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BOZ TOURS KASUMBALESA, OTHERS

Trade between Zambia and Democratic Republic of Congo (DRC) has significantly increased over the years. Exports grew from USD 522.0 million to about USD 901 million while imports declined from USD 1, 268.0 billion to USD 232 million between 2016 to 2019.

SMALL SCALE MINERS ADVISED TO FORM BLOCKS TO ACCESS TMTRF

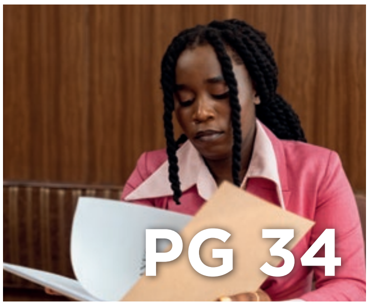
Small-scale miners on the Copperbelt have been advised to form blocks and tap into the Targeted Medium-Term Refinancing Facility (TMTRF).

AFI POLICY MODEL ON MICRO SMALL AND MEDIUM-SIZED ENTERPRISE FINANCE

The Alliance for Financial Inclusion (AFI) published a Policy Model on Micro Small and Medium-sized Enterprise (MSME) Finance in September 2021.

DISRUPTING THE GREAT DISRUPTOR

On the 18th of March 2020, the first case of the coronavirus disease 2019 (COVID-19) was reported in Zambia.



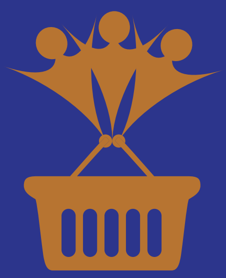
INTERNAL AUDITING'S ROLE IN CORPORATE GOVERNANCE

The word governance has become a staple of the boardroom and C-suite vocabulary, but just what governance is can sometimes become muddled.

Bank *of* Zambia

Protecting the Rights of Both the Consumer and the Service Provider

Secure Your Interest, Know Your Rights - Safe, Quick & Easy



Rights of the Consumer

- Right of Choice of the product or service that a consumer can use without being coerced.
- Right to privacy and confidentiality – the service provider shall not disclose your information to third party without your consent.
- Right to redress when you are not satisfied with a product or service. As a consumer you also have the right to opt out or discontinue using the product or service if necessary.

Obligations of the Consumer

- Being honest when dealing with service providers by providing accurate information and updates when there are changes or requested to do so by a service provider.
- Carefully reading and understanding the financial service provider and customer obligations as stipulated in the terms and conditions.
- Taking up products and services that meet your needs as a consumer.

Obligations of the Service Providers

- Equitably, fairly and honestly treat all customers at all stages of the relationship.
- Being transparent by presenting product information to consumers in a clear and concise manner.
- Disclosing all costs to the customer before they access a product or service.
- Protecting customers against fraud.
- Protecting and respecting the rights of the consumers.
- Providing adequate complaints handling process.

INFLATION PROJECTED TO DECLINE

By Zambanker Reporter

Zambia's overall annual inflation is projected to decline to 19.2 percent in December 2021 from 24.6 percent in June 2021. Underlying this projection is mainly the impact of the recent significant appreciation of the Kwacha driven by improved supply of foreign exchange and positive sentiments arising from the receipt of Special Drawing Rights from the IMF, prospects of securing an IMF Programme earlier than previously anticipated and progress with debt restructuring.

According to the Bank of Zambia Monetary Policy Statement for the period July-December, 2021, inflation is expected to range from 21.4 percent to 22.5 percent with a 30 percent probability, 21.1 percent to 22.8 percent with a 50 percent probability, 18.6 percent to 23.3 percent with a 70 percent probability and 16.8 percent to 26.1 percent with a 90 percent probability. Nonetheless, the possible increase in domestic energy prices (fuel pump prices and electricity tariffs) and COVID-19 related supply disruptions remain key upside risks to inflation.

The economy is projected to rebound in 2021 and the medium-term. Real GDP is expected to grow by 1.6 percent in 2021 and strengthen to 3.0 percent in 2022 against a preliminary contraction of 3.0 percent in 2020. Largely accounting for the recovery in 2021 is the expected positive growth in information and communication, electricity, public administration and mining sectors. The information and communication sector is expected to benefit from the continued expansion in mobile payment solutions, additional investments in modern data and voice infrastructure as well as recourse to virtual platforms in the COVID-19 era.

Further, the commencement of generation at Kafue Gorge Lower and Lusiwasi Upper Hydropower Stations will significantly improve electricity supply and support economic activity over the medium-term. The good rainfall received in 2020/2021 rainy season has improved dam water levels and continues to support hydropower generation previously affected by the drought. The recruitment of staff in health and education is expected to boost the contribution of the public administration and defence sector.

Copper output is projected to rise further in 2021 and the medium-term. The recently refurbished smelter at Mopani Copper Mines, higher capacity utilisation, favourable ore grades, and the reduction in cash costs at several mines are expected to support production. However, uncertainty surrounding new and more contagious COVID-19 variants remains a key downside risk to the growth projection.

Meanwhile, copper and crude oil prices are projected to pick-up in the near-term, supported by strengthening global demand, particularly from China. Copper prices are also expected to be boosted by the rapid growth of the electric vehicle industry and transition to renewable energy systems. The pick-up in economic activity is expected to support the rise in crude oil prices although the increase will largely depend on the evolution of the pandemic and key supply side factors, including US crude inventories and supply by OPEC+7 .

Copper prices are expected to average US$9,244.1 per tonne in 2021 and rise to US$9,418.4 in 2022. Crude oil prices are also projected to rise, averaging US$67.4 per barrel in 2021 and US$68.1 in 2022. Prices for selected agricultural commodities are projected to rise on account of stronger global demand and rising crude oil prices that are expected to escalate production costs. Nonetheless, the likely emergence of new COVID-19 variants poses a downside risk to commodity prices as demand may slacken due to possible re-imposition of lockdown measures.

ZAMBIA'S INVESTMENT CLIMATE REMAINS FAVOURABLE

By Zambanker Reporter

Zambia's investment climate has remained broadly favourable although the macroeconomic conditions deteriorated in 2020. According to the World Bank's Ease of Doing Business Report of 2020, Zambia was ranked 5th in Sub-Saharan Africa and 85th among 190 countries based on the regulatory environment conducive to business operations and stronger protection of property rights. The Government continues to improve the investment climate for both foreign and domestic investors through the implementation of investor friendly policies.

In a bid to steer diversification and stimulate economic growth through an efficient, effective and coordinated private sector led economic development strategy, the Government has continued to provide fiscal incentives to both domestic and foreign investors with investments in priority sectors, Multi-Facility Economic Zones (MFEZ), Industrial Parks and rural areas. The Zambia Development (ZDA) Act No. 11 of 2006 as well as other legislations, such as the Customs and Excise Act offer a host of incentives in the form of allowances, exemptions and concessions.

The fiscal incentives provided include accelerated depreciation on capital equipment and machinery (fixed assets) as well as duty free import on capital equipment and machinery. Investors are also provided with other incentives that include investment guarantees and protection against state nationalisation, free facilitation for application of immigration permits, secondary licenses, land acquisition and utilities, 100 percent repatriation of net profits and a favorable 15 percent corporate tax rate in the agriculture and agro-processing sectors as opposed to the standard 35 percent in other productive sectors of the economy.

Further, the Government has continued to undertake a number of policy and legal reforms to foster an enabling business environment for investment and economic growth. In that regard, the Ministry of Commerce, Trade and Industry (MCTI) is in the process of amending legislation to make the Agency more responsive to the development needs of the country.

Zambia remains a preferred investment destination owing to the following key strengths:

- Political stability and functioning democracy;
- Duty and quota free market access to Regional Economic Communities (RECs) as trade facilities to the United States of America (USA) through the African Growth and Opportunity Act (AGOA), Generalised System of Preferences (GSP) Scheme, the European Union (EU) through the Everything But Arms (EBA) Initiative, Tripartite Free Trade Area (TFTA), AfCFTA and various bilateral and multilateral trade agreements;
- Established One-Stop-Shop to

reduce the cost of doing business;
Presence of an investment promotion and development institution that facilitates both domestic and foreign direct investment in the country;
- Existence of investment infrastructure such as MFEZs, Industrial Park, Industrial Yards, and Farm Blocks; and
- Investment incentives.

Government has identified agriculture, energy, construction, manufacturing, mining and tourism as sectors with abundant investment opportunities to drive economic diversification, industrialisation and job creation in line with the aspirations of the Seventh National Development Plan (7NDP). The agriculture sector has great potential for expansion given vast resource endowments in terms of land, labour and water resources. Out of a total land area of 75 million hectares (752, 000 square Km), 58 percent (42 million hectares) is classified as medium to high potential for agricultural production, with rainfall ranging between 800mm to 1400mm annually. These climatic conditions are suitable for the production of a broad range of crops, fish and livestock. Approximately 86 percent of total agricultural land is currently underutilised, thus providing the agriculture sector with numerous opportunities for investment.

Further, Zambia has suitable weather for horticultural products as well as the production and export of high grade sugar, tobacco, coffee, wheat, soya bean, cotton and other crops. Further, potential exists for agro-processing and its auxiliary industries such as canning and oil processing plants. In that regard, Government has identified farm blocks earmarked for large-scale farming and development using the out-grower scheme model and is providing basic infrastructure such as feeder roads, communication and power. Other notable Government interventions include irrigation development through the construction of dams in selected areas, livestock disease control, farm mechanisation, aquaculture, agro-processing and the provision of extension services.

Zambia's endowment of mineral resources is substantial and includes metallic, industrial, building, and energy minerals. Production of metallic minerals dominates the mining sector. The mining sector plays an important role in the economy, accounting for about 70 percent of foreign exchange earnings and contributing about 10 percent to gross domestic product (GDP). However, the full potential of the sector has not fully been exploited giving the sector's numerous investment opportunities. The broad spectrum of mineral resources such as copper, cobalt, gold, gemstones, a variety of industrial minerals and potential energy resources, including uranium, coal and hydrocarbons, presents excellent investment opportunities in the extraction and processing of minerals in the country. Investment opportunities that exist in the mining sector include mineral beneficiation, exploration as well as mining of metallic and energy minerals. Diamonds, gold and uranium reserves have also been identified and are at various stages of exploitation.

The manufacturing sector has considerable investment potential as the domestic economy is well endowed with resources such as raw materials, labour, abundant land, water and rich minerals. The industry accounts for approximately 8 percent of GDP and has been growing at an average annual growth rate of 3 percent in the last five years. The sector has been earmarked in the Economic Recovery Programme (ERP 2020-2023) to play a prominent role in the country's recovery due to its strong backward and forward linkages with other sectors such as agriculture, mining, tourism as well as wholesale and retail trade.

Agro-processing (food and beverages), textiles and leather, packaging, pharmaceuticals as well as industrial chemicals underpin the manufacturing sector. Secondary processing of metals is also a notable activity, comprising the smelting and refining of copper. Fertiliser, wood products, explosives and construction materials such as cement also feature prominently and provide further opportunities for investment. In that regard, Government has put in place measures to support the growth and competitiveness of the sector. Industrial skills training has been enhanced and access to credit through the enactment of the Movable Property (Security Interest) Act No.3 of 2016 strengthened.

The Government has also provided fiscal and non- fiscal incentives to unlock the potential of the manufacturing sector thereby promoting industrialisation, technology development, skills transfer and job creation. The main potential areas for investment include cement production, textile and clothing apparels, agro-processing, processed and reined foods, leather products, wood processing, mineral processing (copper, cobalt and gemstones), manufacturing vehicle parts, electrical appliances as well as pharmaceuticals.

Tourism is one of the fastest growing sectors contributing about 7 percent to GDP. In 2019, international visitors spent US$849 million, representing 10 percent of the country's total exports. The sector has been identified in the 7NDP as one of the key drivers of diversification and growth. Investment prospects in this sector are reflected in a favorable climate and abundant tourist attractions that include 19 national parks, 34 game management areas, provision of over 22.4 million hectares devoted to the conservation of unique plant and animal species as well as an abundance of cultural and heritage sites, most of which are not fully exploited. These include the rift valleys of the Luangwa and Zambezi rivers and their escarpments; mountain highlands such as the Nyika and Mainga; as well as vast wetlands in the Bangweulu, Kafue and Zambezi floodplains.

Source: 2020 Foreign Private Investment and Investor Perceptions Survey Report

KALYALYA REAPPOINTED GOVERNOR

By Zambanker Reporter

President Hakainde Hichilema has reappointed Dr. Denny Kalyalya as Governor of the Bank of Zambia. Dr Kalyalya takes over from Mr Christopher Mvunga who served from October, 2020 to September, 2021.

Speaking at State House during the swearing-in-ceremony, President Hichilema challenged the Governor to help stabilise the economy and work with the financial sector to find innovative ways of making credit affordable to the majority of Zambians.

"We need to design medium to long term financial instruments that will help us deliver affordable credit to our people especially housing," he said. The President assured the Governor of the operational autonomy of the central bank and urged him to be positively aggressive in fulfilling the mandate of the BoZ.

"You are back at the central bank at a very critical time and I want to assure you of our support as you carry out your mandate. Political will is now there for the central bank to play its rightful role," he said.

The President said he is also concerned about the fluctuations in the exchange rate, a situation he wants addressed. He added that the new administration represents jobs, stability in the economy, stable price levels, and low inflation and interest rates.

Dr Kalyalya is currently serving as an Independent Co-chair of the International Development Association Twentieth (IDA 20) Replenishment with the World Bank, a position he will hold until December, 2021.

He served as Governor of the Bank from February, 2015 to August, 2020. Before this appointment, he served in other senior positions including that of Executive Director at the World Bank Group (WBG), Alternate Executive Director at the same institution and Deputy Governor – Operations at the Bank of Zambia.

He holds a PhD in Economics from the University of Massachusetts/Amherst, USA, a Master of Arts in Economics from the same University and a Bachelor of Arts in Economics from the University of Zambia.

BANKING SECTOR STABLE, WELL CAPITALISED AS UBA OPENS 6TH BRANCH

By Zambanker Reporter

Director - Bank Supervision Ms Gladys Mposha has said the Zambian financial system has demonstrated a level of stability, which to some extent has been derived from the strong capital positions that have characterised the local banking industry in the past years.

Speaking at the official opening of the United Bank of Africa (UBA) Zambia Lewanika Branch Mall in Lusaka recently, Ms Mposha, who congratulated the bank for adding another branch to their network, said the Bank of Zambia will continue to implement and monitor various regulatory measures aimed at enhancing the efficiency of the banking sector and the wider economy. She also encouraged UBA Zambia to consider venturing into other areas, especially rural areas.

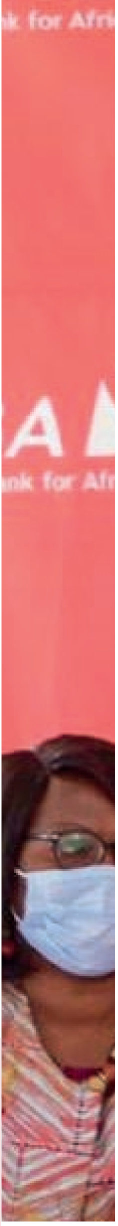
"The financial landscape globally as well as in Zambia is changing rapidly. There are a number of trends that have emerged partly due to the pandemic, for instance, enhanced digitalisation and remote working. These trends have brought to the fore, innovations centered on the use of technology in working and delivery of financial services. Use of technology in financial delivery is largely underpinned by lower costs and economies of scale, which can enhance the efficiency and expand the reach of financial services to previously unbanked population. Banks and other Financial Institutions should therefore seize the opportunity and optimise the digital era," she said.

