



**ZiCA**

*Competence, Integrity and Virtue*

**Zambia Institute of Chartered Accountants**

**Comments on the Bank of  
Zambia Bill N.A.B No. 5 of  
2022**

**ZiCA**

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## **1.0 Introduction**

The Zambia Institute of Chartered Accountants (ZICA) is a professional membership body whose function, among others, is to advise Government on matters of national and economic development. The Institute is also mandated to develop, promote and enforce internationally comparable practice standards in Zambia as well as protect and assist the public in all matters relating to the practice of accountancy. With this mandate in mind, our Comments on the Bank Zambia Bill N.A.B No. 5 of 2022 have been made with full cognizance of our obligations as promulgated in the Accountant Act as well as our professional resolve to act in the public interest.

**1.1** We are privileged to be invited to make oral and written submissions to the Committee on National Economy, Trade and Labour Matters on the consideration of the Bank of Zambia Bill No. 5 of 2022.

## **2.0 Objectives of the Bill**

The objectives of this Bill are to —

- a) provide for the additional functions, operations and management of the Bank of Zambia;
- b) provide for the composition of the Board of Directors of the Bank of Zambia and provide for their functions;
- c) provide for the establishment of the Monetary Policy Committee and the Financial Stability Committee and provide for their functions;
- d) repeal and replace the Bank of Zambia Act, 1996; and
- e) Provide for matters connected with, or incidental to, the foregoing.

## **3.0 Comments on the Bill**

We provide the detailed analysis on the proposed amendments to the Bank of Zambia Bill No. 5 of 2022 as stated below:

### **3.1 Section 5(1) Additional functions of Bank**

Subject to the Constitution, the additional function of the Bank is to formulate and implement monetary and supervisory policies, directed at achieving and maintaining price stability and Financial stability.

#### ***Recommendations***

We welcome the amendment of section 5 (1) as it will protect the public and the economy at large. The Bill seeks to enhance the functions of the Bank of Zambia. In light of this enhancement, Financial Institutions will be required to ensure strict adherence to the regulations

as well as license conditions to avoid facing penalties as well as the remedial actions that may be imposed by the Bank.

### **3.2 Section 8(1) (2) Functions of Board**

- 1) The Board is the governing body of the Bank.
- 2) Subject to the Constitution and this Act, the functions of the Board are to—
  - a) provide strategic policy direction to the Bank;
  - b) provide effective governance of the Bank;
  - c) approve the regulations and regulatory statements to be issued by the Bank;
  - d) approve the Bank’s budget;
  - e) approve the annual report;
  - f) approve recommendations specified in any other written law that the Bank is required to make;
  - g) approve the terms and conditions of engagement of the Bank’s agents and correspondents;
  - h) establish and close subsidiaries, branch offices and agencies of the Bank;
  - i) approve the policies applicable to the administration and operations of the Bank;
  - j) recommend the fees and allowances for members of the Board, other than the Governor, for approval by the Minister;
  - k) determine the accounting policies and approve the financial statements of the Bank;
  - l) determine and ensure the establishment of an effective risk management structure;
  - m) ensure good corporate governance of the Bank;
  - n) establish special reserves on the books of the Bank;
  - o) establish occupational pension schemes for staff of the Bank in accordance with the relevant law;
  - p) permit the Bank to grant loans to the Bank’s staff or guarantee such loans from any financial service provider; and
  - q) Approve appointment of external auditors of the Bank.

#### ***Recommendations***

We welcome the amendments of section 8 (1) (2) as it will improve the operations of the Bank of Zambia.

### **3.3 Section 27(1) (2) Monetary Policy Committee**

- 1) There is established a Monetary Policy Committee of the Bank.
- 2) The Monetary Policy Committee shall formulate the monetary policy of the Republic on behalf of the Bank.

#### ***Recommendations***

We welcome the amendments of section 27 (1) (2) as the Committee is very important in assessing economic and monetary conditions, as well as other risk factors which effect inflation

and economic growth, in order for the Bank of Zambia to undertake the appropriate monetary policy decisions. The Bill seeks to codify the Monetary Policy Committee.

### **3.4 Section 31(1) (2) Financial Stability Committee**

- 1) There is established a Financial Stability Committee for the Bank.
- 2) The Financial Stability Committee shall formulate the macro-prudential policies of the Republic on behalf of the Bank.

### **Section 34 (1) (2) Publication of Financial Stability report**

- 1) The Financial Stability Committee shall, after each meeting, publish in a manner the Bank considers appropriate, a statement on the financial stability of the Republic.
- 2) The Financial Stability Committee shall, at least once a year and in addition to the statement under subsection (1), publish a Financial Stability Report.

### ***Recommendations***

We welcome the introduction of the Financial Stability Committee as it will help enhance the resilience of the financial system. The Committee will in addition to publishing policies that are aimed at achieving financial stability of the country, also publish reports on the countries Financial Stability.

### **3.5 Section 18(1) (2) (3) (4) Legal tender**

- 1) The Kwacha and ngwee is the sole legal tender in the Republic.
- 2) A tender of payment of money shall be legal tender if it is in notes, coins or such other form considered appropriate by the Bank and is made or issued by the Bank under this Act.
- 3) A banknote or coin issued as legal tender by the Bank and not withdrawn from circulation shall be accepted, at the banknote or coin face value, in payment of all domestic transactions.
- 4) Subject to subsection (5), a person who contravenes this section commits an offence and is liable, on conviction, to a penalty not exceeding five million penalty units or to imprisonment for a term not exceeding five years, or to both.

### ***Recommendations***

The Bill has expanded on its provisions of what constitutes legal tender in Zambia. In doing so it has stated that a person shall not quote or demand to be paid foreign currency as legal tender for a domestic transaction. The Bill has not defined a domestic transaction. It has however, given the Bank of Zambia powers to define what can be defined as a domestic transaction. It is therefore vital for Financial Institutions to pay attention to this proposed provision as it will greatly affect their current pricing practice for services and products they provide.

#### ***4.0 Conclusion***

We appreciate the opportunity to provide the Institute's position on the provisions of the Bank of Zambia Bill No. 5 of 2022. We trust that the submissions have been insightful and will be favourably considered.