, the bank should not include claims secured on residential real estate collateral as this will be classified under claims secured by residential property;
 - (b) Product Criteria – the exposure takes the form of any of the following: revolving credits and lines of credit, including credit cards and overdrafts, personal term loans and leases and MSE facilities and commitments;
 - (c) Granularity Criteria – the regulatory retail portfolio should be sufficiently diversified to a degree that no aggregate exposure to one counterparty or connected counterparties exceeds 0.2 percent of the overall retail portfolio; and
 - (d) Low Value of individual exposures – the maximum aggregated retail exposure to one counterparty or connected counterparties should not exceed an absolute threshold of K10.0 million.
- 18(2). Claims that meet the criteria set out in 18(1) (a) to (d) shall be risk weighted at seventy-five percent.
- 18(3). Claims on MSEs that do not meet all the criteria set out in 18(1) (a) to (d) shall be risk weighted at eighty-five percent.
- 18(4). Claims on other retail exposures that do not meet all the criteria set out in 18(1) (a) to (d) and are not MSEs shall be risk weighted at one hundred percent.

Claims Secured by Residential Property

- 19(1). To be eligible for treatment as claims that are secured by residential property, the following criteria has to be met:
- (a) loans must be fully secured by mortgages on residential property;
 - (b) the residential property must be occupied by the borrower or rented to a third party by the borrower;
 - (c) the residential property must be valued according to valuation Directives issued pursuant to the Valuation Surveyors Act, Chapter 207 of the Laws of Zambia and statistical methods may be used to monitor the value of the property and to identify property that needs revaluation;
 - (d) the bank must be satisfied that the risk of the borrower is not dependent solely on the performance of the underlying property serving as collateral, but rather on the capacity of the borrower to repay the debt from other sources;
 - (e) the value of the property must be monitored on a frequent basis and at a minimum once every three years and more frequently if there are indications that there are significant changes in market conditions. The monitoring of property values should be an inherent part of a bank’s risk management process and the tracking of the secured mortgage portfolio;
 - (f) the property must be adequately insured, the amount of which should be adjusted to reflect changes in the properties’ valuation;
 - (g) the property valuation must be reviewed by an independent valuer when information indicates that the value of the property may have declined materially relative to general market prices;

- (h) for loans exceeding K2.5 million or one percent of the bank's regulatory capital, whichever is higher, the property valuation must be reviewed by an independent valuer at least once every three years;
- (i) Where a bank has more than one exposure secured on the same property, the exposure should be aggregated and treated as if they were a single exposure; and
- (j) In addition to the above criteria, banks will be required to have adequate mechanisms so that there is legal certainty regarding the property, regular monitoring of property valuations and that there is adequate documentation as indicated in **Directive 33**.

19(2). The risk weights applicable to claims secured by residential properties shall be as follows:

- (a) Residential properties with a Loan to Value ratio (LTV) of up to eighty percent will be risk weighted at fifty percent;
- (b) Residential properties with a LTV ratio greater than eighty percent will be risk weighted at one hundred percent; and
- (c) Where the LTV ratio is greater than one hundred percent and the loan is past due for 90 days or more, net of specific provisions, the unsecured portion shall be risk weighted at one hundred and fifty percent.

19(3). Exposures to corporates or MSEs which are secured by residential property shall not qualify to be treated as claims on residential property. Such exposures shall be treated as claims on corporates or MSEs as applicable.

Claims Secured by Commercial Real Estate

- 20(1). Claims secured by commercial real estate shall be risk weighted at one hundred percent.
- 20(2). Exposures to corporates or MSEs for their ordinary business undertakings and which are secured by commercial real estate should not be treated as claims on commercial real estate. Such exposures should be treated as claims on corporates or MSEs.

Inter-Branch Assets In Transit

- 21. Assets in transit between branches shall be risk weighted according to the number of days that they will remain outstanding between branches, as indicated in **Table 5**:

Table 5 – Outstanding Inter-branch balances

<i>Number of days outstanding</i>	<i>Risk Weight</i>
- From branches of reporting bank (1 to 5 days)	0%
- From branches of reporting bank (6 to 29 days)	50.0%
- From branches of reporting bank (30 to 59 days)	75.0%
- From branches of reporting bank (60 to 89 days)	100.0%
- From branches of reporting bank (90 days and above)	150.0%

Inter-Bank Assets in Transit

- 22. Assets in transit between banks shall be risk weighted according to the number of days that they will remain outstanding after the due date as indicated in **Table 6**:

Table 6 - Outstanding interbank balances

<i>Assets in Transit</i>	<i>Risk Weight</i>
- From other commercial banks (2 days)	0.0%
- From other commercial banks (2 to 5 days)	20.0%
- From other commercial banks (6 to 10 days)	50.0%
- From other commercial banks (11 to 14 days)	100.0%
- From other commercial banks (over 14 days)	150.0%

Higher Risk Categories

- 23. (1) Investments of a bank, or a qualifying financial institution, in assets which may be considered as high-risk exposures shall be risk weighted at one hundred and fifty percent. Assets in the high-risk exposure category include:
 - (a) venture capital; and
 - (b) private equities: - Investments in private equities shall include investments in affiliates, subsidiaries and other such undertakings whose primary objective is commercial gain. Investments whose primary objective is the furtherance of the bank business, such as investment in the Zambia Electronic Clearing House, shall be categorised under 'Other Assets' and shall be risk weighted at one hundred percent.
- (2) A one thousand percent risk weight shall apply on;
 - (a) all claims or exposures in excess of regulatory limits; and

- (b) unauthorised exposures; and
- (c) any assets of little or no realisable value.