Ms Mposha explained that access to finance remains a priority objective for both Government and the Bank of Zambia. She added that the BoZ, will thus, continue to encourage financial service providers to take advantage of opportunities arising from the general positive economic outlook on account of improving macroeconomic environment.

She said that the Bank will also continue to implore financial service providers to pay more attention to understanding the enormous business opportunities in the Zambian market and provide solutions especially to the Small and Medium Enterprises (SMEs) and women because SMEs are the key drivers of economic growth while women have been disadvantaged for a long time. 'Some financial institutions that have had facilities extended to women either as individuals or women groups, have proved that women tend to be loyal and good borrowers.'

The opening of the Lewanika Mall branch brings the total number of UBA Zambia's branches to 6 since the bank commenced operations eleven (11) years ago. The new UBA Lewanika branch, is part of UBA Zambia's branch expansion project that will see it open up more branches in key and strategic areas as part of its efforts of expanding its reach across the country. UBA Zambia intends to open additional branches in Lusaka, Chipata, Solwezi and a Cash Centre in Kasumbalesa on the Copperbelt.

Ms Mposha advised UBA Zambia to strategically tap into the market by



offering innovative solutions and digital platforms. She said as a regulator, the BoZ will remain confident that as players bring innovative products and services in the financial sector, they will at all times strive to comply with regulations as stipulated in the Banking and Financial Services Act and other relevant laws and regulations to ensure the safety and soundness of the financial system in the country.

The Director further urged UBA Zambia and all financial institutions to take an active role in providing financial literacy with the view of nurturing sustainable long term business relationships. She said the importance of making banking services widely available to a larger proportion of the population cannot be over-emphasised, as financial services are a critical tool to help people step onto the economic growth ladder.

"The initiative by UBA to open this new branch is indeed welcome as it will contribute to increased convenience for people to access banking services. By so doing, the bank is effectively taking its products and services closer to the customers," she added.

Ms Mposha hoped that the banking services will be affordable and accessible to as many people as possible and that the bank will continue to uphold its stride towards innovation as it designs products to serve different customers.

Meanwhile UBA Board Chairperson, Dr Tukiya Kankasa-Mabula said UBA's mandate and focus is to reposition for market leadership, so that the bank is best placed to meet and exceed customers' ever-changing needs and expectations.

"As a bank we have made strategic resolutions that will strengthen our commitment to earn the industry leadership that we envision. We have set up a robust plan that is targeted at making UBA Zambia a key player in the banking sector. We have further, established a diversified business model that ensures impressive performance even in periods of uncertainty, she said.

TRADE BALANCE INCREASES TO US$1.01 BILLION

By Zambanker Reporter

Zambia's trade balance surged to US$1.01 billion in the second quarter of this year from US$491.5 million in the corresponding quarter last year. Higher exports relative to imports explained the outturn.

Refined copper exports grew by 82.1% to US$2.1 billion and largely accounted for the rise in Zambia's exports. A rise in copper prices as demand soured on account of the global drive towards green technology mostly explained the increase in copper exports.

Non-traditional exports (NTEs) also rose following incremental changes to some agricultural and manufactured products. In this regard, burley tobacco and cane sugar dominated agricultural exports while electricity, copper wire as well as soaps and detergents dominated exports of manufactured products.

Switzerland, China, Singapore and the Democratic Republic of Congo remained the major export destinations. The Democratic republic of Congo was the dominant destination for various NTEs while refined copper dominated exports to Switzerland, China and Singapore.

At US$1.72 billion, merchandise imports were 50.6% higher in the second quarter of 2021 compared to the corresponding quarter in 2020. The higher imports reflected relative stability in the Kwacha/ US dollar exchange rate as well as a pick-up in domestic economic activity. The recovery in imports was broad based but notable items included chemicals, industrial boilers and equipment, petroleum as well as motor vehicles.

South Africa, China, India and the Democratic Republic of Congo were the major source countries for Zambia's imports in the second quarter.

COMPETITIVE AND NON-COMPETITIVE (OFFTENDER) MARKETS

By Finzi Mwezani

There has been a lot of queries in the last couple of weeks concerning the competitive and non-competitive (Offtender) windows of the government securities primary market. This is as the result of Bank of Zambia revising the thresholds of the competitive and non-competitive auction windows. In this article, we will analyse the implications of the adjustments of the government securities auction bidding thresholds.

The Bank of Zambia adjusted the thresholds of the competitive and non-competitive auction windows which came into effect on September 13, 2021. Before the changes came into effect, the non–competitive window was for amounts between K1,000.00 and K29,000.00 with bids increasing in multiples of K1,000.00 while the competitive window was for amounts above K30,000.00 with bids increasing in multiples of K5,000.00.

Effective September 13, 2021, the Bank of Zambia adjusted the upper threshold on the non-competitive window from K29,000.00 to K499,000.00. The minimum bid amount on the non-competitive window was maintained at K1,000.00 with bids increasing in multiples of K1,000.00. Consequently, the minimum amount on the competitive window was adjusted to K500,000.00 and the bid increments in multiples of K5,000.00 was maintained. The adjustments were made to align with the increase in auction tender sizes that have taken place overtime and to enhance financial inclusion. Financial inclusion is enhanced by the fact that by raising the upper threshold from K29,000.00 to K499, 000.00, more retail investors with relatively larger amounts than K29,000.00 can be accommodated on the non-competitive window.

On the competitive window, investors compete to lend money to the Government by specifying an interest rate and the face value of securities they wish to purchase while on the non-competitive window, investors do not specify an interest rate but instead investors are awarded at the cut-off yield rate determined at the auction (competitive basis). They investors on the non-competitive windows are price takers i.e. do not determine or specify the return they would like to receive.

The non-competitive window is meant to encourage retail participation by not subjecting them to the complexities of determining the best yield rate to place their bids at. This means that all investors with bid amounts of face value K499,000.00 and below do not have to indicate the yield rate or price for their bids. Since non-competitive bidders are price takers, it is difficult to determine the actual face value that an investor may bid for given the cash amount they have because they are not privy to the price the security will be awarded at. An adverse drop in interest rates increases the cost of purchasing the securities and this may cause the investor to pay more than they had budgeted given that they are price takers.

It is therefore encouraged that non-competitive investors indicate a face value amount that is equal to their budgeted cash amount to avoid instances where they pay more than their budgeted amount. The consequence of this is that not all the cash budgeted will be invested for instruments that are issued at a discount. Having residual cash is better than having to look for more cash to fund the purchase. Moreover, residual cash can be re-invested in next auction or on the secondary market.

Please note that the yields/prices for Government securities rise or fall depending on market conditions. For Financial advice, kindly consult a Financial Advisor.

GOVERNMENT SECURITIES OPERATIONS FOR 3RD QUARTER 2021

The following is a summary of Government Securities operations in Q3 2021.

Treasury Bills (T-bills)

The Government of the Republic of Zambia invited a total of K9.80 billion at cost over 7 Treasury bill auctions in Q3 2021. A total of K13.53 billion at cost was received representing an average subscription rate of 138.2% up compared to the average subscription rate of 100.2% recorded in Q2 2021. A total of K9.32 billion was allocated. This represents an average uptake rate of 95.1% down from the average uptake rate of 99.4% recorded in Q2 2021.

Key observations on yield rate movements in Q3 2021

- The yield rate on the 91 Days tenor dropped by 249 basis points to 11.5000% as at end of Q3 2021 compared to 13.9884% at the end of Q2 2021.
- The 182 Days yield rate fall to 13.4999% as at end of Q3 2021 from 16.0266% as at end of Q2 2021 representing a drop of 253

Figure 1: Treasury bill Yields Rates, Q3 2021

	Last Q2 auction	Q3 Tbill Yield rates per auction						
	12/2021	13/2021	14/2021	15/2021	16/2021	17/2021	18/2021	19/2021
	17-Jun-21	7-Jul-21	21-Jul-21	4-Aug-21	16-Aug-21	30-Aug-21	13-Sep-21	27-Sep-21
91 Days	13.9884	13.9884	13.9884	13.9884	13.9884	13.9884	12.5002	11.5000
182 Days	16.0266	16.0266	16.0266	16.0266	16.0266	16.0000	14.4999	13.4999
273 Days	18.0001	18.0001	18.0001	18.0001	17.8000	17.8000	16.5000	14.9999
364 Days	25.4999	25.4999	25.4999	25.4999	25.4999	25.4999	19.5001	16.0000
Weighted Average Yield Rate (WAYR)	21.9336	21.9527	24.4520	23.7089	23.2266	23.9100	17.0103	14.2677

basis points.

- The yield rate on the 273 Days as at end of Q3 2021 dropped by 300 basis points to 14.9999% from 18.0001% as at end of Q2 2021.
- The 364 days yield rate dropped by 950 basis points to 16.0000% as at the end of Q3 from 25.4999% as at end of Q2.

Government Bonds (GRZ bonds)

A total of K4.5 billion at cost was invited over 3 auctions in Q3 of 2021. A sum of K12.16 billion was received at cost representing a subscription rate of 368.5% up from 151.7% received in Q2. A total of K5.64 billion was allocated at cost in Q3 2021 representing an uptake rate of 125.3% up from an uptake of 84.9% recorded in Q2 2021.

Key observations on Govt bond yield rate movements in Q1 2021

- There was a general decline in yields across the curve on an end-to-end quarter basis.
- The 2-year yield as at end of Q3 2021 was at 19.9500% dropping from end Q2 2021 yield rate of 29.9000%.
- The 3- year yield rate fall by 955 basis points to 20.95000% as at end of Q3 of 2021 from 30.5000% quarter end of Q2 2021.
- The 5- year yield rate declined by 1000 basis points from 32.0000% at end of Q2 2021 to 22.0000% at end of Q3 2021.
- A 661 basis point drop was recorded on the 7-year yield rate from 30.1000% as at end of Q2 2021 to 23.4900% as at end of Q3 2021.
- There was a 500 basis point decline on the 10-year yield rate movement to 26.0000% as at end of Q3 2021 from 31.0000% as at end of Q2 2021.
- The yield rate on the 15- year bond dropped 640 basis points from 32.9000% at the end of Q2 of 2021 to 26.5000% as at end of Q3 2021.
- The end of quarter Bonds Weighted Average Yield Rate (WAYR) fell by approximately 729 basis points from 31.1760% as at end of Q2 of 2021 to 23.8838% as at end of Q3 of 2021.

Figure 3: Government bond Yields Q3 2021

	Q2 2021			Q3 2021		
	04/2021	05/2021	06/2021	07/2021	08/2021	09/2021
	30-Apr-21	28-May-21	25-Jun-21	23-Jul-21	27-Aug-21	17-Sep-21
2 years	32.0000	29.9000	29.9000	29.9000	23.0000	19.9500
3 years	32.7000	30.7000	30.5000	31.4900	24.0000	20.9500
5 years	34.5000	32.9900	32.0000	32.9900	25.0000	22.0000
7 years	30.1000	30.1000	30.1000	30.1000	26.0000	23.4900
10 years	34.5000	31.0000	31.0000	31.0000	26.9900	26.0000
15 years	34.5000	32.9000	32.9000	32.9000	27.7400	26.5000
Weighted Average Yield Rate	33.4849	34.8669	31.1760	31.7074	25.7329	23.8838

For any queries and/or clarifications, get in touch with the Government Securities Unit, Financial Markets Department, Bank of Zambia. Tel +260 399 399, +260 399 343 or email: government.securities@boz.zm

PwC ZAMBIA LAUNCHES 5TH FINANCIAL SECTOR SURVEY REPORT

By Zambanker Reporter

PwC Zambia has launched its 5th Financial Sector Survey Report which provides an independent view of the state of the Zambian banking and non-banking financial sectors.

Speaking at the launch of the Report, former Bank of Zambia Governor Mr Christopher Mvunga expressed gratitude to PwC Zambia for publishing the Report. Mr Mvunga said the report is useful to financial service providers, prospective investors and the Bank as a regulator of the financial sector and will undoubtedly add to informing decisions in the areas of monetary policy and financial system stability.

The Governor, as he then was, said the Bank was fully aware that PwC Zambia has been conducting the Banking Industry survey since 2016 and in 2018 broadened the scope to include Non-Bank Financial Institutions in recognition of the complementary nature of services offered by commercial banks and Non-Bank Financial Institutions. The 2020 Report is the fifth edition and he commend PwC for this effort as well as the respondents to the survey for their continued participation.

Mr Mvunga said the 2020 Survey Report raised a lot of important issues, however, his comments would focus on three broader issues raised by respondents. These were the state of the economy, high credit risk and the effectiveness of the Targeted Medium-Term Refinancing Facility.

The Bank of Zambia has on a number of occasions, particularly during MPC Press briefings, highlighted the economic challenges the country was facing and some specific measures taken to address these challenges. The overall economic performance worsened in 2020 mainly due to the COVID-19 shock. Inflationary pressures continued to mount, the exchange rate depreciated sharply, fiscal pressures heightened, debt remained elevated and economic activity deteriorated. To address the adverse effects of the COVID-19 pandemic on the Zambian economy, the Bank of Zambia implemented various measures to safeguard peoples' lives and livelihoods (jobs and incomes) and the stability of the financial sector. Some of the key measures included:

i. Easing monetary policy by reducing the Policy Rate by a cumulative 350 basis points to 8.0% in 2020;
ii. Establishing a 3–5-year tenor K10 billion (2.8% of GDP) Targeted Medium-Term Refinancing Facility (TMTRF) to provide funds to eligible Financial Service Providers (FSPs) for on-lending at relatively low interest rates to clients mainly in priority sectors of the economy;
iii. Introducing a Secondary Market Bond Purchase Programme (SMBPP) worth K8.0 billion (2.3% of GDP) for the purpose of providing additional liquidity to the market, promoting bond consolidation and deepening secondary market trading of Government bonds; and
iv. Providing liquidity to the banks through open market operations on flexible terms (longer periods beyond previous overnight lending to up to 90 days) to deal with stress in the money and Government securities markets.

Most of these measures have continued to contribute to the relative stability in the financial sector and in the economy generally.

The outbreak of the COVID-19 pandemic, compounded by macro-economic challenges of currency depreciation, inflationary pressures, which factors have led to high cost of doing business, have heightened the adverse impact on borrowers' ability to repay loans. The ramifications of these developments permeated the financial sector and manifested in heightened credit risk and an increase in non-performing loans (NPLs). Like many other central banks, the Bank of Zambia responded by implementing a number of prudential measures to safeguard financial system stability, key of which were:

- Revision of loan classification and provisioning rules to give relief on provisioning requirements. This was expected to encourage FSPs to better accommodate lending and refinancing to critical economic sectors, such as agriculture.
- Allowing the financial institutions to renegotiate terms and conditions for credit facilities to counterparties negatively impacted by COVID-19 through restructuring or modification of loan agreements. Such renegotiated facilities were to be treated as current and no adverse classification and provisions for loan losses would be required.

