PART IV—OPERATING REQUIREMENTS

Application to operate on transaction processing hub

6.—(1) A registered or licensed microcredit agency, microfinance institution and SACCO shall apply to join on the transaction processing hub that connects its operating system to that of the transaction processing hub.

(2) An application under sub-paragraph (1) shall be made to the MFI Hub Company Limited through prescribed application form and accompanied by a non-refundable application fee as may be prescribed by the Company from time to time:

Provided that such an application shall be subject to the procedures and requirements as may be prescribed by the MFI Hub Company Limited.

Minimum requirements to operate on transaction processing hub

7. A registered or licensed microcredit agency, microfinance institution and SACCO shall put in place infrastructure, as may be prescribed by the MFI Hub Company Limited, that supports directly or through an interface that connects its operating system to that of the transaction processing hub.

PART V—ENFORCEMENT

Monetary penalties

8.—(1) A microcredit agency, microfinance institution and SACCO that contravenes the provisions of this Directive shall be liable to a monetary penalty of up to ten million Kwacha.

(2) A microcredit agency, microfinance institution and SACCO shall be liable to an additional monthly penalty of up to ten million Kwacha for each subsequent month which it remains in contravention of the requirement specified in this Directive.

PART VI—TRANSITIONAL ARRANGEMENTS

Transitional arrangements

9. A microcredit agency, microfinance institution and SACCO operating before the date of commencement of this Directive shall, within twelve months after the date of commencement of this Directive, comply with this Directive.

Made this 14th day of June, 2019.

DALITSO KABAMBE, PhD
Registrar of Financial Institutions

(FILE NO. FIN/PFSPD/03/04)

GOVERNMENT NOTICE NO. 32

FINANCIAL SERVICES ACT

(CAP 44:05)

FINANCIAL SERVICES (CAPITAL ADEQUACY REQUIREMENTS FOR DEPOSIT TAKING MICROFINANCE INSTITUTIONS) (AMENDMENT) DIRECTIVE, 2019

ARRANGEMENT OF PARAGRAPHS

PARAGRAPH

1. Citation

2. Amendment of paragraph 2 of the Financial Services (Capital Adequacy Requirements for Deposit Taking Microfinance Institutions) Directive, 2014

3. Insertion of new paragraph 6A into the principal Directive

IN EXERCISE of the powers conferred by section 34 (2) (*c*) of the Financial Services Act, I, Dr. DALITSO KABAMBE, Registrar of Financial Institutions, issue the following Directive—

Citation

1. This Directive may be cited as the Financial Services (Capital Adequacy Requirements for Deposit Taking Microfinance Institutions) (Amendment) Directive, 2019.

Amendment of para 2 of the Financial Services (Capital Adequacy Requirements for DEposit Taking Microfinance Institutions) Directive, 2014

2. Paragraph 2 of the Financial Services (Capital Adequacy Requirements for Deposit Taking Microfinance Institutions) Directive, 2014, (hereinafter referred to as principal Directive), is amended, in sub-paragraph (1)—

(*a*) by inserting, immediately after the definition of the term "Registrar", the following definition—

" "subordinated debt" means a debt with a minimum original term to maturity of over five years but only to a maximum of fifty percent of the core capital element of an institution and subject to adequate amortization arrangements"; and

(*b*) by deleting the words "fifty percent of current year to-date" in paragraph (*b*) under the definition of the term "supplementary capital", and inserting therein the words "subordinated debt".

Insertion of new paragraph 6A into the principal Directive

3. The principal Directive is amended by inserting, immediately after paragraph 6, the following new paragraph, as paragraph 6A as follows—

Authorization for treatment of debt as supplementary capital

6A.—(1) Supplementary capital (tier 2) shall not exceed one hundred percent of the core (tier 1) capital of a financial institution.

(2) Subject to sub-paragraph (3), the aggregate amount of subordinated debt that is eligible and recognized by the Registrar as supplementary or tier 2 capital is limited to fifty percent of core capital.

(3) The subordinated debt referred to in sub-paragraph (2) shall—

(*a*) be discounted by cumulative factor of twenty percent per year during the last five years to maturity;

(*b*) be unsecured, uninsured and not be a deposit;

(*c*) have an original maturity of not less than five years;

(*d*) be subordinated to claims of all depositors and general creditors of an institution;

(*e*) not be redeemable at the option of the holder prior to maturity, except with prior approval of the Registrar; and

(*f*) not require payment of principal or interest unless the institution is solvent and shall remain solvent immediately thereafter.

(4) An institution meets the capital requirements of this paragraph if it is in compliance with all the requirements of the Financial Services (Asset Classification Requirements for Microfinance Institutions), Directive, 2014.

Made this 14th day of June, 2019

DALITSO KABAMBE, PHD
Registrar of Financial Institutions

(FILE NO. FIN/PFSPD/03/04)

GOVERNMENT NOTICE NO. 33

INSURANCE ACT

(Cap 47:01)

INSURANCE (RESERVING REQUIREMENTS FOR GENERAL INSURERS AND REINSURERS) DIRECTIVE, 2019

ARRANGEMENT OF PARAGRAPHS

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