Past Due Loans

24. The unsecured portion of any loan other than a loan secured by residential property that is past due for more than 90 days, net of specific provisions, including partial write offs, shall be risk weighted as indicated in **Table 7**:

Table 7 – Past due loan Risk weights

<i>Level of provisions</i>	<i>Risk Weight</i>
Provisions are less than 20% of the outstanding loan	150.0%
Provisions are equal to or exceed 20% but less than 50% of the outstanding loan	100.0%
Provisions are equal to or exceed 50% but less than 80% of the outstanding loan	75.0%
Provisions are equal to or more than 80% of the outstanding loan	50.0%

Other Assets

25. Any other assets including bank premises, fixed assets, acceptances and bills of exchange not listed above, shall be risk weighted at one hundred percent, except for bills of exchange that are secured by cash or Treasury bills, which will be risk weighted at zero percent.

Securitisation

- 26(1). The capital treatment of a securitisation exposure shall be determined on the basis of its economic substance rather than its legal form.
- 26(2). Risk weighting for securitisation transactions shall only be applicable to an investing bank. An investing bank is an institution, other than the originator or the servicer that assumes the economic risk of a securitisation exposure.
- 26(3). The standard risk weight for securitisation exposures for an investing bank shall be at one hundred percent. For the first loss positions acquired, deductions from capital will be required. The deduction will be fifty percent from Tier 1 and fifty percent from Tier 2 capital. Where a bank does not have sufficient Tier 2 capital to absorb the 50 percent of the first loss positions, the balance shall be deducted from Tier 1.

Revision to Risk Weights

27. The Bank may in writing, revise or prescribe a different risk weight for any claim, whether on-balance sheet or off-balance sheet, as and when need arises.

PART III

CLASSIFICATION AND DETERMINATION OF CREDIT CONVERSION FACTORS AND RISK-WEIGHTS FOR OFF-BALANCE SHEET EXPOSURES

Conversion of Off-Balance Sheet Exposures

- 28(1). Off-balance sheet exposures shall be converted into on-balance sheet credit equivalents through the use of the credit conversion factors as indicated in Part Two of Schedule I.
- 28(2). A two-step process shall be applied to derive the risk weighted amounts for off-balance sheet exposures as follows:
- (a) The nominal principal amount of an off-balance sheet exposure shall be multiplied by an applicable credit conversion factor to derive its credit equivalent amount; and
 - (b) The resultant credit equivalent amount shall then be multiplied by reference to the risk weight allocated to the counterparty of the exposure in accordance with the relevant instructions under Part II.
- 28(3). The total risk weighted off-balance sheet credit exposures shall be calculated as the sum of the risk weighted amounts of all of its off-balance sheet exposures.
- 28(4). Where a transaction is secured by eligible collateral, the credit risk mitigation techniques shall be used to reduce the regulatory capital charge of the exposure.
- 28(5). Where the off-balance sheet transaction is an undrawn or partially undrawn facility, the amount of undrawn commitment to be included in calculating a bank's off-balance sheet credit exposures shall be the maximum unused portion of the commitment that could be drawn during the remaining period to maturity. Any drawn portion of a commitment shall form part of a bank's on-balance sheet credit exposures.
- 28(6). Where there is an undertaking to provide a commitment on an off-balance sheet item, the credit conversion factors applicable to the commitment shall be the lower of:
- (a) the credit conversion factor applicable to the commitment based on its original maturity and whether it can be cancelled at any time unconditionally; or
 - (b) the credit conversion factor applicable to the off-balance sheet exposure arising from the drawdown of the commitment.

- 28(7). With regard to irrevocable commitments to provide off-balance sheet facilities, the maturity of commitments shall be determined as specified in **Table 8**.

Table 8: Determination of maturity of a commitment

(i)	<i>Original and remaining maturity</i> The maturity of a commitment shall be measured from the date the commitment is entered into, that is based on original maturity, until the final date by which it must be drawn down in full.
(ii)	<i>Renegotiation of the terms of a commitment</i> Where the terms of a commitment have been renegotiated, the maturity shall be measured as from the date of the renegotiation until the end of the period of the renegotiated commitment provided the renegotiation involves: • a full credit assessment of the customer; and • the lender's right, without notice, to withdraw the commitment. Where these conditions are not met, the original starting date of the commitment shall be used to determine its maturity rather than the date of renegotiation.
(iii)	<i>A commitment to provide a loan (or purchase an asset) which has a maturity of over one year, but which must be drawn down within a period of up to one year.</i> Such commitments shall be treated as having a maturity of up to one year so long as any undrawn portion of the facility is automatically cancelled at the end of the drawdown period.
(iv)	<i>A commitment to provide a loan (or purchase an asset) to be drawn down in a number of tranches, some up to one year and some over one year.</i> The whole commitment shall be considered as having a maturity of over one year.
(v)	<i>Commitments for fluctuating amounts</i> Where a commitment provides for a customer to have a facility limit which varies during the period of the commitment, the amount of the commitment shall at all times be taken as the maximum amount that can be drawn under the commitment for the remaining period.
(vi)	<i>Forward commitments</i> The original maturity of a forward commitment shall be measured from the date the commitment is entered into until the final date by which the facility must be drawn in full.
(vii)	<i>Commitments for off-balance sheet transactions</i> A distinction is made between a commitment to provide an off-balance sheet facility that may or may not be drawn by the customer, and a commitment to provide an off-balance sheet instrument with certain drawdown such as; • A commitment of over one year to provide a trade related contingent facility at a future date which may or may not be drawn down shall be given a CCF of 50% (the CCF for long-term commitments) multiplied by 20% (the CCF for trade-related contingents), that is, an effective CCF of 10%. • Similarly, a long-term commitment to provide a guarantee facility shall receive a CCF of 50% multiplied by 100%, that is, an effective CCF of 50%. • A commitment (short-term or long-term) to provide a trade-related contingent item, where it is certain that the drawdown will occur at some point in the future, including a range of dates, shall be given a CCF of 20%. • Similarly, a commitment to issue a guarantee at a particular point in future shall receive a CCF of 100%.