Despite these challenges, the banking sector remained adequately capitalised with capital adequacy ratios remaining well above the minimum requirements.

The sector continued to generate sufficient income to cover operating costs, fund growth and augment capital. Liquidity conditions also remained generally satisfactory as the central bank instituted measures to mitigate the negative impact of the pandemic through initiatives such as the Targeted Medium-Term Refinancing Facility.

Asset quality, however, continued to be a source of concern and the Bank will continue to assess the situation and will institute appropriate measures to ensure minimal disruption to the financial system.

On the Bank's implementation of the Targeted Medium-Term Refinancing Facility, the former BoZ Chief said the Bank was happy to note that overall, the Survey results showed that the majority of respondents in the Banking sector believe that the TMTRF has been effective in alleviating the challenges faced by the targeted sectors. "We also note a few challenges highlighted by the respondents," he added.

The Bank of Zambia introduced the K10 billion TMTRF in April 2020. The main aim of the facility was to strengthen and enhance financial sector resilience particularly in the wake of the COVID-19 pandemic and its potentially devastating impact on the domestic economy.

The expectation of the Bank under this facility was to provide liquidity to FSPs for onward lending to viable non-financial corporates and households. After publishing the initial Terms and Conditions of the TMTRF on 14th April 2020 and the launch of the Facility on 15th April 2020, the BoZ continued to engage stakeholders to discuss any challenges encountered in accessing the Facility. In this regard, the Bank has on several occasions amended the Terms and Conditions, aimed at addressing the identified challenges and improving the performance of the Facility.

The performance of the TMTRF has continued to improve. As at 30th July 2021, the Bank received and processed 52 TMTRF applications from 13 banks and 19 non-bank financial institutions (NBFIs) worth K10.6 billion. A total of 38 applications were successful, while 14 applications did not meet the set criteria. The total approved advances stood at K9.1 billion with actual disbursements at K6.9 billion. It is now slightly over one year since the implementation of the TMTRF and the Bank is in the process of making further enhancements to the TMTRF, targeting accessibility of the facility by the smaller businesses which have continued to face a number of challenges.

Mr Mvunga commended PwC Zambia for the report which he said was a useful source of information to support policy intervention efforts.

PWC'S 2020 FINANCIAL SECTOR SURVEY RESULTS

By Zambanker Reporter

The PwC 2020 Bank and Non-bank Financial Industry Survey report has indicated that the state of the local economy remained the biggest issue of concern among commercial banks for the third year running while the impact of Covid – 19 on operations was the second most important issue.

Speaking when he presented the 2020 Bank and Non-bank Financial Industry Survey Report, PwC Country Senior Partner Andrew Chibuye said the 2020 survey focused on six areas, five of which were covered in previous years but with the addition in 2020 of a section on the impact of Covid - 19. The PwC survey covered the state of the economy, the impact of Covid – 19 on bank operations, technology and the future of banking, Financial Inclusion, Cybersecurity and Taxation.

The bank and non-bank sectors have faced a blend of challenges during the last 18 months which have tested the resilience and flexibility of businesses. 'As businesses were adapting to the impact of a prolonged decline in the domestic economy, the onset of the Covid – 19 pandemic in March 2020 pushed the industry into the brutal reality of the unknown.' Many of Zambia's pre – Covid economic challenges have been exacerbated by the pandemic and businesses have had to think on their feet in order to survive.

Mr Chibuye said it was not surprising that the state of the Zambian economy and the impact of Covid – 19 on businesses were the two main concerns for most respondents. The Ministry of Finance estimates that Zambia's economy contracted by 3 percent in 2020 compared to GDP growth of 1.4% in 2019, largely due to a slowdown in economic activity brought about by the global pandemic. This has added pressure to an already deteriorating domestic economy which has been weighed down by a depreciating Kwacha, inflationary pressures and the country's ballooning debt burden.

The report stated that the economy has bounced back to some extent this year, with GDP growth expected to be 1.6 percent in 2021. However, the domestic economy remains far from robust. The Kwacha has again depreciated on the back of falling international reserves and forex earnings, averaging K21.6 to the US dollar during the first quarter of 2021 compared to a K20.7 average during the fourth quarter of 2020. Inflation continued to rise, particularly food inflation, with overall inflation averaging 22 percent in the first quarter of 2021 compared to 17.5 percent in the fourth quarter of 2020.

Underlying all this, the country's debt obligations continue to grow and there is mounting pressure on Government to action the policy needed to address this pressing issue. Given this environment, it is not surprising that banks and NBFIS identified credit risk and the threat of non-performing loans as the third most pressing issues affecting financial institutions. Cybersecurity was the fourth biggest issue of concern for banks followed by erosion of fees and service charges coming fifth. Meanwhile, NBFIS identified improving revenue growth and the continued depreciation of the Kwacha as the fourth and fifth most pressing issues respectively.

Mr Chibuye said this year's results showed greater convergence around the issues affecting the six largest banks in the market (by asset size) and the rest of the industry. 'In 2019, there were only two common issues among all respondents. In 2020, four of the most pressing issues were the same for both groups,' he stated.

The four common issues are the state of the local economy, the impact of Covid - 19 on operations, high credit risk and non-performing loans and cybersecurity.

	2018		2019		2020
Credit risk	6.0	Impact of Covid-19	8.7	State of the local economy	8.1
State of the local economy	4.5	State of the local economy	8.2	Impact of Covid-19	7.5
Liquidity risk	4.6	Credit risk	6.8	High credit risk and NPLs	5.9
Implementation of IFRS 9	4.1	Liquidity risk	6.6	Improving revenue growth	5.3
Client retention	4.0	Escalating cost of doing business	5.8	Depreciation of the Kwacha	4.5

Source: PwC analysis

BoZ TOURS KASUMBALESA, OTHERS

By Lombe Mulanda

Trade between Zambia and Democratic Republic of Congo (DRC) has significantly increased over the years. Exports grew from USD 522.0 million to about USD 901 million while imports declined from USD 1, 268.0 billion to USD 232 million between 2016 to 2019. Commodities traded as exports include agricultural products, livestock, manufactured goods, beverages, cement, education and medicare while imports include copper ore, scrap metal, cosmetics, and motor vehicles.
This was brought to light when Bank of Zambia BoZ Governor, as he then was, Mr Christopher Mvunga undertook a familiarisation tour of Kasumbalesa Border which also included a fact finding mission to establish the adequacy of the available financial services at the border. The Governor was accompanied by former Copperbelt Permanent Secretary, Mr Bright Nundwe among others.

Kasumbalesa border post accounts for more than 90 percent of the trade volume with the DRC. In addition, the number of daily small scale traders crossing the border had increased from just about 500 to over 8, 000 per day during the same period. According to the Zambia Intellectual Property Border Crossing Company (ZipBCC), this development presented a lot of economic opportunities as well as security risks.

The Governor and his entourage met with officials from the Zambia Revenue Authority (ZRA), Zambia Intellectual Property Border Crossing Company (ZipBCC), Atlas Mara Bank, Golden Coin Bureau De Change and also visited the 'No Man's Island' to appreciate the situation on the ground. The Governor was dismayed that despite the booming trade, there were only two formal financial service providers (FSPs) at the border- Atlas Mara Bank and Golden Coin Bureau De Change.

In addition to the familiarisation tour of Kasumbalesa border post, the Governor also monitored the progress on the Kafulafuta dam and the new Simon Mwansa Kapwepwe Airport projects. The USD 449 million Kafulafuta Dam project in Masaiti District on the Copperbelt is on course. The Managing Director, Engineer Anthanasius Mwaba informed the entourage that the Kafulafuta dam project is a subsidiary of Kafubu Water and Sewerage Company (KWSC) and will have a capacity of 125 million M^3 once completed. It is intended to service Ndola, Luanshya, Masaiti, and Mpongwe districts. The project commenced in July 2018 and is expected to be completed in December 2021. It is funded by Bank of China and Standard Chartered Bank at a contract sum of USD 449 million with the objective of improving raw water quality. The physical progress on the dam facility was about 95 percent complete while the overall project stood at 85 percent completion.

Other sites visited are the new airport project in Ndola. Noting the progress, the Governor informed the entourage that the new airport would open the Northern Circuit as well as unlock potential for the Copperbelt economy. The Governor further commended Government for reviving infrastructure development in different parts of the country which was catalytical in Zambia's development agenda as it linked Zambia to the international community through land as well as air. The Governor was accompanied by the Copperbelt Permanent Secretary, Mr. Bright Nundwe and Chililabombwe District Commissioner, Mr. Roy Ngosa for the tour of the border post while, the Copperbelt Permanent Secretary as well as Masaiti District Commissioner, Mr. Patrick Zulu, accompanied him for the tour of the Dam and Airport projects.

Part of the Governors entourage also included by the Deputy Governor Operations, Dr. Francis Chipimo, Chief of Staff, Mr. Fabian Hara, Director Economics, Dr. Jonathan Chipili, Director Regional Office, Mr. Visscher Bbuku, Director Banking and Payment Systems, Mr. Lazarous Kamanga, Director Bank Supervision, Mrs. Gladys C. Mposha and the Director Non-Banks Financial Institutions, Ms. Freda Tamba.

Others were Assistant Director in Governor's Office, Dr. Jacob Lungu, Executive Assistant Deputy Governor's Office, Mr. Chungu Kapembwa, Manager Security Regional Office, Mr. Kedrick Zombe, Economist Regional Office, Mr. Elvin Sindala and Protocol Officer Regional Office, Mr. Lombe Mulanda. The rest of the team included, Mr Conrad Chookole, Mr Sinsamala Zulu, Mr Kennedy Mutale, Mr Vincent Kumbeni and Mr Clayford Chilala.

SMALL SCALE MINERS ADVISED TO FORM BLOCKS TO ACCESS TMTRF

By Lombe Mulanda

Small-scale miners on the Copperbelt have been advised to form blocks and tap into the Targeted Medium-Term Refinancing Facility (TMTRF). Addressing representatives of the Emeralds and Semi-precious Metals Association of Zambia (ESMAZ) in Kitwe, Ministry of Mines Permanent Secretary Mr Barnaby Mulenga said despite Zambia being considered the largest source of emeralds in the world, other mining licence holders could not take advantage of existing opportunities in this sector due to limited capital.

Mr Mulenga said the Ministry had engaged leaders of the sector which included Kagem and Grizzly to lobby for capital and technical assistance. The Permanent Secretary revealed that Grizzly and Kagem Mines had agreed to assist on condition that small scale miners form blocs for easy identification and monitoring.

The two mines had agreed to offer equipment and technical expertise to undertake drilling in the proposed blocs, a process that detects the mineral worth of the bloc and was expected to produce geological survey diagrams. The said development was expected to give the local miners the opportunity to obtain geological survey diagrams that would detail the location of the mineral wealth of the block.

"The Ministry of Mines and Minerals Development has noted that about 406 mining licences have been issued to small scale miners on the Copperbelt covering thousands of hectares without any significant mining activities taking place," he said.

Making a presentation on the TMTRF at the same event, Assistant Director – Regional Office Mr Musapenda Phiri said it was a known fact that the Zambian economy faced macroeconomic challenges that were reflected by low growth, fiscal deficits, rising inflation, increase in debt service obligations and declining international reserves.

"The situation has been aggravated by Covid-19, which is not only a health problem but presents economic challenges leading to reduced economic activity, unemployment, low incomes and increased non-performing loans that have potential of posing systematic risks to the financial system," he said.

Mr Phiri explained that the BoZ had undertaken broad consultations with the industry to sensitise possible beneficiaries and ensure that the facility was implemented effectively. The TMTRF package is administered through Financial Service Providers (FSPs). The TMTRF was introduced in April 2020 with an initial amount of K10 billion Kwacha. As at 30th September 2021, K7.87 billion had been disbursed to 25 FSPs. A total of 60,400 beneficiaries had accessed the facility.

Speaking at the same event, Regional Office Economist, Mr Elvin Sindala informed the meeting that out of the total funds, 60 percent was expected to be allocated to priority sectors and the rest to non-priority sectors. FSPs were expected to extend the benefits of low interest rates and loan repayment holidays to their clients.

Mr Sindala informed the meeting that the aim of the TMTRF was to strengthen and enhance financial sector resilience and support economic recovery. This was intended to minimise the impact of Covid – 19 on businesses and households, motivate FSPs to restructure loans and offer payment holidays to their clients and to promote private sector driven growth by supporting key priority sectors as identified in the Seventh National Development Plan (7NDP).

He stated that although 60 percent of the funds were reserved for key priority sectors that would propel economic recovery and stimulate private sector growth, 40 percent was available for non-priority sectors including households. The priority sectors identified in the 7NDP are agriculture, manufacturing, energy and tourism.

Apart from the Ministry of Mines Permanent Secretary, the meeting was also attended by the Director of Mines, Mr. Fred Banda, Director - Mine Safety, Mr. Mooya Lumamba, the President of ESMAZ, Mr Victor Kalesha, his Vice President, Mr Bernard Mukanshi and about 30 representatives of small-scale miners.

PANDEMIC CRISIS HITS ECONOMIC SECTORS, JOBS AND HOUSEHOLDS

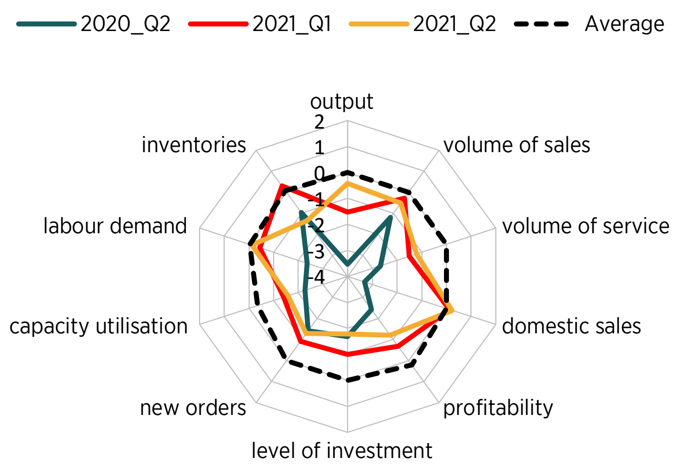
By Zambanker Reporter

Economic performance remained subdued in the second quarter of 2021 due to a severe third wave of the COVID-19 pandemic. In contrast, seasonal agricultural related activities such as output, volume of service, labour demand, inventories and domestic sales improved. The improvement was largely due to the maize bumper harvest during the 2020/21 agricultural season which subsequently influenced output in the manufacturing sector. According to the Bank of Zambia Quarterly Survey of Business Opinions and Expectations (QSBOEs) for the second quarter 2021, the volume of sales, profitability, new orders, capacity utilisation and level of investment were below the first quarter levels (Chart 1).

In the third quarter and 12-months ahead, the general economic outlook is expected to continue to be weak (Chart 2). Firms expected output, level of investment, volume of services, volume of sales and domestic sales are expected to decline mainly explained by the lagged effect of the third wave of COVID-19, persistent depreciation of the Kwacha and the associated inflationary pressures. However, expected capacity utilisation, new orders and labour demand are expected to improve in the third quarter and 12-months ahead, largely reflecting higher agricultural output, especially of maize following a record harvest in the 2020/2021 farming season, which is expected to trigger more manufacturing activity.

