

## **INTRODUCTION:**

The purpose of the explanatory notes is to provide clarification to the reader on the meaning of the listed unwarranted charges and fees Directives in order to ensure common understanding. It is recognized that the charges and fees may be known by different titles in different institutions and not as referred to in the Directives. In this regard, a financial service provider shall not apply any charge or fee listed below, or whatever other term such charges may be referred to as, provided it falls within the described category.

The Directives apply to both Zambian Kwacha and foreign currency denominated transactions and/or accounts. Further guidance is that there shall be no differentiated approach for retail and corporate clients. The Directives apply to all market segments of all the financial service providers.

### **Unwarranted Charges and Fees**

#### **1. Charge for account opening for both local and foreign currency**

A customer shall not be made to pay or charged any fee at the time of opening an account, or before an account which was previously closed for any reason, is re-activated. The customer shall only be required to deposit the minimum account opening balance.

#### **2. Charge for over-the-counter cash deposits and charge for over-the-counter withdrawals (where the amount and or denominations being withdrawn cannot be dispensed by the ATMs)**

This refers to a charge for making cash deposits and withdrawals over-the-counter. This includes bulk deposits and withdrawals.

Such charges are unwarranted as the act of taking deposit and paying out withdrawals is a core function of any deposit taking institution. Deposits from the public are the main source of funds for financial service providers. The financial service providers invest these funds in income earning assets hence costs relating to deposit mobilization, including cash handling, are recoverable from the income earned (e.g., interest rate charged on a loan) when the customers' deposits are invested in interest earning assets.

In addition, cash deposits on automated teller machines (ATMs) are limited due to the deposit thresholds, besides security reasons. While the Bank of Zambia supports technological innovations such as deployment of ATMS and other digital platforms, customers who opt to make withdrawals over the counter should not be penalized when the ATMs cannot dispense their preferred amount and denomination, or there are long queues by the ATMs.

### **3. Charge for cash deposit made by third party into customer's account**

When the account holder instructs third parties to deposit funds into their account, there shall be no charge for such a transaction.

### **4. Automated Teller Machine(ATM) Surcharge**

For this purpose, 'a surcharge' means an extra charge or fee levied on a non-account holder of a financial service provider for use of its ATM, in addition to the normal fee. For instance, when a customer uses an ATM of another bank to withdraw funds, he shall not be made to pay an extra charge. The customer should only be charged the normal and applicable fee for use of ATM services. Financial service providers have already agreed on interchange fees amongst themselves to compensate the ATM owner for the running costs arising from use of the ATMS by non-customers.

This charge should not be construed to be the same as ATM charges that are imposed for usage of ATM services. The regular ATM charges are not covered under these Directives.

### **5. Charge for cash deposit on ATM**

ATMs of some financial service providers have a provision for taking deposits. There shall be no charge or fee for depositing cash at the ATM.

### **6. Charge for Aborted ATM cash withdrawals**

A customer shall not be charged for an ATM transaction that has been declined or not completed, if the fault is not with the customer but with the service provider.

### **7. Charge for ATM pin re-set**

When a customer decides to reset their personal identification number (PIN) at the ATM, there shall be no charge for such an activity.

### **8. Charge on basic savings account (without cheque book) operating within contractual terms**

Where a customer operates their basic savings account within the agreed terms and conditions, there shall be no monthly charges whatsoever on such accounts. Ordinarily, a basic savings account will have specific conditions to it, such as how many withdrawals can be made per month. In this regard, provided the account is operating within agreed terms and conditions, there should be no monthly charges or fees to the account, which in many cases end up eroding the customer's savings.

A *Basic Savings Account* is an interest bearing savings account, primarily to promote savings and financial inclusion in general. In this regard, the account has low opening

and minimum account balances, allows limited withdrawals/debits in a month (either directly through the branch, ATM or through electronic transfers) and no charges so as to encourage saving without imposing a burden of charges or fees on the customer.

For purposes of these Directives, the following features shall apply for a basic savings account:

- Low opening and minimum account balance;
- Interest rate mechanism that covers inflation;
- Not more than at least two withdrawals/ debits in a month, otherwise charges applicable to a regular savings account may apply as contained in the bank's tariff guide;
- No monthly maintenance fees; and
- No other fees.