Sales and Repurchase Agreements

- 29(1). Loans or other assets sold under a sale and repurchase agreement (repo) shall continue to be reported on the balance sheet, and the repo shall be reported as an off-balance sheet item; and
- 29(2). The bank, or a qualifying financial institution, that has purchased instruments such as reverse repos shall, for the duration of the agreement, report the transaction as a collateralized loan.

Other Commitments

- 30(1). Other commitments include the undrawn portion of any binding arrangement that obligates a bank to provide funds at some future date. These should be classified according to:
- an original maturity of up to one year;
 - an original maturity of over one year; and
 - whether they can be unconditionally cancelled at any time.
- 30(2). A commitment is regarded as being created on the date the customer accepts the facility in writing regardless of whether the commitment is revocable or irrevocable, conditional or unconditional, and in particular whether or not the facility contains a 'material adverse change' clause;
- 30(3). If a commitment is in the form of a general banking facility, consisting of two or more credit lines including lines for entering into over-the-counter derivative/credit derivative contracts, the bank shall assign a credit conversion factor to the commitment based on its original maturity and whether it can be unconditionally cancelled at any time; and
- 30(4). Rolling or undated/open-ended commitments (e.g. overdrafts or unused credit card lines) shall be included under 30(1) (c) provided they are unconditionally cancellable at any time without notice – other than where the only reason for cancellation is 'force majeure' – and subject to credit review at least annually. Other rolling or undated commitments shall be reported under either 30(1) (a) or (b).

PART IV

CREDIT RISK MITIGATION TECHNIQUES

- 31(1). A bank, or a qualifying financial institution, may use Credit Risk Mitigation (CRM) techniques to minimise the credit risk to which it is exposed. Exposures may be collateralised in whole or in part by eligible security.
- 31(2). For capital adequacy purposes, a bank, or a qualifying financial institution, shall be required to use the simple approach for credit risk mitigation. Under this approach, the risk weighting of the collateral will substitute the risk weighting of the counterparty for the collateralised portion of the exposure subject to a twenty percent floor. Partial collateralisation will be recognised. However, mismatches in the maturity or currency of the underlying exposure and the collateral will not be allowed.
- 31(3). The CRM framework shall apply to the banking book exposures. No transaction in which CRM techniques are used shall receive a higher capital requirement than an otherwise identical transaction where such techniques are not used. The effects of CRM will not be double counted. Therefore, no additional supervisory recognition of CRM for regulatory capital purposes will be granted on claims for which an issue-specific rating is used that already reflects that CRM. As stated, principal-only ratings will also not be allowed within the framework of CRM.
- 31(4). The use of CRM techniques reduces or transfers credit risk, but it may simultaneously increase other residual risks which include legal, operational, liquidity and market risks. Where these risks are not adequately controlled, the Bank may impose additional capital charges or take other supervisory actions.

CENTRAL PRINCIPLES FOR CREDIT RISK MITIGATION

Funded Credit Protection

- 32(1). To be eligible for recognition, the assets relied upon must be sufficiently liquid and their value over time sufficiently stable to provide appropriate certainty as to the credit protection achieved, having regard to the approach used to calculate risk weighted exposure amounts and to the degree of recognition allowed; and
- 32(2). A bank, or a qualifying financial institution, must have the right to liquidate or retain, in a timely manner, the assets in question in the event of the default, insolvency or bankruptcy of the counterparty or other credit event set out in the transaction documentation and, where applicable, of the custodian holding the collateral.

Unfunded Credit Protection

- 33(1). To be eligible for recognition the party giving the undertaking must be sufficiently reliable, and the protection agreement legally effective and enforceable in the relevant jurisdictions, to provide appropriate certainty as to the credit protection achieved having regard to the approach used to calculate risk weighted exposure amounts and to the degree of recognition allowed;
- 33(2). A bank, or a qualifying financial institution, shall satisfy the Bank that it has adequate risk management processes to control the risks to which it may be exposed as a result of carrying out credit risk mitigation. These processes should include appropriate stress tests and scenario analyses relating to those risks, including residual risk and the risks relating to the intrinsic value of the credit risk mitigation; and
- 33(3). Notwithstanding the presence of credit risk mitigation taken into account for the purposes of calculating risk weighted exposure amounts and as relevant expected loss amounts, a bank shall continue to undertake full credit risk assessment of the underlying exposure and should be in a position to demonstrate the fulfilment of this requirement.

