

RESOLUTION OF NPLS (ZAMCO & CREDIT REFERENCE SYSTEMS)

February 2015

ZAMCO

- The Reserve Bank of Zimbabwe set up the Zimbabwe Asset Management Corporation (Private) Limited (ZAMCO), in July 2014 as part of measures to deal with problem of rising non-performing loans (NPLs).
- The requisite governance structures have been put in place. The Corporation is modelled along similar asset management companies formed in other countries such as in South Korea (Korea Asset Management Corporation), Nigeria (Asset Management Corporation of Nigeria), Indonesia (Indonesian Bank Restructuring Agency) and Malaysia (Danaharta).
- ZAMCO's primary objective is the acquisition of non performing loans (NPLs) in a phased and orderly manner.

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- The company is currently seized with putting in place structures, systems, policies and procedures.
- The Reserve Bank is currently finalizing the accreditation of additional asset managers/investment advisors so that ZAMCO has a larger pool of institutions which it can utilize in raising of funds and manage acquired NPLs.

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- ZAMCO's strategy for funding the acquisition of NPLs will comprise a number of options including Government funding through long term debt instruments already approved by Government as enunciated in the 2015 National Budget Statement. To date, ZAMCO has acquired NPLs amounting to \$65 million using other financing mechanisms provided for in its funding strategy.
- ZAMCO will acquire NPLs that meet its eligibility criteria. The initial acquisition phase will focus on NPLs that are fully secured and which are not insiders.
- This NPLs acquisition approach is meant to prevent creating moral hazard in the banking sector. This will also avoid ZAMCO being seen as pardoning past bad lending decisions.

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- As part of the preparatory work the Reserve Bank in conjunction with ZAMCO carried out a market-wide exercise in December 2014 to ascertain the level of NPLs that meet the eligibility criteria. Banking institutions will, by 31 March 2015, be advised of NPLs in their respective loan portfolios that meet ZAMCO's eligibility criteria.
- Market wide acquisition of the NPLs will be conducted on a phased approach basis once legal due diligence and independent valuation processes on eligible NPLs and their respective underlying collateral are undertaken and completed. The phased acquisitions of NPLs from banks will commence once ZAMCO has finalized its operational modalities which will be communicated to all banking institutions.

Credit Reference System

- Complementary to ZAMCO, the Reserve Bank is implementing a credit reference system to bridge information asymmetry in the banking sector.
- The credit reference system will comprise a credit registry (databank) in the Reserve Bank and private credit reference bureaus (CRBs).
- Credit information will be collected from all banking institutions and microfinance institutions.
- The primary mandate of the credit registry is to promote efficient, timely and accurate credit information sharing, thereby enhancing credit risk management and fostering credit discipline in the market.
- The Reserve Bank has scheduled a number of activities for the implementation of the project