



BANK of ZAMBIA

OFFICE OF THE DEPUTY GOVERNOR - OPERATIONS

December 21, 2012

CB Circular No: 25/2012

To : All Commercial Banks

MAXIMUM EFFECTIVE ANNUAL LENDING INTEREST RATES

The Bank of Zambia has decided to review the Banking and Financial Services (Cost of Borrowing) Regulations by introducing a cap on margins that commercial banks put on the Bank of Zambia Policy Rate with effect from 2nd January, 2013.

In this regard, the effective annual lending interest rates will be subject to a maximum cap as follows:

The maximum effective annual lending interest rate shall not exceed the prevailing Bank of Zambia Policy Rate *plus* the product of a maximum margin of 9 percentage points and a factor of 1.

The Bank of Zambia will periodically revise the factor applicable and/or the margin on the Policy Rate in response to changes in economic fundamentals and the policy rate itself.

Therefore, based on the Policy Rate which currently stands at 9.25%, the maximum effective annual lending interest rate will not exceed 18.25% computed as follows:

Factor	Margin	Policy Rate	Maximum Rate
(A)	(B)	(C)	((A x B) + C)
1.0	9.0	9.25%	18.25%

These conditions will apply to new loans written while existing loans will be allowed to run their course on the current terms unless refinanced.

Please note that the Bank of Zambia will issue the Cost of Borrowing Gazette Notice, which shall take the provisions of this Circular into effect.

Commercial banks may contact the Director – Bank Supervision Department for any clarification relating to this Circular.

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