



REPUBLIC OF ZAMBIA

REPORT

OF THE

COMMITTEE ON NATIONAL ECONOMY, TRADE AND LABOUR MATTERS

ON THE

BANKING AND FINANCIAL SERVICES BILL, N.A.B. NO. 36 OF 2025

FOR THE

FIFTH SESSION OF THE THIRTEENTH NATIONAL ASSEMBLY

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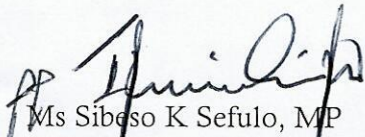
FOREWORD

Honourable Madam Speaker, the Committee on National Economy, Trade and Labour Matters has the honour to present its Report on the Banking and Financial Services Bill, N.A.B. No. 36 of 2025, for the Fifth Session of the Thirteenth National Assembly. The functions of the Committee are set out under Standing Orders 206(j) and 207 of the National Assembly of Zambia Standing Orders, 2024.

The Committee held eight sittings to consider the Bill. In order to gain insight into the ramifications of the Bill, the Committee sought both written and oral submissions from various stakeholders. The list of stakeholders is at Appendix II of the Report.

The Report is in three Parts. Part I contains the salient provisions of the Bill. Part II highlights concerns raised by stakeholders, while Part III contains the Committee's observations and recommendations.

The Committee wishes to pay tribute to all stakeholders who appeared before it and tendered both oral and written submissions. It further wishes to thank you, Madam Speaker, for affording it an opportunity to consider the Banking and Financial Services Bill, N.A.B. No. 36 of 2025. The Committee also appreciates the services rendered by the Office of the Clerk of the National Assembly during its deliberations.


Ms Sibeso K Sefulo, MP
CHAIRPERSON

March, 2026
LUSAKA

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1.0 MEMBERSHIP OF THE COMMITTEE

The Committee consisted of Ms Sibeso K Sefulo, MP (Chairperson); Mr Joel Chibuye, MP (Vice-Chairperson); Mr Gary Nkombo, MP; Mr Kabwe T Chewe, MP; Mr Davison Mung'andu, MP; Mr Derricky Chilundika, MP; Dr Simon Mwale, MP; Mr Simon Banda, MP; Mr Walusa Mulaliki, MP; and Mr Wesley Kolala, MP.

2.0 BACKGROUND

The Banking and Financial Services Bill, N.A.B. No. 36 of 2025 seeks to repeal and replace the *Banking and Financial Services Act, Chapter 387 of the Laws of Zambia*, in order to strengthen the legal and regulatory framework in the banking and financial sector to make it relevant and responsive to the challenges in the sector.

The *Banking and Financial Services Act, Chapter 387 of the Laws of Zambia*, was not adequate in addressing the regulation and supervision of financial service providers, notable developments in the banking and financial sector, digitisation of financial services and the threat of cybersecurity in the provision of financial services. Therefore, there was a need to repeal and replace the *Banking and Financial Services Act, Chapter 387 of the Laws of Zambia*, in order to align with the broader agenda of the Government to decentralise and promote the provision of banking and financial services, as well as strengthening the legal framework in relation to the provision of initiatives for financing to small and medium enterprises.

3.0 OBJECTS OF THE BILL

The objects of the Bill are to provide for the:

- a) regulation and supervision of financial service providers;
- b) ownership and control of financial service providers;
- c) incorporation of standards, principles and concepts of environmental, social and corporate governance in systems and structures of financial service providers;
- d) resolution powers of the Bank in relation to a failed bank or financial institution;
- e) innovative and inclusive financial services;
- f) financial reporting and accountability of financial service providers;
- g) market conduct and financial consumer protection mechanisms;
- h) winding-up process for financial service providers;
- i) monitoring compliance with anti-money laundering and countering of terrorism financing and proliferation financing among financial service providers;
- j) enforceability of close-out netting of transactions;
- k) repeal and replace the *Banking and Financial Services Act, Chapter 387 of the Laws of Zambia*;
- l) repeal of the *Money-lenders Act, Chapter 398 of the Laws of Zambia*; and
- m) matters connected with, or incidental to, the foregoing.