The QSBOEs gauges the perspectives of the business community about prevailing macroeconomic conditions, which form part of monetary policy decisions. These findings are for the Survey conducted in June on business opinions and expectations for the second and third quarters of 2021, respectively. A total of 271 questionnaires were administered, out of which 81 responses were received, representing a response rate of 29.9%, a deterioration from 43.2% in the previous survey. Increased COVID-19 infection and mortality rates accounted for the lower response rate. The highest number of responses were recorded in the Copperbelt, Central and Southern Provinces. In view of this, the Survey results must be interpreted with caution. The highest number of sectoral responses were from the tourism, manufacturing and agricultural sectors while construction and services sectors recorded the lowest.

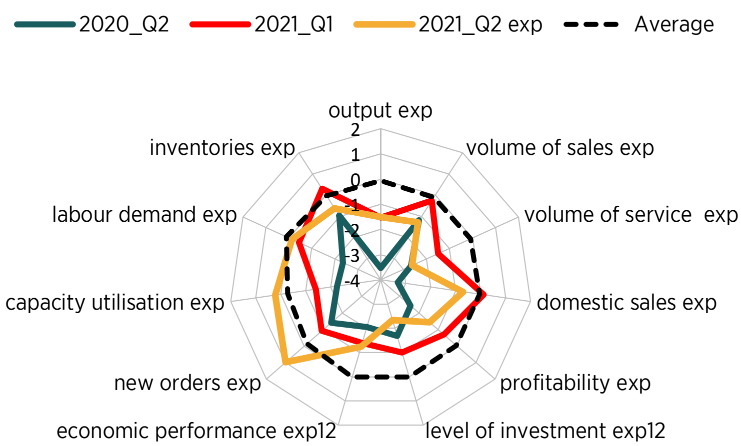
Chart 1: Business Opinion Response Patterns*



*Note: The Survey indicators are standardised net balances of mean =0 and standard deviation=1. A value below the average indicates weaker economic performance while above the average indicates improved economic performance.

Source: Bank of Zambia

Chart 2: Business Expectations Response Patterns



Note: The Survey indicators are standardised net balances of mean=0 and standard deviation=1.A value below the average indicates weaker economic performance while above average indicates imrpoved economic performance.

Source: Bank of Zambia

WHAT'S TRENDING?

NEWS FROM AROUND THE WORLD

Zambia to receive $1.3 billion from the IMF's global liquidity stabilisation programme

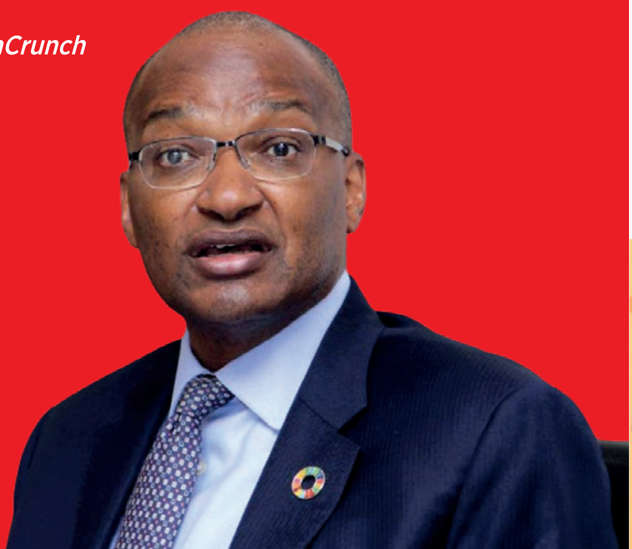
In August 2021, International Monetary Fund (IMF) Governors approved a Historic US$650 Billion SDR Allocation of Special Drawing Rights, to boost global liquidity. About US$275 billion (about SDR 193 billion) of the new allocation will go to emerging markets and developing countries, including low-income countries, including Zambia. Zambia will receive approximately US $1.3 billion.

- International Monetary Fund

Kenya cracks down on digital lenders over data privacy issues

Digital lenders that share personal data of loan defaulters, with third parties, risk license withdrawal in Kenya after lawmakers added a clause — granting the banking regulator the mandate to revoke permits of operators who breach customer confidentiality — to the new law passed by the country's National Assembly. The Central Bank of Kenya amendment 2021 bill also gives the regulator the power to cap interest rates and to suspend or revoke the licenses of digital lenders that breach "the conditions of the Data Protection Act or the Consumer Protection Act."

- TechCrunch



Central Bank of Nigeria launches Africa's first Digital Currency

On October 25, 2021, the Central Bank of Nigeria (CBN) launched its own digital currency called the eNaira. The eNaira exists alongside the physical currency Naira. Users can sign-up for an eNaira wallet. The wallet can be linked to a bank account or have a prepay option.

– Central Banking

African FinTech, Chipper Cash Raises $150M at $2B+ Valuation

Chipper Cash, an African cross-border payments company, has raised $150 million in a Series C extension round led by Sam Bankman-Fried's cryptocurrency exchange platform FTX. Co-founded in 2018 by Ham Serunjogi, who serves as CEO, and President Maijid Moujaled, the company specialises in app-based, no-charge, peer-to-peer (P2P), cross-border payments. Africa is the most expensive region to send money globally and Chipper Cash is looking to solve this problem with its product offerings. The company operates across seven African countries — Ghana, Kenya, Nigeria, Rwanda, South Africa, Tanzania and Uganda.

- PYMNTS.com

Bank of Tanzania to go after individuals to reduce non-performing loans

The bank said in a statement on 7th November 2021 that its investigations had found employees of some banks and financial institutions were directly responsible for "issuing loans without following procedures, fraud/corruption or other practices that are tantamount to lack of integrity". It said, among other measures, commercial banks would be required to take legal action against such employees, and the regulator would blacklist and prevent them from working in the financial sector in Tanzania. "High rate of non-performing loans is among major causes of high lending rates and may lead to instability of the banking sector," the statement issued by Governor Florens Luoga said.

– Reuters

YOU ARE NEVER TOO YOUNG TO OPEN A BANK ACCOUNT:

LEGAL PROCEDURES FOR OPENING BANK ACCOUNTS FOR CHILDREN, STUDENTS AND PUPILS

By Lungisani Zulu

According to the UN Capital Development Fund (UNCDF) – the United Nation's capital investment agency, over 2.5 billion - more than half of the world's working adults- are not financially included, meaning that they are excluded from financial services. And among this group, youths are 33% less likely to have a savings account than adults and 44% less likely to save in a formal institution.

Financial inclusion, according to the World Bank, means that individuals and businesses have access to useful and affordable financial products and services that meet their needs – transactions, payments, savings, credit and insurance – delivered in a responsible and sustainable way. Access to a transaction account is a first step toward broader financial inclusion since it allows people to store money, and send and receive.

Considering the pivotal role of a transaction account in the financial inclusion agenda, mechanisms to aid access to this account become powerful financial inclusion tools. For youths, access to a transaction account is not only hindered by scarcity of formal financial institutions offering same, but also legal impediments to access such accounts.

It is a well-known fact that one know your customer (KYC) instrument to open such accounts is the national registration card, something you can only access upon attaining the age of 16 in Zambia. Does it mean children, students and pupils cannot and must not open an account until they are 16?

Thankfully Not. The Bank of Zambia long noticed this challenge and has provided guidance to enable children, students and pupils to open accounts with financial institutions in their own names, even when they don't have a national registration card.

In this paper, I highlight the legal procedures for facilitating opening student and pupil accounts in commercial banks contained in the Central Bank Circular No. 04 of 2014.

The said circular provides guidance on the basic KYC requirements that may be implemented for youths and students.

So here are the three simple procedures for children, students and pupils to open accounts in their own name:

1. Parental Consent Letter

The student or pupil desiring to open an account is required to obtain a written consent from the parent or guardian. This simple step is satisfied by asking mum, dad, or the guardian to write a letter to the bank or financial institution indicating that the child is authorized to open an account in their own name.

2. Endorsement of Parental Consent by the School

The next stage is to take the letter of consent from the parent to the School where the student or pupil goes to. The school is then required to endorse on the said letter by placing an official stamp on it. Additionally, the authorized representative of the School is required to sign the endorsement indicating the grade or level of study of the student at the institution as confirmation that indeed the student is a bona fide student at that institution.

3. Confirmation By the Financial Institution

Once endorsed by the School, you then take the letter to the financial institution where you want to open the account. On receipt, the financial institution will need to contact the parent and the school to confirm with them that the letters were authored and endorsed by them respectively.

Once verified, the bank account will be opened in the name of the student or pupil who will be able to freely transact on the said account in their own name.

Once the student has attained the age of 16, or if they are already 16 at the time of opening the account, the financial institution will also be required to retain a certified copy of the national registration card (NRC) as part of the KYC documentation.

It is important to note that the circular also encourages financial institutions to implement appropriate measures to asses any associated risks of such an account in addition to avoiding discriminatory tendencies against student operated accounts such as minimum balances, depleting accounts with charges and fees.

Ultimately, financial institutions have an obligation to build children's confidence in financial institutions and help them see the benefits of savings. Student should therefore be incentivized with lower or no fees and higher interest rates on savings compared to average market rates.

If you are a student or pupil or know one, it is my hope that you will now be encouraged to open a transaction account in your own name without hindrances. As alluded to earlier, even if you are a child, student or pupil, access to a transaction account is an important first step for you toward broader financial inclusion since it allows you to store money, and send and receive.

The author is Senior Legal Counsel in the Bank Secretariat Department.

AFI POLICY MODEL ON MICRO SMALL AND MEDIUM-SIZED ENTERPRISE FINANCE

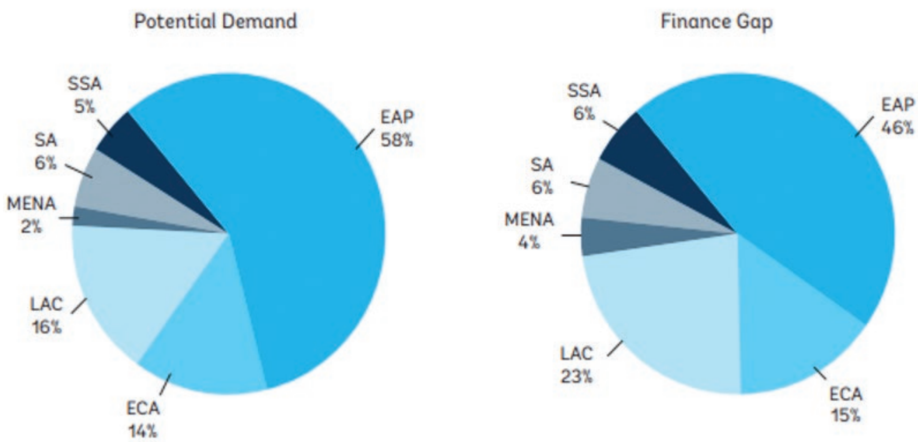
By Kennedy Mukuka

The Alliance for Financial Inclusion (AFI) published a Policy Model on Micro Small and Medium-sized Enterprise (MSME) Finance in September 2021. This was followed by a training for members in October 2021 to introduce the Policy Model on MSME Finance. The course equipped members with knowledge to promote specific policy interventions for vulnerable groups such as women and youth-owned MSMEs, as well as enterprises vulnerable to climate change risk. The policy model stems from the 2015 Maputo Accord which endorsed small and medium enterprise financing, recognising the importance of MSMEs in driving economic growth, employment creation and their contributions to broadening sustainable financial inclusion and poverty reduction at the household level. The policy model aims to guide members through a set of key principles to consider in developing or reviewing MSME finance policies. The principles were derived from a compilation of best practices in the AFI network and insights from international stakeholders in MSME development.

The model is important because MSMEs have been recognised globally as agents that steer economic growth, particularly in developing countries. Strides are being made globally to boost MSME growth and have them financially included. However, access to finance has been identified as the main barrier to MSME growth. The detrimental impact of the Covid pandemic has widened the finance gap of MSMEs resulting in disrupted supply chains, business operations and closure of some businesses.

According to the International Finance Corporation (IFC) report on the MSME Finance Gap, 2020 the formal finance gap stood at $5.2 trillion derived from a demand of $8.9 trillion and supply of $3.7 trillion in 128 developing countries. Sub-Sahara Africa (SSA) accounted for six percent of the finance gap and received financing of $70 billion against a global total of $3.4 trillion. This was despite the region having the largest number of countries at 37.

Regional Distribution of MSME Potential Demand and Finance Gap



Source: IFC
Note: EAP (East Asia and the Pacific), ECA (Europe and Central Asia), LAC (Latin America and the Caribbean), MENA (Middle East and North Africa), SA (South Asia) and SSA (Sub-Sahara Africa)

Regional Distribution of MSME Potential Demand, Current Volume and Finance Gap

Region	Number of Countries	Number of MSMEs, millions	Potential Demand, US$ billions	Current Volume, US$ billions	Finance Gap, US$ billions
EAP	17	64	5,142	2,755	2,387
ECA	29	12	1,279	503	776
LAC	30	28	1,395	185	1,209
MENA	8	5	221	26	195
SA	7	8	501	164	337
SSA	37	44	404	70	331
TOTAL	128	162	8,942	3,642	5,235

Source: IFC

It is important for countries to develop resilient policies that would reduce the finance gap, be sensitive to marginalised groups such as women, and ensure the continued survival of MSMEs during times of economic crisis. The AFI Policy Model on MSME Finance guides members to achieve this by suggesting six pillars to consider when formulating or revising their MSME finance policies. The pillars denote the minimum policy guidance for developing an MSME finance policy and each pillar is covered by specific guiding principles as follows:

Pillar 1 – Legal and regulatory infrastructure	Pillar 2 - MSME finance policy
Provides guiding principles for establishing a legal and regulatory infrastructure that is conducive to an efficient and effective MSME finance jurisdiction by: • Implementing MSME finance regulations that promote effective and proportionate MSME access to finance; and • Provide a clear definition of MSMEs.	Guides on the key regulatory and policy principles that need to be considered when developing an inclusive MSME Finance Policy such as access, financing, payments and monitoring and evaluation. Members should ensure: • Development and implementation of appropriate policy measures for effective MSME finance and guidelines on appropriate finance and lending thresholds for MSMEs; • Development of an enforcement strategy for MSME finance and target-based lending; • Barriers that impede Financial Service Providers (FSPs) lending to MSMEs are removed to promote better access to finance or credit; • Existence of effective credit processes is confirmed, policies include payment needs of MSMEs in the design and payments system services; • Where appropriate, the provisioning of quotas for FSPs to finance MSMEs; • Development of policies/ incentives that encourage MSMEs to adopt digital payments; and • Interventions maintain a level playing field and policies use harmonised and standardised performance indicators.