Minimum Requirements for Recognition of Credit Risk Mitigation Techniques

34. To be eligible for recognition for purposes of capital relief, the credit risk mitigants have to meet the following minimum requirements:
 - (a) Legal Certainty – all documents used in the collateralised transactions and for documenting guarantees must be binding on all parties and legally enforceable in all relevant jurisdictions. A bank, or a qualifying financial institution, should conduct sufficient legal review to verify this and have a well-founded legal basis to reach this conclusion and undertake such further review as necessary to safeguard enforceability on an ongoing basis.
 - (b) Proportional Cover – where the amount collateralised or guaranteed is less than the amount of the exposure, and the secured and unsecured portions are of equal seniority, i.e. a bank and a guarantor share losses on a pro-rata basis, the capital relief will be allowed on a proportional basis.
 - (c) Lifespan - the collateral must be pledged for at least the life of the exposure, and it must be marked-to-market and revalued with a minimum frequency of three months.
 - (d) Credit Quality - the credit quality of the counterparty and the value of the collateral must not have a material positive correlation as such, securities issued by the counterparty or by any related group entity would provide little protection and therefore would be ineligible for recognition.
 - (e) Security Interest - the legal mechanism by which collateral is pledged or transferred must enable the bank, or qualifying financial institution to liquidate or take legal possession of the collateral in a timely manner, in the event of default, insolvency or bankruptcy of the counterparty and, where applicable, of the custodian holding the collateral. A bank or financial institution shall take all steps necessary to fulfil requirements under the law applicable to its interest in the collateral for obtaining and maintaining an enforceable security interest that is by registering, or for exercising the right to net or set off in relation to the transfer of title of the collateral.
 - (f) Procedures - a bank, or a qualifying financial institution, shall have clear and robust procedures for the timely liquidation of collateral so that any legal conditions required for declaring the default of the counterparty and liquidating the collateral are observed and the collateral can be liquidated promptly.

- (g) Custodial Services - where the collateral is held by a custodian, a bank, or a qualifying financial institution, shall verify that the custodian segregates the collateral from its own assets.
- (h) Agent Relationship - where a bank, or a qualifying financial institution, acting as an agent, arranges a repo-style transaction between a customer and a third party and provides a guarantee to a customer that the third party will perform on his obligations, then the risk to the bank or financial institution is the same as if the bank or financial institution had entered into the transaction as a principal. In such circumstances, a bank shall be required to calculate capital requirements as if it were itself the principal. The capital requirement will be applied to a bank or financial institution on either side of the collateralised transaction.

Eligible Collateral

35. Eligible collateral instruments that shall qualify for recognition as credit risk mitigation will include financial collateral and guarantees as indicated in **Table 9**.

Table 9 – Eligible collateral for credit risk mitigation

Type of Collateral	Notes/Treatment
<i>Financial collateral</i>	
Cash (local and foreign currency) including on-balance sheet netting	- Full value of cash collateral subject to: - The bank or financial institution having a lien and right of set off. - The bank or financial institution holding the funds in its books. - For foreign currency, a bank or financial institution making the appropriate haircuts to mitigate against foreign exchange risk. - On-balance sheet netting will apply where a bank or financial institution: - has a well-founded legal basis for concluding that the netting or offsetting agreement is enforceable in each relevant jurisdiction regardless of whether the counterparty is insolvent or bankrupt; - is able, at any time, to determine those assets and liabilities with the same counterparty that are subject to the netting agreement; - monitors and controls its roll-off risks; and - monitors and controls the relevant exposures on a net basis, A bank or financial institution may use the net exposure of loans and deposits as the basis for its capital adequacy calculation. Assets (loans) are treated as exposure and liabilities (deposits) as collateral. The haircuts will be zero except when a currency mismatch exists.
Securities issued by Government of the Republic of Zambia (Treasury bills, Government bonds)	Apply the value of the paper as provided under section 37 (2) below.
<i>Guarantees</i>	
Guarantees provided by the Government of the Republic of Zambia	Full recognition up to the amount of the guarantee.
Guarantees provided by other sovereigns	Full recognition up to the amount of the guarantee with the risk weights based on the country risk scores of the export credit agencies (ECA) participating in the arrangements on officially supported export credits.
Guarantee provided by a bank	Full face value of the guarantee.
Guarantee provided by a foreign bank	Full face value of the guarantee with the risk weights based on the ECA consensus risk scores for claims on foreign banks.
Guarantee by a Multilateral Development Bank (MDBs) as per the schedule set out in Schedule II	The value of the guarantee will be recognised up to the face value of the guarantee.

Operational Requirements for Financial Collateral

36. To be eligible, the financial collateral shall meet the following requirements:

- (a) the collateral arrangements shall be properly documented, with a clear and robust procedure for the timely liquidation of the collateral;
- (b) a bank, or a qualifying financial institution, shall employ effective procedures and processes to control risks arising from the use of collateral, including risks of failed or reduced credit protection, valuation risks, risks associated with the termination of the credit protection, concentration risk arising from the use of collateral and the interaction with the bank's overall risk profile;
- (c) a bank, or a qualifying financial institution, shall have documented policies and practices concerning the types and amounts of collateral accepted;
- (d) a bank, or a qualifying financial institution, shall calculate the market value of the collateral, and revalue it accordingly, with a minimum frequency of once every three months or whenever the bank has reason to believe that there has been a significant decrease in its market value;
- (e) where the collateral is held by a third party, a bank or a qualifying financial institution, shall verify that the third party segregates the collateral from its own assets;
- (f) volatility adjustments shall be applied to the market value of the collateral; and
- (g) a volatility adjustment reflecting currency volatility shall be applied when there is a mismatch between the collateral currency and the settlement currency.