#### **9. Monthly maintenance fees on basic savings accounts (without cheque book)**

The charging of maintenance fees on a basic savings account is prohibited. In most cases, a basic savings account will have low opening and minimum account balances which are available to the bank for investment, hence such charges are unwarranted as they only lead to erosion savings. Further, the limitation on the number of withdrawals per month in a way already acts as a charge to the customer.

#### **10. Charge for transfer of funds between retail accounts domiciled in the same bank**

There shall be no charge for the transfer of funds from one account to another within the same financial service provider; either to another account of the same customer or to a different account holder.

#### **11. Charge for transfer of account from one branch to another branch of the same bank**

There shall be no charge for the transfer of funds from an account in a branch to another branch of the same financial service provider. Charges shall be borne by the merchant as agreed with the financial service provider, and not customer.

#### **12. Point of Sale transaction (own bank customer and other bank customer)**

This refers to a charge for use of a Point of Sale (POS) machine to purchase goods and services. There shall be no charge to a customer for swiping on a POS machine to pay for goods and services

**13. Additional charges arising from an initial charge generated by the bank (where a customer's account has been overdrawn by a debit transaction initiated by the bank)**

Where a customer's account has been overdrawn by a debit transaction initiated by the financial service provider, the customer shall not be penalized for the overdrawn account because the entry was generated by the financial service provider.

**14. A charge for closure of a customer's account which has operated for more than six months**

There shall be no charge at all for closure of customer accounts, unless the account has operated for less than six months. This prohibition is aimed at promoting ease of mobility for customers who are not satisfied with the service they are currently getting from their institutions to other institutions. Customers may however, be required to give their financial service provider notice of closure of account and the notice required shall not exceed one week.

**15. Charge for reactivating a bank account**

There shall be no charge to a customer for reactivating an account that has been dormant or previously closed.

**16. Charge for statement of account upon closing of the account, provided the customer has not received a free statement for the month**

Where a customer has not a received a free monthly statement, he shall not be charged if he requests for a statement upon closure of his account covering transactions for the previous month up to the time of closure.

**17. Charge for monthly account statement (customers are entitled to a free statement per month)**

Unless a customer has received a free monthly account statement, there shall be no charge when they request for one. A customer may only be charged if they request for another copy of their statement of account after receiving a free statement for the month.

**18. Charge for balance and other account enquiries by the customer over the counter or any electronic platform**

Where a customer makes an enquiry on any banking transaction or requests for his account balance over the counter, or using electronic means such as mobile banking or internet banking or through the ATM, there shall be no charge.

**19. Initial debit card issuance fees**

When a financial service provider issues the initial debit card, there shall be no charge to the customer. Further, when a financial service provider undertakes to replace its debit cards for any reason, the customer shall not be made to pay for the new card. However, where a customer has lost or damaged the card, replacement costs may apply.

**20. Debit card maintenance and renewal fees (annual, quarterly or monthly)**

Where a customer has a debit card, there shall be no fee or charge for maintenance of the card, by whatever term such charges may be referred to. Further, there shall be no charge for renewal of a debit card. However, where a customer has lost or damaged the card, replacement costs may apply.

**21. Charge on inward local fund transfers including on RTGS system and Electronic Fund Transfer (EFT)**

Where a customer receives funds electronically, there shall be no charge for receiving such funds in the account.

**22. Charge on inward international funds transfer where the remitter bears the full cost**

In instances where the international remitter has paid the cost for sending the funds, the recipient shall not bear extra costs for receiving the funds into their account. In this regard, the recipient should receive the full amount remitted.

**23. Charges for amendment or cancellation of a standing order**

Financial service providers normally collect a fee when carrying out a standing order instruction. Any amendment to or cancellation of the instruction should therefore, not attract any additional charge.

**24. Ledger fees per entry on account or savings account**

This refers to a charge for each entry on the savings account. In any case, financial service providers no longer use ledgers. Such charges or fees are prohibited.

**25. Commission on turnover activities on the account**

A financial service provider shall not charge any fee based on the number of transactions on a customer's account, known as transaction fee, activity fee, turnover fee, or whatever other term such charges may be referred to as.

## **26. Fees on debit transactions**

This refers to a charge for each debit entry on the account. It has been observed that some financial service providers charge their customers for debit transactions. These relate mostly to cheques issued on their account. The prohibition does not include requests from customers for banking transactions that come at a charge.