



BANK *Of* ZAMBIA

**LAUNCH OF THE ZAMBIA INDUSTRIAL COMMERCIAL
BANK LIMITED (ZICB)**

SPEECH BY

**DR. DENNY H. KALYALYA
GOVERNOR – BANK OF ZAMBIA**

**TUESDAY, 23rd OCTOBER 2018
CENTRAL BANK, LUSAKA, ZAMBIA**

LAUNCH OF THE ZAMBIA INDUSTRIAL COMMERCIAL BANK LIMITED (ZICB), SPEECH BY DR. DENNY H. KALYALYA, GOVERNOR – BANK OF ZAMBIA – 23 OCTOBER 2018

- The Guest of Honour, Hon. Margaret Mwanakatwe, MP, Minister of Finance;
- The Deputy Secretary to the Cabinet, Mr. Christopher Mvunga;
- Permanent Secretaries and other senior Government Officials present;
- The Mayor of the City of Lusaka, His Worship, Mr. Miles Sampa;
- Chairpersons of Boards of Directors of Government and Quasi-Government Institutions;
- The Chairperson and Directors of Zambia Industrial Commercial Bank Limited;
- CEO's of various Financial Service Providers;
- The CEO of Zambia Industrial Commercial Bank Limited, Mr. Ignatius Mwanza;
- Colleagues from the Bank of Zambia and other Regulatory Authorities;
- Members of the Press; and
- Distinguished invited Guests

Let me begin by expressing my gratitude for the invitation to witness the official opening of the Zambia Industrial Commercial Bank Limited (ZICB) and to give some remarks.

Honourable Minister, Distinguished Invited Guests, for us at the Bank of Zambia, today marks a historic moment in our operations, because of the genesis of ZICB and the great efforts that went into the conception and birthing of the bank that is being officially launched today.

Distinguished Invited Guests, as a way of background, ZICB is a product of the restructuring of the former Intermarket Banking Corporation Zambia Limited, which the Bank of Zambia took possession of on 29th November 2016,

on account of the bank being insolvent and unable to meet its obligations as they fell due. With the support of the various stakeholders, the restructuring of IBC became the most practical and attractive resolution option available to the Bank at the time.

After protracted discussions and negotiations, the Bank of Zambia managed to secure agreements with the majority of the large corporate depositors, these being National Pension Scheme Authority (NAPSA), the Madison Group and the Workers Compensation Fund Control Board to convert their deposit liabilities into equity while the majority opted to forego 40% of the value of their outstanding deposits through a haircut and to defer payment of the remaining 60% of their deposits until agreed dates after opening of the bank. In addition, to ensure solvency of IBC, the Industrial Development Corporation (IDC) came on board to participate in the process. All these were commendable efforts which contributed to the successful restructuring of IBC and culminated into the incorporation of a new bank, the ZICB.

Honourable Minister, Ladies and Gentlemen, this is the first of this kind of restructuring of a bank that has been undertaken by the Bank of Zambia, and it is for this reason that we are delighted to witness the launch of the product of this spirited restructuring exercise, the ZICB.

Previously, when banks failed on account of insolvency, only one model of rescue was available in the regulatory framework and that was by way of compulsory liquidation. Ordinarily, liquidation processes are very lengthy and protract over a number of years, ultimately ending up as a very costly resolution option. In the absence of a deposit insurance system, the depositor claims have had to be met from the proceeds of disposal of assets of the closed bank, which is a very slow and lengthy process, as sometimes it involves court processes. Worse still, prospects of recovery are very slim in a liquidation. The Banking

and Financial Services Act (2017) has now been strengthened to provide for other more effective options of resolution, including the *purchase and assumption and bridge bank arrangements*.

Honourable Minister, allow me to take advantage of this platform to thank the Government for committing in the 2019 Budget to take the Deposit Insurance Bill in 2019 to Parliament for legislation. Once enacted into law, the deposit insurance scheme will help to foster greater confidence of the public to get into the financial sector. The deposit insurance scheme will not only protect depositors by way of compensating them for the insured deposits in the event of a bank failure in a timely manner, but will also promote increased financial inclusion.

Ladies and Gentlemen, in conclusion, with the background to the creation of ZICB, the Bank of Zambia would like to challenge the shareholders, the directors and management team to rise to the challenge to grow the bank into a successful and profitable bank. To the directors and management team, the expectation of the Bank of Zambia is to see the emergence of a strengthened bank that will not only create value for its shareholders, but more importantly, a bank that will offer affordable and convenient products and services to its customers and be able to contribute meaningfully to the development of the financial sector in Zambia.

On behalf of the Bank of Zambia and indeed on my own behalf, I wish to congratulate the shareholders, the board and management of ZICB on this momentous occasion marking the official launch of the bank. I also wish to extend our well wishes and goodwill as the bank officially commences its operations.

Distinguished Ladies and Gentlemen, with these remarks, it is now my singular honor to invite the guest of honour, the Honourable Minister of Finance, to give her key note address. Honourable Minister!

Thank you and God bless you all.