



Bank of Zambia

**DEPUTY GOVERNOR'S REMARKS AT THE
SIGNING CEREMONY OF THE MEMORANDUM
OF UNDERSTANDING BETWEEN THE BANK OF
ZAMBIA AND THE ZAMBIA INSTITUTE OF
CHARTERED ACCOUNTANTS**

24 JANUARY 2020

OPENING REMARKS

- The Deputy Governor, Administration, Ms Rekha Mhango;
- Mr Bona Kashinga, CEO of ZICA;
- Patricia Sitali, Director Membership and Corporate Services, ZICA
- Mr Mwelwa Mwaba, Director Standards and Regulations, ZICA;
- Directors and senior officials from the Bank of Zambia;
- Invited guests;
- Ladies and gentlemen;

It my singular honour to participate in this signing ceremony of the Memorandum of Understanding between the Bank of Zambia and the Zambia Institute of Chartered Accountants (ZICA).

The ceremony we are witnessing today is significant for two main reasons. Firstly, the financial world is becoming ever more complex and this requires increased cooperation among the various regulators and standard setters; and second, the accounting and auditing standards, which govern the financial sector, have a significant impact on the Bank of Zambia as a regulator of the financial sector. The Memorandum of Understanding we are signing today provides a framework for exchanging ideas and information in a more coordinated manner to the mutual benefit of ZICA and BoZ.

Ladies and Gentlemen, accounting and auditing standards are very important to the work of the Bank of Zambia because of their critical role in Prudential Financial reporting. These standards have an important impact on the information that is available for examination and other supervisory purposes. The better the quality of financial information, and of the accounting and auditing standards that shape this information, the greater our ability to monitor and supervise banks effectively. This is also true for the supervised entities as well, as financial statements, are a critical component of the banks' credit underwriting standards.

In fact, accounting and auditing standards are part of the preconditions for effective banking supervision of the Basel Core Principles for Effective Banking Supervision (2012). The Basel Core Principles state that for banking supervision to be effective, a country should have, “comprehensive and well defined accounting principles and rules that are widely accepted internationally, and a system of independent external audits, to ensure that users of financial statements, including banks, have

independent assurance that the accounts provide a true and fair view of the financial position of the company and are prepared according to established accounting principles, with auditors held accountable for their work”.

Ladies and Gentlemen, it is in this regard that the Banking and Financial Services Act requires that financial statements prepared by financial service providers must comply with the accounting standards promulgated by the ZICA. This is because, ZICA is mandated, through the Accountants Act, to develop, promote and enforce internationally comparable practice standards. ZICA has therefore adopted the International financial reporting standards (IFRS) and the International Auditing Standards (ISAs), which are internationally accepted standards, as the required practice standards for Zambia.

Ladies and Gentlemen, institutions like ours that are concerned with public policy objectives can no longer afford to work in isolation. Collaborative effort is not only desirable but also necessary to ensure that regulatory loopholes that may arise from information asymmetry are minimised. In addition, the Memorandum of Understanding recognises the need to leverage on each other’s expertise in order to achieve optimal outcomes in our respective areas of operations.

Ladies and Gentlemen, the financial sector is very dynamic and sometimes very volatile. Because of this, developments in the financial sector are fast paced and sometimes require rapid regulatory responses. As a result, having cooperating partners such as ZICA who are ready to provide their expertise at short notice enhances the Bank of Zambia’s ability to effectively address any emerging issues.

Distinguished Guests, as an example, a recent demonstration of the importance and benefits of closer cooperation between ZICA and BoZ was on the implementation of the IFRS 9 which has profound effects in the way financial service providers handle allowances for loan loss provisions. It is our sincere hope that we can scale up this level of cooperation now that we have a memorandum of understanding between our two institutions.

Ladies and Gentlemen, it is also our expectation that the Joint Working Group proposed to be established under the auspices of this memorandum of understanding, will endeavour to develop robust working plans comprising key issues of mutual concern and interest in order to effectively utilise the available resources in our respective institutions. Further, I wish to urge you to come up with a framework which is aimed at periodic monitoring and evaluation of the key milestones that will be defined and agreed in the work plans.

Let me conclude my remarks by expressing our gratitude to the Zambia Institute of Chartered Accountants and wish them well as we begin this partnership in ensuring effective cooperation on matters of common interest.

I THANK YOU