In addition to the Policy Model on MSME Finance, AFI has a Policy Framework for Women-Led MSME Access to Finance which was disseminated in January 2021. Women are identified as a vulnerable group in the Policy Model on MSME finance, as such, the Framework is vital for addressing key barriers that prevent women from accessing finance such as legal barriers to owning and inheriting property, inadequacies in the credit infrastructure, mobility barriers hindering exploitation of business opportunities by women, deficiencies in financial and business skills, lack of formal identification, lack of sex-disaggregated data, distance to financial institutions and financial service delivery not adapted to women. The Policy Framework for Women-Led MSME Access to Finance is also anchored on six pillars as follows:

- Pillar 1 - Develop an enabling environment;
- Pillar 2 - Collect sex-disaggregated data;
- Pillar 3 - Build skills for women-led MSMEs and financial services providers;
- Pillar 4 - Allow alternative sources of collateral and alternative ways of building credit for women-led MSMEs;
- Pillar 5 - Develop DFS focused on women-led MSMEs; and
- Pillar 6 - Encourage diversity and women leadership in the financial and business sectors.

PILLAR 3 – CREDIT INFRASTRUCTURE	PILLAR 4 – ALTERNATIVE FINANCE INFRASTRUCTURE
Provides key guiding principles that facilitate MSME access to finance and avenues for MSMEs to seek assistance in the event of financial difficulties. Focus is placed on: • Establishing a clear definition of credit information and policy guidance on alternative credit scoring; • Ensuring regulators and FSPs have appropriate capability to access credit information and establishment of market conduct and consumer protection policies; • Creation of legal/regulatory frameworks for Credit Guarantee Schemes (CGS) that ensures clearness of mandate, fairness and transparency of access by FSPs and existence of effective performance management frameworks for the CGS; • Establishment of a pre-shipment export finance Guarantee (PEFG) Scheme, where necessary and ensure that it is well designed to mitigate the risk of excessive costs to MSMEs, is equitable, has transparency of access by MSMEs and the capacity to mitigate relevant financial risks through appropriate capital; • Development of policies to pass secured transaction legislation and establishment of moveable collateral registries; and • Existence of clear procedures to create and enforce a security interest in a moveable property.	Covers guiding principles to develop policies that promote alternative finance for MSMEs using innovative technologies and business innovations. The policy focuses on digitisation of payments, business delivery and e-commerce for expanding the infrastructure for alternative finance of warehouse receipting and crowdfunding. It ensures that members: • Develop leasing policy to support MSMEs and a warehouse receipt policy; • Develop a regulatory framework for crowdfunding and peer-to-peer (P2P) lending; • Develop policies to mitigate any potential and emerging risks of crowdfunding and policies to promote digital financial literacy; • Have appropriate regulation for market stability and consumer protection; and • Implement policies to establish an innovation hub to facilitate regulator-innovator engagement and learning.
PILLAR 5 – MARKET EFFICIENCY	**PILLAR 6 – PRIORITY SECTORS**
The pillar provides guiding principles for the development of other cross-cutting issues that can enhance the market's efficiency in providing lending to MSMEs such as cross-agency coordination and collaboration, information asymmetry, institutional capacity, consumer protection and the market supply chain. Member policies should: • Establish a coordination structure for the effective development of an MSME ecosystem; • Encourage the development of institutional capacities and skills in the MSME sector and adapt regulatory and supervisory technology; • Balance the intervention of protecting MSME rights and maintaining productive capacity and guidelines to assist distressed MSMEs in turning around their businesses; • Have debt resolution mechanisms and the rehabilitation of problematic financing accounts and confirm that an independent redress mechanism is in place; • Balance the intervention of protecting creditors' rights and maintaining productive capacity; • Have clear insolvency laws and regulations that do not undermine MSMEs; • Guide crisis management and preparedness to support access for MSMEs.	This guides the development of MSME finance policies that are effectively implemented when priority sectors, such as women, youth, climate change risks and informal sector, are incorporated in mainstream MSME policies. Member policies should: • Ensure appropriate coordination with relevant stakeholders; • Develop policies for digital onboarding; • Facilitate access through tailored solutions; • Facilitate FSPs with microfinance insurance; • Create policies to formalise informal credit providers; • Create policies and programs that are inclusive targeting vulnerable groups; • Recognise and collaborate with financial cooperatives; and • Establish clear definitions, information and data management.

The author is an Examiner in Non-Bank Supervision Department at Bank of Zambia.

NEW FACES

The Bank recruited 9 members of staff in the third quarter of 2021 under the Human Resources, Economics, Bank Secretariat, Bank Supervision, Information and Communication Technology (ICT) and Procurement and Maintenance Services (PMS) Departments.
Economics Department received three new employees, Bank Secretariat received two while the other departments received one each.

Mr Limbikani Zulu joined the Bank on 8th July, 2021 as an Examiner in the Bank Supervision Department. He holds an MBA in Finance from the University of Lusaka and a Bachelor of Science in Banking and Finance from the Copperbelt University. Prior to joining the Bank, he worked for First National Bank as a Group Scheme Loans Administrator.

Mr Desmond Chisenga joined the Economics team as Senior Economists. Mr Chisenga joined the Bank on 15th July, 2021 as a Senior Economist – Fiscal Sector. He holds a Master and a Bachelor's degree in Economics from the University of Western Cape. Mr Chisenga worked for Zambia Revenue Authority as a Senior Tax Inspector in the Policy and Legislation Unit before joining the Bank. He is a member of the Economics Association of Zambia.

Ms Chewe Mwila-Mwansa joined the Bank on 20th July, 2021 as a Senior Economist – Monetary Policy. She holds a Master of Arts degree in Economics from the University of Botswana and a Bachelor of Arts degree in Economics from the University of Zambia. She also has the ACI Dealing Certificate from the ACI Financial Markets Association and a Securities and Investment Certificate from the Chartered Institute for Securities and Investment. Ms Mwila - Mwansa worked for Zambia National Commercial Bank as a Senior Economist in the Economic Research unit before joining the Bank. She is a member of the Capital Markets Association of Zambia.

Mr Daniel Chibesakunda joined the Bank under the ICT Department on 14th July 2021 as Manager – ICT Security and Compliance. Mr Chibesakunda holds a Master of Science in Information System Management from the Greenwich University and a Bachelor of Science degree in Computer Science from the Copperbelt University. Prior to his engagement by the Bank, he worked as a Senior Information and Communications Technology Security Analyst at the National Pensions Scheme Authority. He is a member of the Professional Development Committee of the Information and Communication Technology Association of Zambia. He is also a member of the International Information Systems Security Certification Consortium and EC-Council.

Ms Felesia Mulauzi joined the Bank Secretariat team on 9th August, 2021 as Manager – Archives and Records Management. She holds a Master of Science degree in Information Management from Sheffield University in the United Kingdom and a Bachelor of Arts degree in Library and Information Studies from the University of Zambia. Ms Mulauzi worked as a Lecturer at the University of Zambia in the Department of Library and Information Studies before joining the Bank and also served as an Assistant Dean in the School of Education at the same university.

Ms Antina Mainza joined the Bank as an Administrative Assistant in the Human Resources Department on 9th August, 2021. She holds a Diploma in Secretarial and Office Management and a Certificate in Legal Secretarial from the Evelyn Hone College. Ms Mainza worked for the Local Government Service Commission as an Administrative Assistant to the Chairperson.

Mrs Nancy Hakoola Mulongo joined the Bank on 25th August, 2021 as an Administrative Assistant in the Human Resources Procurement and Maintenance Services Department. She holds a Bachelor's degree in Library and Information Science and Public Administration from the University of Zambia. Prior to joining the Bank, Mrs Mulongo worked for Zambia Revenue Authority as a Tax Consultant. She is a member of the Secretarial Association of Zambia.

Ms Patricia Funjika joined the Bank as a Senior Economist - Real Sector in the Economics Department on 1st September, 2021. She holds a Master of Arts degree in Economics from the University of Botswana and a Bachelor of Arts degree in Economics from the Rhodes University. Before joining the Bank, Ms Funjika worked as a Research Fellow in the Economics and Business Research Unit at the University of Zambia. She is a member of the Association for the Advancement of African Women in Economics and the Economic History Association of Southern Africa.

Mr Mudenda Muyeeka joined the Bank on 6th September, 2021 as an Events and Hospitality Officer in Bank Secretariat. Mr Muyeeka holds a Masters, Bachelor's Degree and a Diploma in International Relations and Development from the Mulungushi University.

SEPARATIONS

By Zambanker Reporter

Four (4) members of staff have separated from the Bank in the third quarter of 2021 through retirement and resignation.

Two of the four former employees who separated from the Bank were from Banking and Currency Department, one from Security Department and one from the Executive Office.

Those who left Banking and Currency Department were **Ms Stella Phiri and Mrs Jean Kachamba Muyoba**. Ms Stella Phiri separated from the Bank through early retirement on 15th July 2021 after working for over 34 years. She was a Cashier – Receipts & Payments at Regional Office at the time of her separation. Ms Phiri joined the Bank on 19th February, 1987.

Mrs Jean Kachamba Muyoba worked as a Note Examiner in the Banking and Currency Department at the time of her separation. She separated from the Bank through early retirement on 15th July 2021 after working for over 32 years. She joined the Bank on 5th December, 1988.

Security Department lost one member of staff in the period under review in the name of **Mr Donald Mandevu**. Mr Mandevu separated from the Bank on 19th September, 2021 through statutory retirement after working for slightly over 30 years. He worked as an Officer – Command Control at the time of his separation. He joined the Bank on 21st June, 1991.

Mr Christopher Mvunga separated from the Bank through resignation on 6th September, 2021 after working for 11 months. He was Governor of the Bank at the time of his separation. He joined the Bank on 6th October, 2020.

OBITUARY

The Bank of Zambia lost two members of staff through death in the third quarter of 2021. Those who died are Ms Nelly Cheelo and Mrs Sylvia Muyobe Kalimukwa.

Ms Nelly Cheelo died on July 9, 2021. Ms Cheelo joined the Bank on August 5, 2003 as a Stenographer in the Procurement and Maintenance Services Department. She later worked as a Secretary in various departments until 2015 when she was promoted to the position of Administrative Assistant to the office of the Deputy Governor – Administration. In 2017, Ms. Cheelo was transferred laterally to Human Resources Department as Assistant Manager – HR Operations, a position she held until her demise.

Mrs Sylvia Muyobe Kalimukwa died on July 22, 2021. Mrs Kalimukwa joined the Bank on September 3, 2001 as an on-site Inspector in the Bank Supervision Department. In 2009, she was promoted to the position of Senior Inspector – Compliance. In 2014, she was appointed Principal Examiner, a position she held until her demise.

May their souls rest in eternal peace.

PROMOTIONS

By Zambanker Reporter

Four members of staff were promoted in the third quarter of 2021 and these include: Mr Moffat Banda, Mr Otis Chirwa, Ms Macleana Miti and Ms Chilombo Kapembwa.

Mr Moffat Banda was promoted and transferred from Bank Secretariat where he worked as an Archives Assistant to Financial Markets Department where he is working as an Operations Assistant. The transfer was with effect from 1st September 2021.

Mrs Chilombo Kapembwa was promoted and transferred on 4th August 2021 from Non-Bank Financial Institutions Supervision Department where she worked as an Examiner - Licensing Sector to Risk and Compliance Department where she is working as a Financial Risk Management Specialist.

Others who were promoted and transferred on 1st September 2021 are Mr Otis Chirwa and Ms Macleana Miti. Mr Chirwa was transferred from Banking, Currency and Payment Systems Department where he worked as a Section Officer – Payment Systems to Payment Systems Department where he is now working as an Assistant Manager - Payment Systems.

Ms Miti was transferred from Procurement and Maintenance Services Department where she worked as an Office Assistant to Banking and Currency Department where she is working as a Porter.

Mr Moffat Banda

Mrs Chilombo Kapembwa

THE ROLE OF THE BANK OF ZAMBIA IN COMBATING MONEY LAUNDERING

By Calvin Habasonda

Money laundering is a corrosive issue in many countries globally. The realisation of its pervasive adverse impacts on many facets of society has resulted in concerted efforts to fight the vice at country, regional and international levels. These efforts are anchored on the Financial Action Task Force (FATF) standards which act as a blueprint for designing national anti-money laundering measures. The main objective of these measures is to protect the integrity of the financial sectors which are considered as the first in the line of defense for criminals seeking to clean their proceeds of crime.

This brief article provides an overview of the role of the Bank of Zambia in fighting money laundering in Zambia.

Section 62A of the Banking and Financial Services (Amendment) Act, 2020 mandates the Bank of Zambia to exercise its authority over financial service providers for purposes of preventing and combating money laundering and financing of terrorism or proliferation. Further, the Bank of Zambia is designated as a supervisory authority under section 2 of the Financial Intelligence Centre Act (FICA). In addition, section 36 of the FICA provides for the functions of supervisory authorities. These include among others, the responsibility of monitoring compliance with anti-money laundering requirements by regulated entities. In the case of the Bank of Zambia, these include banks, non-bank financial institutions and designated payment service providers.

However, although the Bank of Zambia regulates and supervises entities under its supervisory ambit, the law requires these entities report all suspicious activities and transactions to the Financial Intelligence Centre which is the statutory body obligated to receive such reports. Regulated entities are also required to submit Currency Threshold Reports (CTR) to the Financial Intelligence Centre for all cash transactions above USD5000 (Five Thousand US Dollars) or equivalent in any currency. It is the statutory responsibility of the Financial Intelligence Centre to receive, analyse and disseminate the suspicious transactions or activities reports in terms of the FICA.

The primary role of the Bank of Zambia is to ensure that the entities that it supervises are complying with these reporting obligations. This is done through targeted examinations, thematic examinations and scheduled regular examinations as well as other off-site surveillance mechanisms. These examinations include detailed review of both financial and non-financial information of the financial service providers as well discussions and meetings on issues of concern. Part of these processes involve ascertaining whether these entities have robust governance oversight for money laundering and financing of terrorism or proliferation. Examinations also assess the effectiveness of the risk management systems and the internal controls for mitigating the money laundering risks in these institutions.

The adequacy of the policies and procedures also constitute a major examination activity to ensure that these are consistent with relevant laws and regulatory frameworks. The assessments also cover internal audit and compliance functions to determine the adequacy of assurance and control processes. The approach adopted by the Bank of Zambia is consistent with supervisory approaches elsewhere in the world and is not aimed at monitoring every single transaction. Moreover, this may not be feasible given the number of regulated entities and the number of transactions they process daily relative to the available supervisory resources of the Bank of Zambia.

It should be noted that the Bank of Zambia is just one of the various stakeholders in the anti-money laundering value chain. There are other stakeholders such as the Financial Intelligence Centre and other law enforcement agencies whose roles are also clearly outlined in their governing legislative frameworks. The Eastern and Southern African Anti-Money Laundering Group (ESAAMLG) Mutual Evaluation Report of 2018 acknowledged the efforts of the Bank of Zambia in implementing anti-money laundering measures for institutions it regulates. A mutual evaluation is an assessment of how well a country implements measures to combat money laundering and financing of terrorism or proliferation financing against the FATF standards and other international benchmarks.

Preserving the integrity of the financial system is an integral part of routine supervisory activities in view of its positive effects on the Bank's core mandate on financial stability. The Bank has reliable systems and processes for assessing money laundering risks in reporting entities it supervises. Because these entities are the first in the line of defense, every effort is made to ensure that they understand their obligations for preventing and detecting the illicit activities in their institutions.