PART I

4.0 PROVISIONS OF THE BILL

The provisions of the Bill are as set out hereunder.

Part One

Clauses 1 to 3 – Preliminary Provisions

This part provides for preliminary provisions, among them, the interpretation clause, which seeks to define various words and phrases used in the Act.

Part Two

Clauses 4 to 7 – Administration

This part provides for the administration of the Act; the functions of the Bank of Zambia; and delegation of functions. It also provides for the appointment of Registrar and Deputy Registrar.

Part Three

Clauses 8 to 28 –Licensing of Financial Service Providers

This part provides for the power to determine licensing criterion for financial service provider; types of licences; prohibition of conducting banking business or providing financial service without licence; name clearance; and application for licence to conduct banking business or provide financial service.

The part also provides for grant of application for licence; rejection of application for licence; validity and display of licence; transfer, pledge, assignment of encumbrance of licence; variation, amendment, surrender, and suspension or cancellation of licence.

The part further provides for duplicate licence; moratorium; prohibition for opening or closing of service centre, branch or subsidiary; application to open or close service centre, branch or subsidiary; representative office; register of financial service providers; and publication of financial service providers.

Part Four

Clauses 29 to 40 – Ownership and Control of Financial Service Providers

This part provides for prohibition of acquiring shares, beneficial interest, become beneficial owner without approval; application for approval to acquire shares, beneficial interest, and become beneficial owner; ownership of shares in financial service provider by nominee shareholder.

The part also provides for notification of adverse information on shareholder or party with controlling interest; charge, use of shares as collateral or encumbrance by beneficial owner; limit on voting control; voting control limits for financial business; and restriction on ownership of shares by trusts.

This part further provides for prohibition of effecting corporate restructuring transactions without approval; corporate restructuring transaction; application for approval to effect corporate restructuring transaction; and effect of corporate restructuring transaction.

Part Five

Clauses 41 to 53 – Corporate Governance

This part provides for qualifications for appointment as director or senior officer and also provides for independent non-executive directors to be in the majority. It also states composition of board of financial business; balance of skills, diversity and expertise of director; as well as reporting obligations of board and directors.

The part also provides for conduct of director or senior officer; disclosure of interest; and suspension or dismissal of director or senior officer by the Bank and removal of shareholders.

The part further provides for fit and proper requirements for shareholder, director or senior officer; corporate governance standards and practices; and environmental, social and governance practices

Part Six

Clauses 54 to 58 – Business Operations of Financial Service Providers

This part provides for principal administrative office; change of physical address of principal administrative office; use and alteration of name; business hours; and bank holiday.

Part Seven

Clauses 59 to 79 – Prudential Regulation and Supervision

This part provides for minimum capital requirements; capital conservation buffer; counter-cyclical capital buffer; designation of bank or financial institution as systemically important; and systemically important capital buffer.

The part also provides for prohibition of payment of dividend by bank or financial institution without approval; application for approval to pay dividend by bank or financial institution.

Additionally, this part provides for capital distribution constraints; leverage ratio; loan to deposit ratio; loan to value of assets ratio and loan to income ratio; and revision of risk weights.

The part further provides for liquidity coverage ratio and net stable funding ratio; maintenance of liquidity; additional liquidity; constraints on contracts with associated person, insider or related party

Furthermore, the part provides for submission of returns; consolidated supervision; affiliates and cross border supervision and resolution. It states the unsafe and unsound practices as well as supervisory action.

Part Eight

Clauses 80 to 87 – Restrictions on Transactions of Financial Service Providers

This part provides for secured borrowing; limitations on granting credit facilities; restrictions on trade, equity investments; and lease or other interest in real property.

The part also provides for dealings with shell bank; limits and restrictions on financial business and financial service provider offering alternative financial services; and exemption of alternative financial services.

Part Nine

Clauses 88 to 101 – Financial Statements and Accountability

This part provides for annual financial statements; presentation of annual financial statement to shareholders; reserve for bad and doubtful debts; and approval of annual financial statements

It also provides for the publication of financial statements; appointment of external auditor; disqualification for appointment as external auditor; responsibilities and duties of external auditor as well as information by external auditor to bank.

