



**HIGHLIGHTS**

**FROM THE**

**JANUARY 2015 MONETARY POLICY**

**STATEMENT**

***"REBALANCING THE ECONOMY THROUGH COMPETITIVENESS AND  
COMPLIANCE"***

# Introduction

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- While the January 2015 MPS covered a number of developments on the international and domestic arena, this brief discussion focusses on a few highlights such as.
  - NPLS Resolution
  - Demonetization of the Zimbabwe Dollar
  - Exchange Control Reforms
  - Bank Charges and Low Cost Accounts
  - Interbank Facility
  - Rehabilitation of the Manufacturing Sector



# NPLS Resolution

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- **Establishment of ZAMCO** in July 2014 to deal with high NPLs (15.91% as at 31 December 2014).
  - NPL acquisition strategy focuses on loans secured by mortgage bonds and which are not from insiders.
  - To date, NPLs of \$65 million have been acquired.
  
- **Establishment of the Credit Reference System**
  - A credit Registry established in the BSD to promote efficient, timely and accurate credit information sharing – (bridge information asymmetry)



# Demonetization of the Zimbabwe Dollar

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- ❑ To demonetize the Z\$ balances by 30 June 2015 and US\$20 million has been earmarked for this purpose.
- ❑ All genuine or normal bank accounts, other than loan accounts, as at 31 December 2008 would be paid an equal flat amount of US\$5 per account.
- ❑ The then prevailing United Nations(UN) exchange rate would be used to convert Z\$ balances that were a result of arbitrage opportunities “burning” and for Z\$ cash to be received from walk-in banking public.

# Capitalisation of the Central Bank

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- ❑ Government has capitalised the Reserve Bank to the tune of US\$100 million through use of long-dated debt instruments.
- ❑ The passing on of the Reserve Bank Debt Assumption Bill by Parliament is expected to complement the recapitalization of the RBZ through the cleaning of the Bank's balance sheet.
- ❑ The resuscitation of the Reserve Bank's lender of last resort function remains critical in efforts to restore confidence in the banking sector.

# US\$200 Million Interbank Facility

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- ❑ The interbank facility supported by the African Export-Import Bank (Afreximbank) under the Afreximbank Trade Debt Backed Securities (AFTRADES) now operational.
  - ❑ Facility to be managed by the Reserve Bank as agent bank for Afreximbank.
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# Amendments to Banking Act

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- Cabinet approved proposed amendments to the Banking Act which include provisions on corporate governance, troubled bank resolution, resolution of NPLs, credit referencing system, registration of bank holding companies and consumer protection.
- The supervisory role of the Bank to include the Infrastructure Development Bank of Zimbabwe (IDBZ) and Small & Medium Enterprises Development Corporation (SEDCO).

# Basel II

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- The Reserve Bank is reviewing a number of proposed revisions to Basel II framework which are under consideration by the Basel Committee on Banking Supervision (BCBS)
  - These include:
    - ✓ reduced reliance on external credit ratings;
    - ✓ enhanced granularity and risk sensitivity;
    - ✓ updated risk weight calibrations;
    - ✓ more comparability with the internal ratings-based (IRB) approach with respect to the definition and treatment of similar exposures; and
    - ✓ better clarity on the application of the standards.
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# Consumer Protection

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- Zimbabwe is working towards the development of tailored financial sector consumer protection and financial literacy strategies with technical assistance from the World Bank.

# Bank Charges and Low Cost Accounts

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- ❑ RBZ encourages banks still charging rates of 4% above cost of funds to conduct self-introspect.
  - ❑ Facility fees or arrangement fees of above 2.5% considered high.
  - ❑ RBZ recommending introduction of low-cost accounts
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# Exchange Control Reforms

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- Increase in the Free Threshold on External from USD7.5 million to US\$10 million without prior approval by the ELCC.
  - The current practice of notifying Exchange Control through Authorised Dealers remains in place.
  - The period for submission of applications for Absolute Amnesty has been extended to 31 March 2015.
  - Reserve Bank shall introduce an enhanced and integrated Exchange Control framework with effect from 1 April 2015.
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# Exchange Control Reforms cont...

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- Use of ZIMRA Business Partner Numbers (BPNs) for identifying and monitoring import payments.
  - The use of the advance payment method for imports shall, with immediate effect, be limited to US\$100 000, or its equivalent, per transaction for corporates, and 30% of invoice value as down payment for capital goods.
  - Continued amnesty on instances where there were no imports being sourced - the externalised funds should be repatriated back to Zimbabwe.
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# Exchange Control Reforms cont...

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- Non-acquittal of foreign payments, with effect from 1 January 2015, are attracting an administrative penalty fee of 1% on the total un-acquitted payments.
  - The RBZ is with immediate effect, giving absolute amnesty on all import bills of entry not acquitted prior to 31 December 2013.
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# Harnessing Diaspora Resources for Economic Recovery

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- ❑ Government and the Reserve Bank putting in place measures to promote investment from the Diasporans, over and above remittances.
  - ❑ Through Homelink's newly set up business unit, Investlink, RBZ spearheading investments needs of the Diasporans through integration with economic activities in the country.
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# Accelerated Gold Production Initiative

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- The Reserve Bank has mobilised an initial amount of **US\$50 million** to be managed by Fidelity Printers and Refiners to accelerate gold production in Zimbabwe.
- Accelerated Gold Production Initiative's vision is to increase **gold production to 30 tons per year by 2020**, i.e. revenue of around US\$1.5 billion at current prices.
- To curb gold leakages Fidelity Printers and Refiners shall enter into an agreement with ZMDC for the establishment of a special purpose vehicle to exploit gold under Fidelity's ZimGold to harness low hanging gold resources .

# Rehabilitation of the Manufacturing Sector

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- The Reserve Bank shall assist in mobilising resources for the Distressed Industries and Marginalised Areas Fund (**DMAF**).
- The Reserve Bank shall also in collaboration with banks and through **ZAMCO**, identify specific cases that need resuscitation through financial restructuring and/or financial engineering.

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THANK YOU