The author is Senior Inspector, Regulatory Policy in the Bank Supervision Department.

THE ELECTRONIC BUREAU DE CHANGE MONITORING SYSTEM

By Beenzu Chishala

The emergence of the bureau de change sector in Zambia is associated with the advent of economic liberalisation in 1991. The economic liberalisation was followed by the suspension of the Exchange Control Act, to provide a specific and defined service of spot foreign exchange transactions to cater for tourists and the general public's needs for foreign exchange in small amounts. This facilitated the introduction of Bureaux de Change in 1992.

In Zambia, a Bureau de Change (BDC) is a company licensed by the Bank of Zambia (BoZ) to carry out the business of buying and selling of foreign currency. In the current categorisation of financial institutions, a BDC is the smallest type of financial business that the BoZ regulates and supervises.

The Exchange Controls were eventually abolished in March 1994 after the introduction of the Bank of Zambia (Foreign Currency) Regulations of 1994, which were to govern the operations of the BDCs in a liberalised economy. These regulations were effective until they were replaced by the Banking and Financial Services (Bureau de Change) Regulations in April 2003.

With just 30 bureaux de change in the early 2000's, the network has increased to the current 74 bureaux de change under the supervisory ambit of the BoZ, with a branch network of 133 branches spread across the country. The branches are mainly located along the line of rail. The bureau de change sector forms the largest number of non-bank financial institutions (63 percent) under the supervisory ambit of the BoZ. The BoZ provides oversight over the bureau de change in order to ensure that bureaux de change remain focused on providing a defined service for a defined segment of customers and also to promote integrity in the retail foreign exchange market and deter money laundering activities. With the growth in the sector and a wide branch network, effective oversight and monitoring of the activities of the bureaux de change required increased human resources.

As concerns about money laundering have been mounting, there has been recognition that bureaux de change could be used for money laundering purposes. By their very nature, bureaux de change are inherently susceptible to significant money laundering and terrorist financing vulnerabilities. Key attributes of bureaux de change that increase these vulnerabilities include:

- Bureaux de change are mostly small business entities without sufficient separation between structures for ownership, control and management;
- The systems of internal controls are usually basic and have proven to be inadequate in the combating of money laundering; and
- Their inability to carry out the minimum customer due diligence reviews necessary to minimise the risk of money laundering and terrorist financing associated with occasional transactions since they deal mostly with pass-through customers (i.e. transactions with customers who are not in established business relationships with the bureaux de change).

These vulnerabilities left bureaux de change open to individuals seeking to externalise foreign exchange cash without a trace as well as criminals who could potentially exploit them for money laundering and terrorist financing purposes. To address these risks and ensure compliance with the recommendations of the Eastern and Southern African Anti-Money Laundering Group (ESAAMLG), a Financial Action Task Force (FATF) regional body, the BoZ resolved to implement a centralised real-time electronic system for monitoring bureaux de change foreign exchange cash transactions efficiently and accurately.
Before the implementation of the Electronic Monitoring System, oversight of the sector was manual, mostly done by onsite examinations, offsite analysis of submitted prudential returns and spot checks. Given the wide geographical spread of bureau de change branches, the BoZ experienced challenges in ensuring full oversight of the operations of the bureaux de change.

Objectives of the Electronic Bureau de Change Monitoring System

The objectives of developing and implementing the Electronic Bureau de Change Monitoring System (EBCMS) for monitoring bureaux de change foreign exchange transactions were to:

- Improve the capacity and efficiency of the Bank in supervising bureaux de change. The implementation of an electronic system for monitoring bureaux de change would enable the Bank to address the money laundering and terrorist financing vulnerabilities associated with bureaux de change by providing for real-time visibility of bureau

de change transactions in order for the Bank to efficiently and cost effectively identify suspicious transactions and customers subject to the United Nations and other sanctions lists;
- Mitigate the money laundering and terrorist financing vulnerabilities of bureaux de change arising from their inherent characteristics; and
- Contribute to financial sector stability through improved financial sector integrity by minimising the vulnerabilities of bureaux de change to be used by criminals for money laundering and financing of terrorism purposes.

System Initiation and Implementation

The development and implementation of the system was guided by a steering committee comprising of representatives from the Bank as well as the Association of Bureaux de Change to ensure that the needs and expectations of the various stakeholders were duly considered in the roll out of the system. The role of the steering committee was to approve milestones, any system changes, budget variations, and to provide general guidance.

The country-wide roll out of the centralised electronic system for monitoring foreign exchange cash transactions in bureaux de change was completed on 21 October 2017. Since then, the Bank has been using the system in the supervision of the bureau de change sector. The system has two main modules:

i. Foreign Currency Module; which is a real time transaction processing module capturing all foreign exchange dealings by all authorised dealers. Through this module, the Bank is able to monitor processing of transactions in real time; and
ii. Administration Module; which is used for general system administration by the Bank authorised users.

Requirements for set up on the Electronic Bureau de Change Monitoring System

Bureaux de change are required to ensure that all their branches comply with the minimum hardware and software requirements for the electronic bureaux de change monitoring system as prescribed by NB Circular 01 of 2018 or such other system requirements as the Bank shall stipulate from time to time.

Bureaux de change are also expected to make appropriate business continuity arrangements for the internet connectivity of its operating branches and to ensure that appropriate information security and access controls are applied on the information processing system to ensure system integrity and confidentiality of foreign exchange transaction information processed by the bureau de change.
The Bank offered orientation trainings to members of staff of the bureaux de change on the use and operationalisation of the system.

Performance of the Electronic Bureau de Change Monitoring System over the years

The EBCMS has performed relatively well in the years following its implementation and roll out, notwithstanding the teething problems that come with any new system. The capacity of the Bank to perform effective supervision has appreciably improved. Consequently, the Bank has been able to promptly identify non-compliant bureaux de change and take appropriate supervisory action against them. Some of the notable and value adding outcomes of the EBCMS since its implementation have resulted in improved financial sector integrity through:

- Allowing for profiling of bureau de change customer behaviour as a basis for generation of reports to the Financial Intelligence Centre and also as a basis for scheduling onsite examinations;
- Automated generation of reports highlighting any breaches of predefined foreign currency transaction limits;
- Automated generation of several reports relevant for the surveillance of trading activity of the bureaux de change;
- Providing the Bank with ability to instantaneously broadcast alerts to all bureaux de change;
- Reducing bureaux de change monitoring costs by reducing the need for frequent on-site examinations;
- Reducing bureaux de change operational costs by eliminating costs associated with purchases of physical receipt books; and
- Improved efficiencies in data capture and customer service by storing customer identification details, including scanned copies of customer identification documents, so that repeat customers do not have to resubmit the same information.

EBCMS amidst the Covid -19 Pandemic

With the emergence of the Covid -19 pandemic in March 2020, traditional on-site examinations of bureaux de change were shelved following measures announced by the Ministry of Health aimed at curbing the spread of the Covid - 19 pandemic. However, the Bank was able to continue monitoring and supervising operations of the bureaux de change with ease due to the real-time functionalities of the system.

Conclusion

The EBCMS has proved to be an invaluable resource in the execution of the supervisory and surveillance functions of the Bank. With the EBCMS, the financial stability of the bureau sector and the overall financial system has been enhanced.

The author is Senior Inspector-Financial Analysis in the Non-Bank Financial Institutions Supervision Department.

THE MOVEABLE PROPERTY REGISTRY – WHY CREDIT PROVIDERS MUST EMBRACE AND USE IT

By Richard Chirwa

A Moveable Property Registry System (MPRS) is a central database that records all registrations of charges on movable properties created by borrowers to secure credit provided by lenders. In Zambia, the MPRS was created in 2017 under the Movable Property (Security Interest) Act (MPSIA) which was enacted in 2016. This article looks at why all credit providers must embrace and use this credit market infrastructure in the provision of credit services to improve their bottom lines.

THE MOTIVATION FOR CREATION OF THE MPRS

The conception and birth was anchored on an assessment of the Zambian financial sector conducted under the auspices of the Financial Sector Development Plan. This assessment established that there was a general reluctance by lenders to accept movable property as collateral for loans as lenders generally preferred to accept immovable property such as land and buildings as collateral. This preference arose from the fact that the Lands and Deeds Registry (L&DR) provided a more reliable source for information on the status and encumbrance of registered properties. Unlike immovable or real property whose records have been kept at the L&DR, no equivalent registry existed in relation to movable property. While a number of security interest registries for movable property existed, such as the register of charges and mortgages under the Companies Act, there was no unified registry to act as a one-stop shop for reliable registrations and searches.

The result of the above scenario was that provision of credit to certain productive sectors was inhibited. Particularly affected in this manner were the Micro, Small and Medium Enterprises (MSMEs) and individuals as these sectors usually do not have the traditional immovable property such as land and buildings for use as collateral. Hence the creation of the Registry to make it attractive for lenders to accept movable property as collateral and thereby diversify the nature of movable assets used as collateral, leading to increased lending.

GENERAL ASSESSMENT OF USAGE OF THE REGISTRY

The statistics on the utilisation of the MPRS suggest low usage of the Registry by the credit providers. The BoZ notes, for example, that while there were 2,246 asset backed loans (not mortgages) issued from January 2021 to June 2021, there were only 1,242 collateral items registered. Further, the provincial utilisation of the MPRS continued to be mostly concentrated in Lusaka, Central and Copperbelt provinces. Utilisation in other regions remained low at less than 6 percent. The rural populations' assets mostly comprise livestock and crops and thus are usually underserved by most financial institutions because of lack of traditional collateral.

FSPs must consider the MPRS as a risk management tool which must allow them not to shun sectors which usually do not have the traditional immovable properties for use as collateral.

The low level of use of the MPRS is probably part of the explanation for the highly concentrated loan books for some FSPs to salaried borrowers which has led to high non-performing loans (NPL) when such borrowers or their employers have been unable to remit loan deductions. And because FSPs are unwilling to expand their lending base to seemingly risky sectors by using the MPRS, the growth rates of their loan books have remained weakened to the extent for some FSPs of not having sufficient earning generating asset base to cover operating costs. This scenario has not helped the financial sector in contributing to economic growth of the country through provision of credit to the productive MSMEs.

The enhanced use of this credit market infrastructure has benefits for the financial services providers as well as the financial sector as follows:

- **Facilitate increases in access to credit to all sectors of the economy especially the priority sectors such as MSMEs and Agriculture.**

  It is well-established that use of movable collateral registry is key to unlocking better loan terms for borrowers from a wider section of economic sectors, including priority sectors that are usually not reached when FSPs demand for traditional kind of collateral. And it's a known fact financing and developing these priority sectors is catalytic to the growth and resilience of FSPs and the financial sector as a whole.

- **Increase opportunities for financial services by enabling lending institutions to offer more loans.**

  When credit providers do not use the MPRS, its either they are taking up high risk when they lend without any form of collateral or they will shun potential borrowers who do not offer traditional forms of collateral. The use of the MPRS on the other hand opens up the FSPs to more borrowers than those who have titles to landed collateral which provides opportunities to increase their earning asset base.

- **Contribute to robust financial systems by promoting credit diversification at FSP and financial sector levels**

  It is no secret that most FSPs in Zambia have highly concentrated loan books. The concentration is either at product type level, credit end-user level or geographical distribution level. For example, as at end-June 2021, the salary backed loans accounted for 52 percent of the loan book in the NBFI sector out of which close to 80 percent are loans to employees of a single employer. Further, according to the Credit Market Monitoring Programme data, the total number of loans disbursed to women and youths accounted for 25.8 percent and 53.0 percent of the total disbursed loans for the six months to 30 June 2021. In terms of geographical distribution, urban areas received most of the loan disbursements accounting for 70.2 percent while rural districts received 29.8 percent. This concentration is partly driven by the risk perception of FSPs for the credit products, credit end-users or geographic location. Some of such risks can be reduced by FSPs embracing and using the MPR which facilitates the use of a diverse range of moveable collateral used by borrowers from a diverse economic sectors. This diversity is imperative for the profitability and resilience of FSPs.

- **Encourage lenders to accept diverse movable properties as collateral for credit. Likewise, SME's are encouraged to use a variety of their assets to obtain credit for growth.**

  Growth by MSMEs and individuals has a multiplier effect on the FSPs in that a growing MSME will become a repeat and eventually a large borrower for FSPs which will also lead to the growth of the FSP itself and eventually the growth and financial stability of the financial system.

- **Make lending less risky.**

  Movable Property Registry can help reduce risks to FSPs to enable more loans for longer terms at lower interest rates for underserved priority economic sectors. The MPRS therefore lowers the cost of capital thereby reducing the cost of credit.

- **Benefits from provisioning incentives under the Banking and Financial Services (Classification and Provisioning of Loans) Directive 2020.**

  The Directive requires that in estimating the allowance for loan losses, FSPs shall consider recoverable amounts of effective collateral held. Directive 27(5) defines effective collateral and the definition includes moveable properties, whether intangible or tangible provided that a perfect security interest is created in favour of the FSP under the Moveable Property (Security Interest) Act 2016. The implication is that FSPs which utilise MPRS will carry less allowances for loan losses than another which does not use the registry but holding same moveable assets or not holding any collateral.

CONCLUSION

Overall and without quantifying, the use of the MPRS has more benefits than costs for a FSP as it promotes access to finance while helping to reduce risks to FSPs and granting an expanded credit services clientele. Financial Services Providers must therefore embrace and utilize this infrastructure for a better bottom line in the medium to long term.

The author is Acting Assistant Director – Examinations & Surveillance.

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DISRUPTING THE GREAT DISRUPTOR

By Namukulo Mwauluka

On the 18th of March 2020, the first case of the coronavirus disease 2019 (COVID-19) was reported in Zambia[1]. This was alarming news for many Zambians who had witnessed, on the news channels, the devastating effects of the disease in China and Italy.

The Bank's response as guided by its internal Guidelines for Disease Outbreak Preparedness and Response was to send staff home. This response could have been disruptive had the Bank not pivoted on its significant investments in information and communication technologies.

Prior to the Covid-19 pandemic, the Bank held physical meetings in conference rooms. In response to the pandemic, meetings were quickly transitioned online. This was achieved using Microsoft Teams which the Bank had acquired as part of the Microsoft Enterprise Agreement. This transition resolved a long-standing problem of shortage of meeting rooms and reduced the need for staff to travel to Lusaka for meetings.

To provide remote access, the Bank initially leveraged on the Cisco End-to-End Secured Virtual Private Network (VPN). This technology enabled staff to securely access the Bank's internal network when working from home.

The Bank has implemented secure remote access to the internal network.

Another technology that enabled remote working was VMware's Enterprise Mobility application. This enhanced productivity by enabling anywhere access to internal applications on mobile devices and personal computers. Implemented as part of the Enterprise Mobility Project, the system went live in November 2020 at the beginning of the second Covid-19 wave.

The Bank also scored a first in terms of implementing a major project entirely using remote access. This was the Enterprise Content Management (ECM) Project which went live on the 31st of March 2021. Unlike with previous projects of this scale, the external vendor (OpenText) deployed the whole solution remotely. The ECM solution has added to the arsenal of technologies that facilitate remote working through providing access to enterprise documents from anywhere.