Risk Weights Applicable to Eligible Financial Collateral

- 37(1). Where a claim on the counterparty is secured by eligible collateral, the secured portion of the claim shall be weighted according to the risk weight appropriate to the collateral. The risk weight on the collateralised portion will be subject to a floor of twenty percent. The unsecured portion of the claim will be weighted according to the risk weight applicable to the original counterparty.
- 37(2). The twenty percent floor for the risk weight on the collateralised transaction will not be applied and a zero percent risk weight can be provided where the exposure and collateral are denominated in the same currency and the following additional conditions apply:
 - (a) the collateral is cash on deposit; or
 - (b) the collateral is in the form of sovereign securities eligible for a zero percent risk weight and its market value has been discounted by twenty percent.

Operational Requirements for Guarantees

- 38(1). To be eligible for recognition for purposes of capital relief, a guarantee (counter-guarantee) shall represent a direct claim on the protection provider and shall be explicitly referenced to specific exposures or a pool of exposures, so that the extent of the cover is clearly defined and incontrovertible. Other than non-payment by a protection purchaser of money due in respect of the credit protection contract, it must be irrevocable; there shall be no clause in the contract that would increase the effective cost of cover as a result of deteriorating credit quality in the hedged exposure. It shall also be unconditional; there should be no clause in the protection contract outside the control of the bank or financial institution that could prevent the protection provider from being obliged to pay out in a timely manner in the event that the original counterparty fails to make the payment(s) due.
- 38(2). In addition to the legal certainty requirements in Directive 33(a), the following conditions must be satisfied:
 - (a) On the qualifying default or non-payment of the counterparty, the bank, or qualifying financial institution may, in a timely manner pursue the guarantor for any monies outstanding under the documentation governing the transaction. The guarantor may make one lump sum payment of all monies under such documentation to the bank or financial institution, or the guarantor may assume the future payment obligations of the counterparty covered by the guarantee. The bank or financial institution shall have the right to receive any such payments from the guarantor without first having to take legal action in order to pursue the counterparty for payment; and
 - (b) The guarantee is explicitly documented as an obligation assumed by the guarantor.
- 38(3). Where a guarantee covers payment of principal only, interest and other uncovered charges shall be treated as an unsecured amount.

Risk Weights Applicable to Eligible Guarantees

- 39(1). Where a claim on the counterparty is secured by a guarantee from an eligible guarantor, the portion of the claim that is supported by the guarantee shall be weighted according to the risk weight of the guarantor. The unsecured portion of the claim, if any, shall be risk weighted according to the risk weight applicable to the original counterparty.
- 39(2). Credit protection given by the following entities will be recognised as eligible guarantors:
 - (a) sovereign entities;
 - (b) PSEs; and
 - (c) other entities with a risk weight of twenty percent or better and a lower risk weight than the counterparty.

Treatment of Pools of Credit Risk Mitigation Techniques

40. Where a bank, or a qualifying financial institution, has multiple credit risk mitigation techniques (CRM) covering a single exposure, the bank or financial institution will be required to subdivide the exposure into portions covered by each type of the CRM tool. The risk weighted assets of each portion shall be calculated separately. Where credit protection provided by a single protection provider has different maturities, these must be subdivided into separate protection as well.

SCHEDULE I: CLASSIFICATION OF ON AND OFF-BALANCE SHEET EXPOSURES

Part One: Prescribed Risk Weights

<i>Description</i>	<i>On-balance sheet exposures</i>	<i>Directive</i>	<i>Risk weight</i>
Notes and Coins	Notes and Coins (Domestic)	9	0.0%
	Notes and Coins (Foreign)	9	0.0%
Claims on Bank of Zambia	Bank of Zambia Claims - Denominated in Kwacha and Funded in Kwacha	10(1)	0.0%
	Bank of Zambia Claims - Denominated in Foreign Currency	10(2)	0.0%
	Bank of Zambia Claims - Statutory Reserves (Both Kwacha and Foreign Currency)	10(2)	0.0%
	Bank of Zambia Claims - Open Market Operations (Both Kwacha and Foreign Currency)	10(3)	0.0%
Claims on Sovereigns	Government of the Republic of Zambia Claims - Denominated in Kwacha and Funded in Kwacha	11(1)	0.0%
	Government of the Republic of Zambia Claims - Denominated in Foreign Currency	11(2)	20.0%
	Foreign Central Banks Claims - ECA risk score (0 to 1)	12	0.0%
	Foreign Central Banks Claims - ECA risk score (2)	12	20.0%
	Foreign Central Banks Claims - ECA risk score (3)	12	50.0%
	Foreign Central Banks Claims - ECA risk score (4 to 6)	12	100.0%
	Foreign Central Banks Claims - ECA risk score (7)	12	150.0%
	Foreign Central Banks Claims - Unrated	12	100.0%
Claims on other official entities and multilateral development Banks	Recognised or designated by the Bank	13	0.0%
	Not recognised or designated by the Bank	13	100.0%
Claims on domestic banks	- Transactions for settlement within two days	14(1)	0.0%
	- with original maturity of more than 2 days but up to 3 months	14(1)	20.0%
	- with original maturity of between 3 and 6 months	14(1)	50.0%
	- with original maturity of between 6 and 12 months	14(1)	75.0%
	- with original maturity of more than 12 months	14(1)	100.0%
	- secured by GRZ debt instruments denominated in Kwacha	14(2)	0.0%
	- secured by GRZ debt instruments in a currency other than Kwacha	14(3)	20.0%