The part further provides for access to information and auditor's report; termination of appointment of external auditor; statement on resignation of external auditor; and termination of appointment of external auditor by financial service provider.

Part Ten

Clauses 102 to 129 – Financial Consumer Protection and Market Conduct

This part provides for the regulation and supervision on financial consumer protection and market conduct; anti-competitive practices; prohibition of anti-competitive practices; collateral contracts; coercive behavior; misconduct during debt collection; prohibition of barriers to switch; fair treatment of consumers and charter.

It also provides for disclosure of interest rates and charges; prohibition of introducing new charge or increasing existing charge for consumers; application for introducing new charge or increasing existing charge for consumers; publication of fees, rates, terms and conditions; responsible finance; and right to rescind contract.

The part further provides for unfair contract or unfair contract term; prepayment of credit transactions; prohibition against penal interest; recoverable amounts on non-performing loan; and disclosure of information.

Furthermore, the part provides for the control of advertisements; data protection and disclosure of information; open finance; complaints procedure for consumers; and consumer protection and market conduct returns.

Additionally, it provides for monitoring of market; arrangement or assistance for vulnerable consumer; financial ombudsperson for financial service providers; and actions by Bank on contravention of Part.

Part Eleven

Clauses 130 to 148 – Resolution

This part provides for Bank as resolution authority; functions of Bank as resolution authority; placing bank or financial institution in resolution; power to take possession; notice of resolution; appointment of resolution manager; petition to Minister to constitute Tribunal; powers and duties of Bank on resolution; and statement of affairs.

The part also provides for resolution options; restructuring or reorganisation; establishment and winding-up of bridge institution; bail-in; back-stop funding for resolution; creditor safeguards; impediments in orderly resolution of bank or financial institution.

The part further provides for effects of resolution; restriction on execution of judgement against assets of bank or financial institution in resolution; and recovery of expenses.

Part Twelve

Clauses 149 to 169 – Insolvency, Dissolution and Liquidation of Financial Service Providers

This part provides for grounds for liquidation; restrictions of bank or financial institution; restriction of action by third parties; resolution to voluntarily wind-up financial service provider; duties of financial service provider on voluntary winding-up; notice of voluntary winding-up; rights of creditors to payments, funds and other property; distribution of assets on voluntary winding-up; powers of Bank where assets are insufficient, or completion unduly delayed.

The part also provides for powers of Bank in compulsory winding-up; powers of Bank as liquidator; immunity of Bank against depositor, creditor or bailor claims; limitation on filing of claims; objection to liquidation schedule; priority of creditors; reserve account for wound-up financial service provider; and debt restructuring or write-off for wound-up financial service provider.

The part further provides for final distribution in compulsory winding-up; undistributed funds; power of Bank in relation to insolvent financial business; and termination of liquidation process.

Part Thirteen

Clauses 170 to 171 – Anti-Money Laundering and Countering Terrorism Financing and Proliferation Financing

The part provides for anti-money laundering and countering terrorism financing and proliferation financing supervision; and anti-money laundering and countering financing of terrorism supervision sanctions.

Part Fourteen

Clauses 172 to 176 – Reporting Obligations

This part provides for records to be kept and maintained; credit documentation; manner of keeping records; retention of records and maintenance of records.

Part Fifteen

Clauses 177 to 180 – Appeals

This part provides for reasons for decisions and rights to be heard; right of appeal; constitution of tribunal; and decisions of tribunal.

Part Sixteen

Clause 181 to 183 - Examinations and Investigations

This part provides for examination of financial service providers; obstruction of examination; and investigations.

Part Seventeen

Clauses 184 to 214 – General Provisions

This part provides for regulation of lending interest rates; netting of claims; enforceability of close-out netting agreements; financial inclusion; authorised activities of banks; access to documents; and offences committed partly in and partly out of Republic.

The part also provides for use of word “bank”; restriction on use of name of financial service provider; validity of certain acts by financial service provider; power to summon officer, director or shareholder; submission of information and documents to Bank; protection of persons providing information under Act; authorisation to provide alternative financial service; publication of information; extension of period to furnish document or information; false document; money circulation schemes; utilisation of collateral for settlement of certain obligations of financial service provider.