The Enterprise Content Management Project was implemented remotely.

In a nutshell the Bank has disrupted the disruptive effects of the Covid-19 pandemic through the smart use of technology solutions to settle at a new normal in terms of work facilitation.

The author is an ICT professional with extensive knowledge about business transformation through enabling technologies.

[1] *https://www.cdc.gov/mmwr/volumes/69/wr/mm6942a5.htm*

INTERNAL AUDITING'S ROLE IN CORPORATE GOVERNANCE

By Agrippa Mwanza

The word governance has become a staple of the boardroom and C-suite vocabulary, but just what governance is can sometimes become muddled. At its core, governance simply is the mixture of processes and structures designed to help the organisation achieve its objectives. These processes and structures are influenced not only by risks that affect an organisation's ability to achieve objectives but also by the organisation's efforts to mitigate known risks and discover unknown risks. The Institute of Internal Auditors (IIA) believes internal audit's role in governance is vital as it provides objective assurance and insight on the effectiveness and efficiency of risk management, internal control, and governance processes.

Internal Audit's Role

In the Bank, Internal Audit provides assurance by assessing and reporting on the effectiveness of governance, risk management and control processes designed to help the Bank achieve strategic, operational, financial and compliance objectives.

It is best positioned to provide assurance because its resource level, competence and structure are aligned with the Bank's strategies and it follows the IIA standards. By maintaining its independence, internal audit performs its assessments objectively, providing management and the Board an informed and unbiased critique of governance processes, risk management and internal control. Based on the findings, internal audit recommends changes to improve processes and follows up on their implementation.

Internal audit provides insight by acting as a catalyst for management and the Board to have a deeper understanding of governance processes and structures. Internal audit insights on governance, risk and control provoke positive change and innovation within the Bank. It inspires organisational confidence and enables competent and informed decision making. What's more, successful internal auditing provide foresight to the organisation by identifying trends and bringing attention to emerging challenges before they become crises.

Board and Audit Committee Roles

The Board oversees and monitors the Bank's strategic, operational, financial and compliance risk exposures, and it collaborates with management in setting risk appetite, risk tolerances and alignment with strategic priorities.

A corporate governance practice is to use audit committees to provide strengthened oversight of the financial and ethical integrity. An Audit committee ensures that audit results are aired and any recommended improvements or corrective actions are addressed or resolved.

The Director - Internal Audit reports functionally to the Board and administratively to the Governor. Strong Management and Board support of internal audit is nurtured by relationships built on mutual trust and frequent and meaningful interactions with the Director - Internal Audit.

Conclusion

Internal audit strengthens corporate governance through risk-based audits that provide assurance and insights on the processes and structures that drive the Bank towards success. As risks grow and become more complex, internal audit's role is likely to expand in areas such as risk, governance, culture and behaviour, sustainability and other non-financial reporting measures.

As the Bank addresses the growing array of risks created by new technology, geopolitics, cybersecurity, and disruptive innovation, a vibrant and agile internal audit function can be an indispensable resource supporting sound corporate governance.

The author is Internal Auditor in the Internal Audit Department.

COVID-19 AND THE EMPLOYEE EXPERIENCE

By Siphiwe Mwaba

The outbreak of the Coronavirus in March 2020 brought about unprecedented changes to the global economy and the world of work. Most organisations including the Bank were forced to re-define their strategies and bring people and technology together to ensure continued value creation. In addition to the focus on driving productivity and supporting business objectives, most organisations reassessed their leadership, development strategies and implemented changes with the aim of creating collaboration and creativity across the workforce so as to redefine the employee experience in response to the global pandemic.

What is Employee Experience?

Deloitte defines the employee experience as the human connections and mechanisms that create a high level of purpose and meaning between employees and the organisation. At the core of any employee experience is the desire to belong and feel connected with others and to contribute to something of significance and value[1]. In simple terms it is the employee's perceptions about his or her journey through all the aspects of the organisation that is, the organisation's physical workspace, culture, technology, leadership etc. According to Dian Daniel[2], strengthened employee experience is associated with job satisfaction and eventually leads to more engaged and productive employees, increased quality of work and improved customer relations. Therefore during difficult times such as the Covid-19 pandemic, attention to employee experience can help organisations become competitive and ensure high productivity.

Improving the Employee Experience Post Covid-19

The Bank and responsive organisations in the market did a stellar job of addressing employees' basic needs of safety, stability, and security during the first phase of the COVID-19 crisis. We saw the Bank and other organisations coming up with work from home schedules, creating safe working spaces, facilitating for Covid-19 testing and vaccination programs and meeting Covid-19 related medical expenses. These needs were more focused on ensuring the health and well-being of employees. However, these needs are evolving and therefore call for a more sophisticated approach thus the need to re-create the employee experience.

In improving the employee experience, it is important to think holistically about the key factors that affect employees' experience that is, their role, their relationships, their work environment, and the organisation as a whole and what can be done to improve co-existence.

The following insights from Deloitte[3] and Mckinsey[4] can be used to guide approaches towards re-creating the employee experience.

1. **Integrate employees' physical, mental, financial, and social health into the design of work itself rather than addressing well-being with separate programs.** For decades, need-based theories of motivation have emphasized the importance of need fulfillment on employee motivation and behaviour. Applied to employee experience management, leaders should seek to address the most critical, prominent needs of the broader workforce while taking stock of unique needs of different segments and individuals. During the pandemic, employees have expressed the need for mental, financial and social health. Leaders should therefore embed well-being into work designs through mental health programs and social programs. This helps employees experience well-being while they do their work and not just when they're away from it. Work that addresses the human need for quality of life can motivate people to give their best when on the job. The Bank has in place the wellness program which is driven through the respective Departmental Wellness Champions and the Bank of Zambia Clinics. The program is one of the mechanisms that incorporates well-being at work. Mental health programs have also been incorporated and issues are currently addressed on a case by case basis.
2. **Create and maintain a culture that values inclusion, individuality and social harmony.** During the pandemic, many workers had to transition to new work schedules, processes, and modes of communication and collaboration. This entailed workers leveraging the values of involvement, fairness, respect and equality

[1] *Janine Zucker, Deloitte Human Capital Articles: Elevating the Workplace Experience, 2020.*
[2] *Dian Daniel, Employee Experience, SearchHRSoftware, 2020*
[3] *Erica Volini et al., The Social Enterprise in a World Disrupted, Deloitte Insights, 2020.*
[4] *Jonathan Emmett et al., Covid-19 and the Employee Experience: How Leaders can seize the moment, 2020*

to help employees adapt to new ways of working and interacting. To maintain this positive culture, organisations need to create a network of teams that promote cross functional collaboration and transparency and cultivate inclusion and psychological safety. This can be done by modelling behaviors that value the inputs of all members. To this effect, the Bank recently relaunched the Employee Recognition Scheme, this is one of the mechanisms through which the Bank acknowledges individuals and teams behaviors and efforts towards the achievement of organisational goals and therefore create and maintain a positive culture in the Bank. Recognition is measured against conformance to the Bank's values and contribution to business performance.

3. **Capitalising on employee preferences as the means to drive learning, adaptability, and impact.** Changes are affecting employees in widely divergent ways. Some are thriving while others are struggling. Therefore, leaders should consider getting feedback from employees on what learning experiences to pursue as it increases their engagement because it allows them to focus their efforts on things that truly matter to them. Aligning workers' passions and interests with organisational needs can improve an organisation's performance. The Bank's performance management process provides an opportunity for employees and managers to review the employee's areas of development, these areas are included in the respective employee development plans.
4. **Developing and acting on forward-looking insights using real-time data to harness employee potential.** Understanding the workforce is the first step to aligning employee behavior with organisational objectives in ways that recognise workers' needs, develop their capabilities, and respect their values and those of the organisation. Insights into what work is being done and how people are doing it can help organisations craft new ways of working that bring out the latent potential in every worker. Leaders need to tailor interventions to support them in personalised and meaningful ways. Further, the emergence of purpose as a driving force is particularly compelling, given its overarching impact on all aspects of work and business. A sense of purpose can help employees navigate high levels of uncertainty and change and ensure that their efforts are aligned with the highest value activities. So far, two employee engagement surveys have been conducted by the Bank in the last two years. The engagement surveys do not only measure the engagement levels of staff but also provide Management with insights into what interventions should be taken to enhance employee performance and align employees to value activities.

Organisations have an opportunity to improve employee experience by shifting from a focus on meeting health and safety needs to a more nuanced approach that recognises differences among the workforce. Organisations that set a course focused on employee experience will create meaningful impact now and well into the future.

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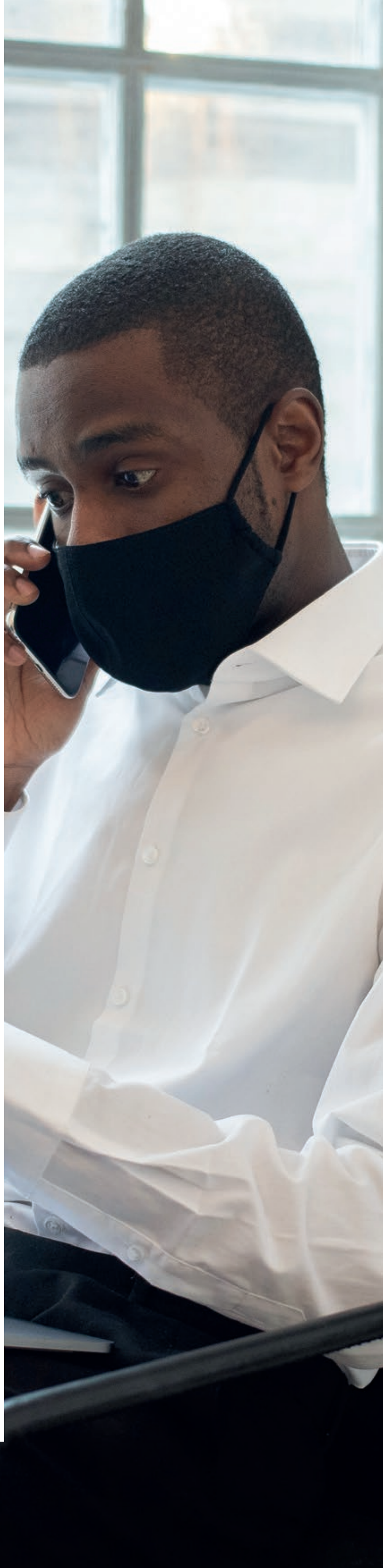

PERSONALITY PROFILE

In this edition, we feature Ms. Restina Banda Kilepa, the Switch Board Operator at Head Office. Ms. Kilepa joined the Bank in 2003 as an Office Assistant in the Procurement and Maintenance Services Department and was promoted to the position of Switch Board Operator in 2015. Ms. Kilepa has a Certificate in Travel and Tourism from Hotel and Tourism Training Institute, a Certificate in Switchboard Operations and a Certificate in Records Management which were both obtained from Zamtel Training Institute in Ndola. She also has a Diploma in Public Relations and a Bachelor of Library and Information Science and Public Administration from the University of Zambia.

Zambanker: How would your best friend describe you?
RK: A friend in need and indeed, a loving, vibrant and hard-working person who always strives for excellence.

Zambanker: What do you value most in your professional life & why?
RK: Integrity. Having integrity has helped me develop relationships with coworkers and gain their trust and respect.

Zambanker: What is your day like at the office?
RK: My day at the office involves answer incoming calls, greeting callers, providing information, transferring calls or taking messages as necessary. I also operate communication systems, such as telephone and switchboard. In addition, I page individuals to inform them of telephone calls, using paging or interoffice communication equipment. I further relay or route written or verbal messages and place telephone calls or arrange conference calls as instructed.

Zambanker: Who has had the greatest impact on your life and why?
RK: Many people have impacted various aspects of my life differently but my husband, Francis M. Kilepa has been a constant. He is my second eyes and mind. He has helped me see the other perceptive and is a major factor in my decision making.

Zambanker: When solving a problem, how do you approach it? Give examples
RK: Firstly, I pray then I take time to discover and understand the problem, after which I research and consult on available options. I then weigh the options and pick the best option based on information available at the time. I am a very optimistic person who embraces self-efficacy and has accepted that problems are a normal part of life that need to be faced head on.

Zambanker: What unique characteristic or ability sets you apart from others?
RK: Although I appreciate and learn from others, I strive to do things at my own pace and don't compete with those around me. I set realistic targets and work towards attaining them within my timelines, all things being equal.

Zambanker: What interests do you hope to pursue in the near future?
RK: I will venture into farming.

Zambanker: How do you want to be remembered when you leave the Bank?
RK: I would like to be remembered as a person who worked hard and pushed herself from the bottom in terms of qualifications. I took myself to school and upgraded my qualifications. With determination, I

emerged as the best student when I trained as a switchboard operator.

Secondly, I hope fellow employees can emulate me in embracing the values of extended family to reduce the growing number of children on the streets.

Zambanker: What moment in life would you relive given a chance and why?

RK: I long to relive the happy moments with my elder siblings.....in slow motion.

Zambanker: What has been the best decision of your life?

RK: Adopting and taking care of my late siblings' children. This role has made me discover strengthens that I never thought I had. It has also pushed me to work even harder and better. My interaction with my siblings' children has helped me to appreciate and understand different personalities.

Thankfully, my husband has accepted and embraced my extended family, he treats them equally without segregation between them and our biological son.

Zambanker: What trait do you and all your family members have in common?

RK: We are hardworking, push each other up and love singing. We have a very strong family bond. Most importantly, we are committed to God.

Zambanker: If you had to lose all but one of your five senses, which one would you keep and why?

RK: Sight. Sight, or perceiving things through the eyes. The sense of sight plays a decisive role in my life. Being able to see gestures, facial expressions, and body language makes up a large part of the overall impression in my interactions with people. I also want to see the success of all our children. Thankfully, I witnessed the marriage ceremony of one of the 12 children in June, 2021, currently working for Mopani mines.

Two of our children are waiting to be posted in the teaching industry, while one is at UNZA in the school of mines. Another is at Mulungushi University studying Business Administration.

Yet another one is at Botho University in Botswana studying Bachelor of Science in Network Security and Computer Forensics, one girl is at Levy Mwanawasa studying Bachelor of Science in Nutrition and Dietetics, while the other girl is at Arakan Girls Secondary School doing her grade 11. The rest of the boys are still in primary school.

My biological son on the other hand is training to be a pilot at Lanseria Flight Training Center in South Africa. My prayer is to see all our children becoming successful.

Zambanker: What is your favorite season? Why?

RK: The rainy season. I find it refreshing and it gives us an abundance of food.

Zambanker: Are you a morning person or a night owl?

RK: I'm a morning person. I am at my best in the morning and get a lot of things done then. So I schedule most of my strategically important tasks for the morning.

THREE ZAMBIAN FINTECH STARTUPS TO WATCH

By Kateule Nakazwe

The past year has seen significant growth in the Financial Technology (FinTech) ecosystem in Zambia. Not only have more startups come on the scene but also, a good number have received notable investments to scale their businesses.