<i>Description</i>	<i>On-balance sheet exposures</i>	<i>Directive</i>	<i>Risk weight</i>
Claims on foreign Banks	- With Country ECA Risk Score (0 to 1)	15	20.0%
	- With Country ECA Risk Score (2)	15	50.0%
	- With Country ECA Risk Score (3)	15	100.0%
	- With Country ECA Risk Score (4 to 6)	15	150.0%
	- With Country ECA Risk Score (7)	15	150.0%
	- Without Country ECA Risk Score (Unrated)	15	100.0%
Claims on Public Sector Entities (PSEs)	(a) Domestic		
	- denominated and funded in Kwacha and guaranteed by GRZ	16(1)	20.0%
	- denominated in a foreign currency and guaranteed by GRZ	16(2)	50.0%
	- PSEs with commercial undertakings	16(3)	100.0%
	- Other PSEs with no GRZ Guarantee	16(4)	100.0%
	(b) Foreign		
	- With Country ECA Risk Score (0 to 1)	16(5)	20.0%
	- With Country ECA Risk Score (2)	16(5)	50.0%
	- With Country ECA Risk Score (3)	16(5)	100.0%
	- With Country ECA Risk Score (4 to 6)	16(5)	150.0%
	- With Country ECA Risk Score (7)	16(5)	150.0%
	- Without Country ECA Risk Score (Unrated)	16(5)	100.0%
Claims on Securities Firms and Corporates	Claims on Securities Firms	17(1)	100.0%
	Claims on Corporates	17(1)	100.0%
	Claims on Corporates meeting the 'Investment Grade' criteria	17(2)	65.0%
Claims included in the regulatory retail Portfolio	Claims on MSEs meeting the Criteria set out in Directive 18(1) (a) to (d)	18(2)	75.0%
	Claims on MSEs not meeting all the Criteria set out in Directive 18(1) (a) to (d)	18(3)	85.0%
	Claims on other retail exposures	18(4)	100.0%
Claims secured by residential property	- Loan to Value ratio of up to 80%	19(2)	50.0%
	- Loan to Value ratio greater than 80%	19(2)	100.0%
	- Unsecured portion which is past due for 90 days or more	19(2)	150.0%
Claims secured by commercial real estate	All Claims	20(1)	100.0%

<i>Description</i>	<i>On-balance sheet exposures</i>	<i>Directive</i>	<i>Risk weight</i>
Inter-Branch assets in transit	- Number of days outstanding (1 to 5)	21	0.0%
	- Number of days outstanding (6 to 29)	21	50.0%
	- Number of days outstanding (30 to 59)	21	75.0%
	- Number of days outstanding (60 to 89)	21	100.0%
	- Number of days outstanding (90 days and above)	21	150.0%
Inter-Bank assets in transit	- Number of days outstanding (2 days)	22	0.0%
	- Number of days outstanding (2 to 5 days)	22	20.0%
	- Number of days outstanding (6 to 10 days)	22	50.0%
	- Number of days outstanding (11 to 14 days)	22	100.0%
	- Number of days outstanding (over 14 days)	22	150.0%
Higher risk categories	- Venture capital, Private equities and other high-risk exposures	23(1)	150.0%
Past due loans	- Exposures in excess of regulatory limits	23(2)	1,000.0%
	- Unauthorised Exposures	23(2)	1,000.0%
	- Any assets of little or no realisable value	23(2)	1,000.0%
	- Provisions are less than 20% of the outstanding loan	24	150.0%
Other assets	- Provisions are equal or exceed 20% but less than 50% of the outstanding loan	24	100.0%
	- Provisions are equal to or exceed 50% but less than 80% of the outstanding loan	24	75.0%
	- Provisions are equal to or more than 80% of the outstanding loan	24	50.0%
	a) Bills of Exchange		
Claims on Securitised assets	- Portion secured by cash or Treasury bills	25	0.0%
	- Others	25	100.0%
	b) Acceptances	25	100.0%
	c) Bank premises (net of depreciation)	25	100.0%
	d) Any other assets not listed above	25	100.0%
	All Claims	40 (5)	100.0%

Part Two: Credit Conversion Factors (CCF)

	<i>Off-Balance Sheet Exposures</i>	CCF
1	Unconditionally cancellable Commitments: Commitments which are unconditionally cancellable at any time by the reporting bank without prior notice, or that effectively provide for automatic cancellation due to deterioration in a counterpart's creditworthiness.	0.0%
2	Commitments with an original maturity of one year or less.	20.0%
3	Commitments with an original maturity of more than one year.	50.0%
4	Direct Credit Substitutes: Any irrevocable off-balance sheet obligations which carry the same credit risk as a direct extension of credit, such as an undertaking to make a payment to a third party in the event that a counterparty fails to meet a financial obligation or an undertaking to a counterparty to acquire a potential claim on another party in the event of default by that party, constitutes a direct credit substitute (i.e. the risk of loss depends on the creditworthiness of the counterparty or the party against whom a potential claim is acquired). These include instruments such as: (i) Acceptances and endorsements (including per aval endorsements); (ii) Guarantees given on behalf of customers to stand behind the current financial obligations of a customer and to carry out these obligations in the event the customer fails to do so, e.g. a loan guarantee; (iii) Letters of credit issued by a bank without the provision of retaining title to the underlying shipment or where the title has passed from the bank; (iv) Letters of credit confirmed by the bank; and (v) Standby letters of credit serving as financial guarantees.	100.0%
5	Sale and Purchase Agreements and asset sales with recourse, where the credit risk remains with the reporting bank. These include any asset sales (to the extent that such assets are not included on balance sheet) by a bank where the holder of the asset is entitled to "put" the asset back to the bank within an agreed period or under certain prescribed circumstances, such as deterioration in the value or credit quality of the asset concerned.	100.0%
6	Short term self-liquidating trade letters of credit: Short-term self-liquidating trade letters of credit, with a maturity of one year, arising from the movements of goods, such as documentary credits collateralised by the underlying shipments. This will apply to both issuing and confirming banks. These include documentary letters of credit issued by a bank which are, or are to be, collateralised by underlying shipments, i.e. where the credit provides for the bank to retain title to the underlying shipment; shipping guarantees issued by a bank; acceptances on trade bills; and any other trade-related contingencies.	20.0%