This part further provides for special reserve account, insurance and commitment; unclaimed funds and personal property; industry reports; continuing acts or offences; offences by principal officers of body corporate or unincorporated body; general and administrative penalty. It further provides for immunity; exemption; regulatory statements; regulations; and transitional provisions.

PART II

5.0 CONCERNS RAISED BY STAKEHOLDERS

Stakeholders who appeared before the Committee supported the Bill. However, in doing so, they raised the concerns outlined below.

i. Explicit Time Limit

Some stakeholders submitted that Clause 43 (2) (h), had no explicit time limit or rehabilitation period, which potentially created a lifelong ban. They were of the view that this could disproportionately affect experienced professionals who had learned from past failures, limiting the talent pool for financial institutions. They were of the view that the Bill should include a time limit or extend the provision to include “unless such liquidation, composition, or arrangement was not attributable to any misconduct, negligence, or default on the part of the person”.

ii. Business Operations of Financial Service Providers

Some stakeholders submitted that, while Clause 57 of the Bill mandated the Bank of Zambia to regulate the time of operation for financial institutions, the provision seemed to be limited to physical banking activities. It was, therefore, suggested that the Bill takes into account banking enabled by digital platforms. They were of the view that for digital banking or transactions, the Bill must compel financial service providers to communicate off time and provide backup systems for business continuity.

iii. Maintenance of Minimum Loan to Deposit Ratio

With regard to Clause 68, some stakeholders submitted that the introduction of thresholds to banks on loan to deposit ratio may force the Bank to take undue risk on lending.

They were of the view that these ratios could be managed by reducing the Government instruments which then “forced” banks to lend their money out rather than taking it at cheap rates and reinvest in the Government instruments. It was therefore suggested that the Clause be deleted.

iv. Secured Borrowing

Some stakeholders submitted that Clause 80 of the Bill limited how banks and financial institutions may create, grant, or permit security interests over their assets. They were of the view that the Clause created significant challenge and did not adequately safeguard the interest of institutional investors such as National Pension Scheme Authority (NAPSA) and Public Service Pension Fund (PSPF), which were lending money to banks and financial institutions, as it restricted banks from pledging collateral in exchange for deposits placed with them. They were of the view that, in practice, investors required some financial institutions to provide collateral, such as government securities or cash, to secure its deposits. However, the provision in its form, did not reflect or support this requirement. They suggested that as a result of this level of risk, institutional investors may be inclined to divest from this asset class to limit exposure, which would in turn reduce liquidity in the financial markets. It was therefore, recommended that the Clause be recast to remove restrictions of banks or financial institutions to pledge collateral in exchange for deposits placed with them.

v. Duplication of Mandate

Other stakeholders submitted that Clause 102 of Part Ten was providing a comprehensive prohibition of anti-competitive practices, such as price-fixing on interest rates and the creation of unreasonable barriers to entry. However, they submitted that the Competition and Consumer Protection Commission (CCPC), was the principal authority for competition enforcement issues, as provided in the *Competition and Consumer Protection Act, No.24 of 2010*. It was, therefore, suggested that the Clause be amended to restrict the Bank from performing the functions of CCPC.

vi. Financial Consumer Protection and Market Conduct

Some stakeholders submitted that, while Clause 122 provided for confidentiality of information obtained in the provision of a financial service to a consumer, there existed a contradiction with the *Data Protection Act, No.3 of 2021*, with the introduction of Open Finance under Clause 123 of the Bill, which allowed for the sharing of customer financial data between institutions. It was, therefore, suggested that the Bill needed to specify circumstances under which open financing required customer information to be shared. It was also suggested that, consent must be sought from customers, except during investigations for cybercrime.

vii. Consumer Protection and Complaints Procedure for Consumers

Other witnesses submitted that, while Clause 124 of the Bill provided for enhanced protection of customers as well as mechanisms for channelling consumer complaints, it was suggested that in addition to the proposed measures, a digital complaints management system should be established as a formal channel for feedback and complaints to empower consumers to hold service providers accountable and ensure a higher standard of public service delivery.

viii. Inclusivity

Other stakeholders submitted that although Clause 127 provided for assistance of vulnerable consumers, the Bill did not demonstrate how the financial literacy and digital divide, with respect to financial inclusion, would be closed.