The FinTech ecosystem in Zambia continues to grow as key players such as financial sector regulators, startup incubators and venture funds work together to create an environment that supports innovation on the road to a digital economy. For example, in October 2021, Lupiya, a Zambian FinTech startup, was selected among 50 African tech-startups awarded equity-free funding from the Google for Startups US$3 million Fund. Google set up the fund to support early-stage Black-founded startups in Africa. Lupiya is a microfinance platform that uses technology to simplify the process of borrowing for individuals and businesses across the country.

Lupiya was founded in 2016 by Ms. Evelyn and Mr. Muchu Kaingu on the vision that every Zambian should have access to finance. Lupiya is notably the first Zambian company to receive funding from the international tech-giant. The funding from Google adds to the US$1 million received from Enygma Ventures, an investment fund targeting female founders in Southern and Eastern Africa, in July 2020.

Speaking on the traction gained since the Enygma injection, Lupiya Co-founder and CEO, Ms. Evelyn Kaingu, said Lupiya's revenue has since grown by 785%. "Our loan book has grown and now serves almost 10,000 customers. Our team has also grown from 4 to 12 employees and is looking to close the year with 16," she said. The funding is also helping Lupiya improve functionality of its platform which can be accessed via a mobile and website application.

In August, 2021, Union54, became the first Zambian startup (and FinTech) to get into Y Combinator. Y Combinator is a prestigious American startup accelerator that invests in a wide range of startups and has launched over 3000 companies to date. Union54 (54 representing the number of countries in Africa) is a FinTech company founded in 2021 by Perseus Mlambo and Alessandra Martini. Union54 was born from the couple's earlier FinTech startup, Zazu. It's goal is to provide APIs for African corporates to easily issue debit cards. Using Union54, companies can be able to issue and manage their debit cards without needing a bank or third-party processor, saving time and money. The startup states that it is Africa's first card-issuing application programming interface (API).

After graduating from the accelerator, Union54 received a US$3 million seed round from Tiger Global, an investment firm with a focus on firms in global internet, software and financial technology industries. It plans to use the funding to source the best talent in product development, engineering, marketing and sales to build solutions and gain traction.

The Zambian FinTech company also received funding from angel investors such as Babs Ogundeyi, the CEO of Nigerian Neobank Kuda; Risana Zitha, managing director of Renaissance Capital; and Gbenga Ajayi, former director of SMB Growth at Wise. Union54 looks to expand its customer base in Zambia, regionally, then to the rest of Africa.

In March this year, Premier Credit, another Zambian FinTech startup focusing on microlending, secured a US$5, 000 grant from the FinTech4u Accelerator run by The UN Capital Development Fund and BongoHive Innovation Hub. Through the accelerator, Premier Credit also had access to free legal clinics, sales and marketing tools and had industrial sessions with regulators such as the Securities and Exchange Commission and Bank of Zambia necessary for its business.

The company which was founded in 2019 by Ms. Chilufya Mutale and Mr. Eugene Mwila offers affordable microloans to micro, small and medium enterprises (MSMEs) and low-income earners. Prior to the FinTech4u grant, Premier Credit received a seed fund of $650,000 from Enygma Ventures in 2020. The company currently operates in Zambia and Zimbabwe. It plans to become a challenger bank for small and mid-size enterprises (SMEs).

“SMEs form the backbone of our economy and providing an enabling environment by way of digital financial services that are easy to access, affordable and efficient will greatly contribute to financial inclusion and a cashless society,” said Premier Credit, Co-founder and CEO, Ms. Chilufya Mutale.

With 30 percent of the Zambian population still unbanked, the opportunities for FinTechs remain vast.

The author is Assistant Manager – Media and Publications in the Executive Department.

CONVERGENCE OF SECURITY

By James Chipulu

WHAT IS SECURITY?

Security means different things to different people. When I first came to Lusaka in the early 2000s, there were residential areas which were referred to as good secure places. I came to learn later that people were talking in relative terms based on perceived crime rates in such areas. Security in such a case meant less or no criminal threat. When I went round looking for a house to rent, many adverts would state that the house was in a good security area, in a wall fence with razor wire or electric fence fitted. That could be understood by many as good security. In criminology, Security may be described as the sense of safety or free from danger.

On the other hand, when I purchased my first computer, there was need to use a strong password for ensuring security of its contents. I was also informed that a good anti-virus would help guard against malicious attack on my computer and the contents therein.

In broad terms Security may be described as specific measures put in place to protect an asset, place or people so that only those who have the right authority can access. Traditionally, security has been defined as preventing unwanted persons from entering a place or taking what does not belong to them. This has conventionally been achieved by physical barriers and/or security personnel to protect the said assets.

Evolving Security Risk Landscape

According to a survey done by Gardner in 2020, it was found that evolving Security Threat Landscape should be top priority for Security Management in most organisations. Security threat exposure has further been compounded by the need to work from home following the impact of the Covid - 19 Pandemic. The Work from Home (WFM) has brought in new threat exposures as the devices used may not have up to date security configurations and become an easy route for an intruder. Most organisations designed and adopted risk appetites that assumed properly configured firewalls, intrusion prevention and other complimentary controls all set around the conventional office premises. With the coming of the Covid – 19 Pandemic, there was a need to re-evaluate risk profiles, implement appropriate countermeasures and ensure policies around Bring Your Device (BYOD) were revised to suit the fast-evolving security threat landscape.

Opportunities or motivation for one to commit cyber-crime are getting higher and better by the day. The risks are much lower than conventional crime and the technology to commit it is getting more accessible and cheaper such that *“traditional Mafia groups are increasingly outsourcing their specialist operations to highly skilled freelance cyber-criminals who promote their services on hidden websites.”* These new partnerships have altered the modus operandi of traditional criminals. According to Rob Wainwright, director of Europol, *“We’re seeing a move away from the traditional model of organised Mafia-like structures that are very hierarchical.... They make use of this industry of criminals with a particular service or product to feed to organized crime groups. It’s the same as the legitimate commercial world: outsourcing is what happens.”* (Samani, R, 2014)

Growing threat on Data

One of the most valuable assets of

any organisation today is Data. In most cases, *Data is everything*. This means Security has to be adjusted to not only protect tangible assets but organisational data as well. Most security establishments focus on physical assets and would probably inspect persons entering a restricted area. Security personnel would later ensure persons exiting the premises only leave with the same devices they came in with or whatever has been authorised to go out. The problem is that a person may enter with a personal laptop, have it registered with Security personnel and leave with the same laptop, only this time *loaded with stolen data*. Worse still the person may have used their devices to initiate cyber-attacks from inside of the corporate network. In most successful cyber-attacks, network perimeter security (firewalls, Intrusion Detection and Prevention Systems) could be compromised by a user connecting from the inside. Such a user could deliberately create a loophole in order to aide criminal accomplices who would use the vulnerability to steal, alter or even delete critical organisational data. Such people may not need to be computer experts but only need to carry out simple instructions to achieve an attack with possible devastating impact on the organisation. Such persons could be cleaners left alone in an office, for example.

The unsuspecting Security guard will inspect the laptop, make sure it is the same and let the person leave without knowing critical data has been stolen. The Security threat landscape has changed. It is even worse if persons are working from home, the risk of data leakage or theft has more than tripled and according to Gardner is expected to keep growing in the next 3 to 5 years.

PHYSICAL SECURITY

This usually include physical access controls such as fences, gate barriers, lighting, locks and badges. Other aspects may include escorting cash transits, property access controls and Closed-Circuit Television (CCTV) systems. Access Control & CCTV systems might be backed by an Information Systems based infrastructure that could be managed by an IT Department and only provided as a service to Security Operations Teams. Most of these measures are taken to deter or prevent unauthorised entry. However, CCTV could help with investigations as recorded footage may be retrieved if required to provide further evidence at a future date. The figure below shows some of the common aspects of physical security controls. Many of these controls focus on external threats other than those originating from inside.

Figure 1. Common Features of a Physical Security System

The main weakness with these systems is that they are not able to detect theft of intangible assets such as Information and hence the urgent need to re-think the total security solution.

CYBERSECURITY

According to Information Systems, Audit and Control Association (ISACA), Cyber-security is the art of protecting networks, devices and data from unauthorised access or criminal use and the practice of ensuring confidentiality, Integrity and Availability of Information (CIA).

The National Institute of Standards and Technology (NIST) defines Cyber-security as the process of protecting information by preventing, detecting and responding to attacks.

These definitions somehow tarry with the general meaning of security that was earlier discussed which focuses on activities or measures taken to protect an asset, people or a space. NIST further refers to cybersecurity as the ability to protect or defend the use of cyberspace from cyber-attacks. Whichever way one looks at it, security principles are the same, what changes is simply the threat landscape thence requiring countermeasures to evolve as well. *A rigid or traditional security deployment will eventually become obsolete and completely blind to new threats.* Security deployments that are done in silos would most likely leave gaps or vulnerabilities unattended as well. This is where converged security solutions come in. Organisations are learning that many cyber-crimes are intertwined with other forms of crime. In fact, there is increasing collaboration between organised crime and cyber-crime. There is a growing phenomenon called cyber-crime as service, that conventional criminals or terrorism groups can purchase and use in their operations.

The way an institution comes up with a cyber-security response is determined by many factors including organisational risk appetite, latest risk assessment, Business Impact Assessment report and a cost-benefit analysis. However, with the merging of crime highlighted above, a cyber-security response has to be done in collaboration with physical security.

SECURITY MANAGEMENT

Many Organisations tend to have a Security Department that focuses on physical security and another Department or section that handles Information Security and compliance. Most effective security solutions would be setup around security domains that involve personnel, physical, cyber, supply chain and other aspects. In such cases, an organisation would have rolls such as Chief Security Officer (CSO) and another one to handle cyber security might be a Chief Information Security Officer (CISO).

This means security accountability is dispersed and sometimes spread among managers in physical security, Cyber-security and Information and Communications Technology Departments. That usually would result in conflicting objectives as well as a high possibly of neglected security threats.

It is clear that there may be conflicting objectives as well as a general lack to thoroughly cover all areas of security concern. Some of the areas of concern include:

i. Lack of cohesive risk identification and mitigation strategy.
ii. Likelihood of failure to detect some risk events.
iii. Inability to maximise talent and leverage security expertise.
iv. Missed opportunities to implement common tools and processes.
v. Inability to share risk event data for better mitigation strategy formulation.

CONVERGENCE OF SECURITY

Security risks have converged, in that, physical as well cyber-security are usually committed together and are becoming inseparable in many cases. In this case, it's only wise to collaborate efforts to counter them. Bringing together the different silos in one is perhaps the future of Security Management so that there is one single point of contact for all security

The following organograms show some common organisation structures of Security:

Figure 2. Chief Information Security Officer (CISO) in a functional structure

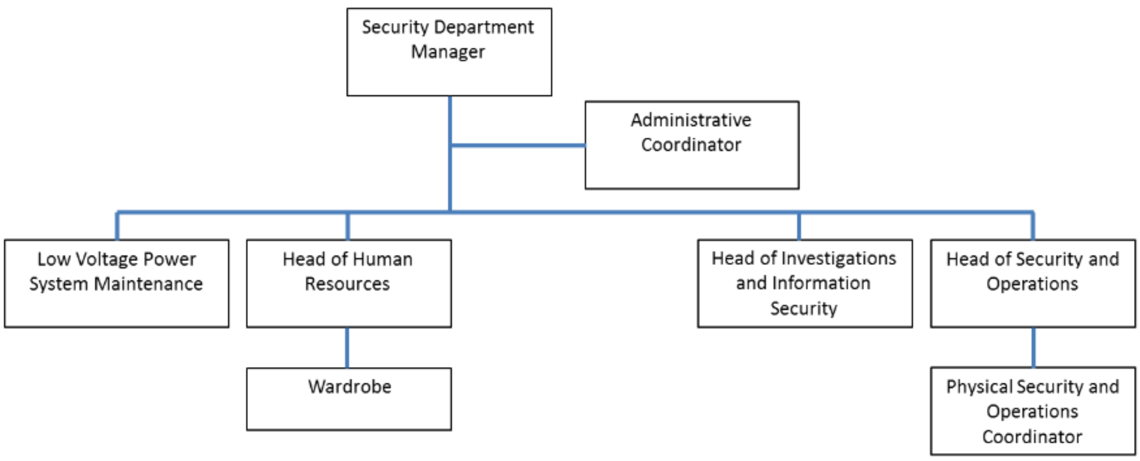

Figure 3. Chief Security Officer (CSO) whose focus is mainly physical security.

matters as it is for all finance matters. This would mean having only one CSO and the rest of the security roles are placed within well-organised multi-skilled team.

If security is converged, it can help to prioritise security risk and create a more comprehensive security management plan. This also makes it easier for both top executives and employees to know whom to contact for any security issue. It is also expected to result into lower staffing costs, reduced duplication of efforts and fewer conflicts of interest within the organisation.

Convergence of security management is also likely to face some resistance for a number of reasons. One such reason is that physical security and information security personnel are usually from different places and backgrounds. There is likelihood of conflict or misunderstandings. This can however be mitigated hugely through cross-training so as to make staff more understanding of roles of fellow team members as well harness and leverage on the diversity of knowledge in the team.

Barclays Bank Merges CSO and CISO

Barclays Bank has decided to merge the roles of CSO and CISO. They now have only the CSO under which all security is managed. This is according to the CIO UK magazine release of 20 September 2016, which read in part as follows:

Barclays has merged its two security functions, with the previous Chief Security Officer and Chief Information Security Officer roles coming together under combined CSO. Previously, the organisation's CISO, Oerting - together with Elena Kvochko, the bank's Global Head of Cyber Security Strategy and Implementation - explained to CIO UK some of the strategy behind the decision and how it could strengthen the company's combined security defenses.

"With the current threat and ecosystem landscape that is continuously evolving, we identified the need to redefine our approach to security to comprise cyber and physical security, as well as intelligence, investigations and resilience in order to take a truly holistic approach. For this reason, we established the Chief Security Officer function that will bring together these functions and allow us to utilize knowledge, intelligence and expertise across the global organization which creates a very powerful response," Oerting explained.

The example from Barclays and many other institutions that are taking the step to merge the roles of CSO and CISO are doing it for the greater good of achieving better outcomes in grappling with the fast involving crime landscape which inescapably is showing dangerous signs of escalation and collaboration among perpetrators. This sort of landscape cannot be effectively managed using traditional security management techniques or styles. Many cases of fraud have been committed in cyberspace without showing any signs of compromising existing physical security controls. Notwithstanding this, a number of vulnerabilities in physical controls have been exploited as well in recent past resulting in successful attacks and loss of property or even life.

In this light, one cannot ignore the physical space in as much as the cyberspace must be watched as well. Tools, expertise, collaborations and above all converged security systems will be required to formulate the right kind of countermeasures to match the threats.

These security principles are actually derived from the bible according to Isaiah 59:19 which states
"So shall they fear the name of the LORD from the west, and his glory from the rising of the sun. When the enemy shall come in like a flood, the Spirit of the LORD shall lift up a standard against him." KJV.
The idea is to be as agile as possible or change strategy whenever the threat landscape has clearly evolved.

Many security experts argue that the CSO leading a formally converged programme does not need to be overly skilled in every sub-field of security. What is needed is a multi-skilled team and, in any case, that is why organisations hire smart cyber-security and physical security specialists.

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Bank *of* Zambia