	<i>Off-Balance Sheet Exposures</i>	CCF
7	Forward asset purchases, forward deposits: Forward asset purchases, forward deposits, and partly paid shares and securities which represent commitments with certain drawdown: (a) These include commitments to purchase at a specified future date and on pre-arranged terms, a loan, security or other asset from another party, including written put options on specified assets with the character of a credit enhancement. Where a bank purchasing the asset has an unequivocal right to substitute cash settlement in place of accepting delivery of the asset and the price on settlement is calculated with reference to a general market price indicator (and not to the financial condition of any specific entity), the purchase may be treated as a market-related off-balance sheet transaction. Written put options expressed in terms of market rates for currencies or financial instruments bearing no credit risk, are <i>excluded from risk assets</i>; (b) These relate to any agreement between a bank and another party whereby the bank will place a deposit at an agreed rate of interest with that party at a predetermined future date; and (c) These include any amounts owing on the uncalled portion of partly paid shares and securities held by a bank which represent commitments with certain drawdown by the issuer at a future date.	100.0%
8	Transaction related contingent items: These are contingent liabilities which involve an irrevocable obligation of a bank to pay a third-party beneficiary when a customer fails to perform some contractual non-financial obligation, that is where the risk of loss to the bank depends on the likelihood of a future event which is independent of the creditworthiness of the counterparty. They are essentially guarantees which support particular obligations rather than supporting customers' general financial obligations, and include: (i) performance bonds, warranties and indemnities; (ii) bid or tender bonds; (iii) advance payment guarantees; (iv) customs and excise bonds; and (v) standby letters of credit related to particular contracts and non-financial transactions.	50.0%
9	Note issuing facilities and revolving underwriting facilities: These involve arrangements whereby a borrower may drawdown funds up to a prescribed limit over a predefined period by making repeated note issues to the market, and where, should the issue prove unable to be placed in the market, the unplaced amount is to be taken up or funds made available by a bank being committed as an underwriter of the facility.	50.0%
10	Lending of bank securities as collateral: Lending of bank securities or the posting of security as collateral by banks including instances where this arises out of repo-type (that is repurchase/reverse repurchase and securities lending/securities borrowing transactions)	100.0%

SCHEDULE II: OFFICIAL ENTITIES AND MULTILATERAL DEVELOPMENT BANKS

1.	Bank for International Settlements (BIS)
2.	International Monetary Fund (IMF)
3.	European Central Bank (ECB)
4.	European Community (EC)
5.	The World Bank Group (WBG)
6.	Asian Development Bank (ADB)
7.	African Development Bank (AfDB)
8.	European Bank for Reconstruction and Development
9.	Inter-American Development Bank (IADB)
10.	European Investment Bank (EIB)
11.	European Investment Fund (EIF)
12.	Nordic Investment Bank (NIB)
13.	Caribbean Development Bank (CDB)
14.	Islamic Development Bank (IDB)
15.	Council of European Development Bank (CEDB)
16.	Netherlands Development Finance Company/Dutch Development Bank (FMO)
17.	Kreditanstalt für Wiederaufbau (KfW)
18.	PROPARCO
19.	United States International Development Finance Corporation (DFC)
20.	The New Development Bank (Former BRICS Development Bank)
21.	The Export-Import Bank of China
22.	China Development Bank (CDB)
23.	African Export-Import Bank (Afrexim Bank)
24.	Trade and Development Bank (TDB) (Former PTA Bank)

The Banking and Financial Services Act, 2017

Act No. 7 of 2017

Rule 12 Of The Capital Adequacy Rules 2025**The Banking and Financial Services
(Computation of Minimum Capital Requirements for Operational Risk) Directives, 2025***Arrangement of Sections*

PART 1

1. Short Title
2. Interpretation
3. Application

PART 11

COMPUTATION OF CAPITAL CHARGE FOR OPERATIONAL RISK

4. Measurement Approach
5. Capital Requirements

PART 1

Short Title

1. These Directives may be cited as the Banking and Financial Services (Computation of Capital Charge for Operational Risk) Directives 2025.

Interpretation

2. In these Directives, unless the context otherwise requires—

“Operational risk” means the potential loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk but excludes strategic and reputational risk.

“Gross income” means the sum of net interest income and non-interest income.

Application

3. These Directives shall apply to banks licenced under the Banking and Financial Services Act, and to financial institutions licenced under the Banking and Financial Services Act, where the Bank requests.