It was, therefore, suggested that consideration be made to compel use of digital devices during financial transactions, with affordable transaction fees; and compel financial service providers to be domiciled in areas where a gap was perceived.

ix. Priority of Creditors

Other stakeholders submitted that Clause 163 operationalised the bail-in mechanism by setting out how losses were to be absorbed and how recapitalisation might be achieved. It authorised the write-down of equity and other ownership instruments, followed, where necessary, by the write-down or conversion of creditor claims into equity to the extent required to absorb incurred or anticipated losses. They were of the view that, while this was positive at a macro level because it reduced the likelihood of bank failures, the bail-in provision may cause challenges to institutional investors in banks and financial institutions, because it empowered the Bank to write-down or convert into equity certain creditor claims of a failing bank without consent. This meant that equity investments in banks would absorb losses first, while subordinated debt, and potentially large uninsured deposits, could also be written down or converted into shares during resolution, carrying additional loss absorption risk in a failure scenario.

They were of the view that special consideration be given to institutional investors such as NAPSA and PSPF, who were likely to suffer from unintended equity exposure, concentration risk, and potential breaches of prescribed asset class limits under the Investment Regulations SI No.19, 2017, as an outcome of this provision.

x. Regulation of Lending Interest Rates

Other stakeholders submitted that the provision under Clause 184, which sought to regulate lending interest rates that a financial service provider would charge consumers, as determined by the Bank, was not ideal.

They were of the view that banks should be allowed to charge risk-based margins. They raised concern that banks might stop lending in certain segments or industries, if the rate set by the BoZ was too low to mitigate the risk. It was, therefore, suggested that this provision be removed or provide for the Bank to regulate interest rates by giving reasonable time to the banks to adjust.

PART III

6.0 COMMITTEE'S OBSERVATIONS AND RECOMMENDATIONS

The Committee notes that all stakeholders who appeared before it were in support of the Bill. The Committee also supports the Bill and in doing so, makes the observations and recommendations outlined below.

i. Business Operations of Financial Service Providers

The Committee observes that, while Clause 57 of the Bill mandates the Bank of Zambia to regulate time of operation for financial institutions, the provision is limited to physical banking activities.

The Committee, therefore, recommends that the Bill takes into account banking enabled by digital platforms and compel financial service providers to communicate off time and provide backup systems for business continuity.

ii. Maintenance of Minimum Loan to Deposit Ratio

With regard to Clause 68, the Committee observes that introducing thresholds to banks on loan to deposit ratio may force the Bank of Zambia to take undue risk on lending.

The Committee, therefore, recommends that the Clause be deleted.

iii. Secured Borrowing

The Committee observes that Clause 80 of the Bill, limits how banks and financial institutions may create, grant, or permit security interests over their assets. The Committee is of the view that the Clause creates significant challenge and does not adequately safeguard the interest of institutional investors such as National Pension Scheme Authority (NAPSA) and Public Service Pension Fund (PSPF), who are lenders of money to banks and financial institutions, as it restricts banks from pledging collateral in exchange for deposits placed with them. The Committee is of the view that, in practice, investors require some financial institutions to provide collateral, such as government securities or cash, to secure its deposits. The provision in its form does not reflect or support this requirement. The Committee contends that as a result of this level of risk, institutional investors may be inclined to divest from this asset class to limit exposure, which will in turn reduce liquidity in the financial markets.

The Committee, therefore, recommends that the Clause be recast to remove restrictions of banks or financial institutions to pledge collateral in exchange for deposits placed with them.

iv. Duplication of Mandate

The Committee observes with concern that Clause 102 of the Bill empowers the Bank of Zambia to regulate and supervise financial service providers on matters relating to financial consumer protection and market conduct, a function which is performed by the Competition and Consumer Protection Commission (CCPC), as provided in the *Competition and Consumer Protection Act, No.24 of 2010*.

