

GOVERNMENT OF ZAMBIA

STATUTORY INSTRUMENT No. 185 of 1995

The Banking and Financial Services Act (Act No. 21 of 1994)

The Banking and Financial Services (Fixed Assets Investment) Regulations, 1995

In EXERCISE of the powers contained in section *one hundred and twenty-four* of the Banking and Financial Services Act, 1994, and on the recommendation of the Bank of Zambia, the following Regulations are hereby made:

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|--|----------------|
| 1. These Regulations may be cited as the Banking and Financial Services (Fixed Assets Investment) Regulations, 1995. | Title |
| 2. In these Regulations, unless the context otherwise requires- | Interpretation |
| <p>"fixed assets of a bank or financial institution" include bank premises (including land), furniture, fixtures, equipment and vehicles, whether such assets are owned or leased, and any leasehold improvements;</p> <p>"primary capital" includes-</p> <ul style="list-style-type: none"> (a) paid up common shares; (b) the following qualifying preferred shares; <ul style="list-style-type: none"> (i) perpetual preferreds; (ii) compulsory convertible preferreds, where conversion to securities which would qualify as primary capital represents the only redemption option; and (iii) preferreds which have an original term to maturity of 20 years or more, where no redemption occurs within the first ten years, and where the maximum redemption obligation in any one year is restricted to five per cent or less of the original issued amount; (c) contributed surplus (including premium on issues of shares, less any payments of premium on redemption; and capital contribution by shareholders without the issuance of shares); (d) retained earnings; | |

- (e) general reserves;
- (f) statutory reserves; and
- (g) minority interests (in the equity of subsidiaries which are less than wholly owned).

"secondary capital" means residential financial instruments that possess some of the features of capital and which meet the standards set out in regulation 13 of the Banking and Financial Services (Capital Adequacy) Regulations, and any other form of capital as may be determined and announced from time to time by the Bank of Zambia, and, subject to a limit which shall not exceed 100 per cent of primary capital and includes the following:

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- (a) forty per cent of the reserves arising from the revaluation of tangible fixed assets;
- (b) subordinated term debt, or loan stock or capital with a minimum original term of maturity of over five years, subject to a straight-line amortization during the last five years leaving no more than 20 per cent of the original amount outstanding in the final year before redemption;
- (c) other instruments or forms of capital which the Bank of Zambia may allow, provided that no part of accumulated goodwill shall be considered as capital;

"regulatory capital" means those instruments which comprise the capital resources of a bank or financial institution, and the total of which is used by the Bank of Zambia for compliance by a bank or financial institution with the minimum capital standard and for assessing capital adequacy, and is calculated in accordance with the Second Schedule of the Banking and Financial Services (Capital Adequacy) Regulations, 1995.

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3. A bank or financial institution shall not, without the approval of the Bank of Zambia-

- (a) invest directly in fixed assets;
- (b) invest in the stock, bonds, debentures or obligations of any corporation holding the fixed assets of such bank or financial institution; or
- (c) make loans to or on the security of the stock of any such corporation;

Prohibition of
investments
without Bank of
Zambia approval

if the aggregate of all such investments and loans exceed the amount of the regulatory capital of such bank or financial institution.

4. A bank or financial institution shall obtain the approval of the Bank of Zambia before making any investment in fixed assets which will result in all such investments exceeding the amount of its regulatory capital.
5. Where a bank or financial institution whose fixed assets exceed regulatory capital at the coming into force of these Regulations, such excess shall be covered, within a reasonable period of time to be determined by the Bank of Zambia, either by a reduction of such assets or an increase in capital which will result in its fixed assets being in compliance with these Regulations.
6. All fixed assets acquired by a bank or financial institution shall be booked at cost, and shall be stated in the balance sheet of the bank or financial institution at cost less accumulated depreciation or amortization.
7. For book purposes, a bank or financial institution shall depreciate assets over their useful life, using a straight line method.
8. (1) A bank or financial institution shall capitalise all leases relating to fixed assets in its report to the Bank of Zambia.
- (2) In reports to the Bank of Zambia, the Bank shall require that the amount of all leases pertaining to fixed assets obligations be capitalized.
- (3) The amount capitalized under sub-regulation (2) shall be the present value of the minimum required payments over the non-cancellable term of the lease and the rate of interest shall be not more than the bank or financial institution's prime lending rate.
9. A bank or financial institution which contravenes these Regulations shall be liable to a penalty of one thousand penalty units per day for the period during which the contravention continues.
10. (1) A bank or financial institution shall report, twice a year to the Bank of Zambia, as at the end of June and December, the amount of its fixed assets and how these relate to regulatory capital.
- (2) The report referred to in sub-regulation (1) shall be made in the form set out in the Schedule.

Approval before investment in fixed assets

Covering of excess assets

Fixed assets to be booked at cost

Method of depreciation of assets

Capitalisation of leases

Penalty for contravening Regulations

Report on fixed assets

SCHEDULE
(Regulation 2)

STATEMENT OF INVESTMENTS IN FIXED ASSETS OF A BANK OR FINANCIAL
INSTITUTION INCORPORATED IN ZAMBIA

Name of Bank/Financial Institution	(K'000)
At close of business on.....19	
1. TOTAL REGULATORY CAPITAL (As calculated by using the Second Schedule of the Banking and Financial Services (Capital Adequacy) Regulations, 1995. Attach calculation.	
2. FIXED ASSETS	
(a) Bank Premises (including land)	_____
(b) Furniture and Fixtures	_____
(c) Equipment	_____
(d) Vehicles	_____
(e) Leasehold improvements	_____
(f) Other	_____
Total	_____
3. INVESTMENTS IN CORPORATION HOLDING FIXED ASSETS OF THE REPORTING BANK OR FINANCIAL INSTITUTION	
(a) Stock	_____
(b) Bonds	_____
(c) Debentures	_____
(d) Obligations	_____
Total	_____
4. ADVANCED/LOANS MADE TO OR ON THE SECURITY OF THE STOCK OF THE REPORTING BANK OR FINANCIAL INSTITUTION	
(a) Advances	_____
(b) Loans	_____
Total	_____
5. TOTAL INVESTMENT IN FIXED ASSETS (Items 2 + 3 + 4)	
6. TOTAL REGULATORY CAPITAL (line 1) A A PERCENTAGE OF FIXED ASSETS (line 5)	

Authorised Signature.....

Authorised Signature.....

LUSAKA
13th November 1995
[MF.101/16/95]

R. D. S. PENZA
Minister of Finance