PART 11

COMPUTATION OF CAPITAL CHARGE FOR OPERATIONAL RISK

Measurement Approach

4. Under these Directives, a bank or financial institution, shall be required to use the Basic Indicator Approach for purposes of computing a capital charge for operational Risk.

Capital Requirements

5. (1) A bank or financial institution shall be required to meet the minimum regulatory capital requirements for exposures to operational risk.

(2) A bank or financial institution shall hold capital for operational risk equal to the average over the previous three years of a fixed percentage of fifteen percent of positive annual gross income. The formula for calculating the capital charge shall be as follows:

$$K_{BIA} = \frac{\sum(GI_{1...n} \times \alpha)}{n}$$

WHERE:

KBIA = the capital charge under the Basic Indicator Approach

GI = annual gross income, where positive, over the previous three years

n = number of the previous three years for which gross income is positive .

α = 15 percent capital charge

- (3) The resultant capital charge shall be multiplied by a factor of 10 to convert it into risk weighted assets equivalent.

Risk weighted assets equivalent = KBIA x 10

- (4) Gross income shall be based on audited financial statements, and shall be arrived at before accounting for the following:

- (a) Provisions, including those for credit impairment and unpaid interest;
- (b) Operating expenses, including fees paid to outsourcing service providers;
- (c) Realised profits / losses from the sale of securities in the banking book; and

- (d) Non-recurring or irregular items as well as income derived from insurance claims.
- (5) The following additional factors shall be considered when computing the three-year average:
- (a) If gross income is negative or zero in one particular year, this should be excluded from both the numerator and denominator;
 - (b) The relevant indicator is calculated as the sum of positive figures (numerator) divided by the number of positive figures (denominator);
 - (c) A newly established bank or financial institution that does not have the required gross income data to calculate the required gross income figures may, with the prior written approval of and subject to such conditions as may be specified by the Bank, use the gross income projections for all or part of the three-year period. These projections should be reasonable in relation to the expected risk profile of the bank; and
 - (d) When audited financial statements are not available, management accounts may be used, subject to the Bank's approval.

Dated at Lusaka this 10th day of September, 2025.

F. CHIPIMO (PhD),
Deputy Governor,
Bank of Zambia

LUSAKA

GAZETTE NOTICE NO. 1203 OF 2025 [2305493]

The Lands and Deeds Registry Act
(Chapter 185 of the Laws of Zambia)
(Section 56)

Notice of Intention to Issue a Duplicate Certificate of Title

FOURTEEN DAYS after the publication of this notice, I intend to issue a Duplicate Certificate of Title No. L5185 in the names of Andrew Cay Maimbo in respect of Stand No.CHILA/388 in extent of 0.9000 hectares situated in Lusaka Province of the Republic of Zambia.

All persons having objections to the issuance of the duplicate certificate of title are hereby required to lodge the same in writing with the Registrar of Lands and Deeds within fourteen days from the date of publication of this notice.

REGISTRY OF LANDS AND DEEDS
P.O. Box 30069
LUSAKA

E. CHANDA,
Registrar,
Lands and Deeds

GAZETTE NOTICE NO. 1205 OF 2025 [2305520]

The Lands and Deeds Registry Act
(Chapter 185 of the Laws of Zambia)
(Section 56)

Notice of Intention to Issue a Duplicate Certificate of Title

FOURTEEN DAYS after the publication of this notice, I intend to issue a Duplicate Certificate of Title No. 26543 in the names of Fanuel Kapaya in respect of Government Stand No. NDO/9184/CL/B/2/2 in extent of 0.0098 hectares situated in Copperbelt Province of the Republic of Zambia.

All persons having objections to the issuance of the duplicate certificate of title are hereby required to lodge the same in writing with the Registrar of Lands and Deeds within fourteen days from the date of publication of this notice.

REGISTRY OF LANDS AND DEEDS
P.O. Box 30069
LUSAKA

R. NJOVU
Registrar,
Lands and Deeds

GAZETTE NOTICE NO. 1204 OF 2025 [2305520]

The Lands and Deeds Registry Act
(Chapter 185 of the Laws of Zambia)
(Section 56)

Notice of Intention to Issue a Duplicate Certificate of Title

FOURTEEN DAYS after the publication of this notice, I intend to issue a Duplicate Certificate of Title No. 107584 in the names of Patel Siraz in respect of Stand No. CHIP/914 in extent of 0.4733 hectares situated in Eastern Province of the Republic of Zambia.

All persons having objections to the issuance of the duplicate certificate of title are hereby required to lodge the same in writing with the Registrar of Lands and Deeds within fourteen days from the date of publication of this notice.

REGISTRY OF LANDS AND DEEDS
P.O. Box 30069
LUSAKA

R. NJOVU
Registrar,
Lands and Deeds

ADVT—11095—2305128

The Citizenship of Zambia Act
(Act No. 33 of 2016)

The Citizenship of Zambia Regulations, 2017

Notice of Intention to Apply for Citizenship by Registration

NOTICE IS HEREBY GIVEN that—

MARIANNE DEELDER, of Middle Way, 27A, Kabulonga,
Lusaka, Zambia,

intends to apply to the Board for citizenship by Registration and that any person who knows any reason that citizenship by registration should not be granted should send a written and signed statement of such reason to the Chief Passports and Citizenship Officer, P.O. Box 30104, Lusaka, within twenty-one days from the date of this notice.