In view of this, the Committee recommends that the Clause be amended to restrict the Bank from performing the functions of CCPC.

v. Financial Consumer Protection and Market Conduct

The Committee observes that, while Clause 122 provides for confidentiality of information obtained in the provision of a financial service to a consumer, there exists a contradiction to the *Data Protection Act, No.3 of 2021*, with the introduction of Open Finance under Clause 123 of the Bill, which allows for the sharing of customer financial data between institutions.

The Committee, therefore, recommends that the Bill should clearly specify circumstances under which open financing will require customer information to be shared. The Committee also recommends that consent must be sought from customers, except during investigations for cybercrime.

vi. Consumer Protection and Complaints Procedure for Consumers

The Committee observes that, while Clause 124 provides for enhanced protection of customers as well as mechanisms for channelling consumer complaints, it recommends that, in addition to the proposed measures, a digital complaints management system should be established as a formal channel for feedback and complaints to empower consumers to hold service providers accountable and ensure a higher standard of public service delivery.

vii. Regulation of Lending Interest Rates

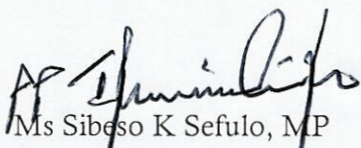
The Committee observes that the provision of Clause 184, which seeks to regulate lending interest rates that a financial service provider shall charge consumers, as determined by the Bank, is not ideal. The Committee is of the view that banks should be allowed to charge risk-based margins. It is feared that banks might stop lending in certain segments or industries if the rate set by the BoZ is too low to mitigate the risk. The Committee therefore, recommends that this provision be removed or should further provide for the Central Bank to regulate interest rates by giving reasonable time to the banks to adjust.

7.0 CONCLUSION

The Banking and Financial Services Bill, NAB No. 36 of 2025, modernises Zambia's financial regulations by consolidating supervisory powers within the Bank of Zambia, strengthening oversight, tightening controls, and improving transparency and consumer protection. Key reforms, such as clarified roles for the Registrar and Deputy Registrar, expanded regulatory powers, and stronger enforcement, align Zambia with international standards and equip the Bank to ensure financial stability, market integrity, and investor confidence.

However, the Bill also grants broad discretionary powers and introduces open-ended obligations such as ESG reporting, restrictions on unsafe practices, board reconstitution, and stringent operational requirements that could create legal uncertainty, impose heavy compliance burdens, and generate potential inequities, particularly for smaller or innovative institutions. Without clearly defined criteria, procedural safeguards, and proportional application, these powers risk undermining fairness, predictability, and market confidence, while potentially increasing operational and funding costs.

In view of the foregoing, the Committee supports the enactment of the Banking and Financial Services Bill, NAB No. 36 of 2025, into law.


Ms Sibeso K Sefulo, MP
CHAIRPERSON

March, 2026
LUSAKA

APPENDIX I LIST OF NATIONAL ASSEMBLY OFFICIALS

Mr Stephen Chiwota, Director (Financial Committees)
Mr Geoffrey Zulu, Deputy Director (Financial Committees)
Ms Chitalu R Mulenga, Senior Committee Clerk (FC2)
Mr Moses Chuba, Committee Clerk
Mrs Racheal M Kanyumbu, Administrative Assistant
Mr Daniel Lupiya, Senior Committee Assistant
Mr Muyembi Kantumoya, Committee Assistant
Ms Taona Chabinga, Committee Assistant

APPENDIX II LIST OF WITNESSES

Bank of Zambia
Bankers Association of Zambia
Competition and Consumer Protection Commission
Financial Intelligence Centre
Ministry of Justice
Ministry of Commerce, Trade and Industry
Ministry of Finance and National Planning
Mobile Telecommunications Network (MTN) Zambia
National Pension Scheme Authority
National Economic Advisory Council
Parliamentary Budget Office
Patents and Companies Registration Agency
Zambia Information and Communications Technology
Zambia Revenue Authority
Zambia Chamber of Commerce and Industry