



**ADDENDUM 1: PRUDENTIAL STANDARDS No. 02-2016/BSD:
DEPOSIT-TAKING MICROFINANCE INSTITUTIONS**

INTRODUCTION

1. In November 2016, the Reserve Bank of Zimbabwe issued Prudential Standards No. 02-2016/BSD: Deposit-Taking Microfinance Institutions (“the Prudential Standards”) to provide the minimum standards and practices for the licensing and continuous regulation and supervision of Deposit-Taking Microfinance Institutions (DTMFIs) operating in Zimbabwe.

AMENDMENT

2. Sections 14.4 and 14.5 of the Prudential Standards, dealing with portfolio composition and lending limits to a single borrower, are hereby repealed and substituted with the following:

“Lending Limit to Single Borrower...

14.4. *A DTMFI shall not assume financial exposure to a single borrower (single person, partnership or common enterprise other than a corporate group, exceeding twenty-five percent (25%) of the DTMFI’s capital base; provided that the aggregate of loans and advances outstanding at any time to any single corporate group shall not exceed seventy-five percent (75%) of a DTMFI’s capital base for the whole group or 25% to any single member of a corporate group.*

Common Enterprise...

14.4A. *(1) Loans or advances made to one person may be combined for the purposes of this section with loans or advances made to another person if a common enterprise is deemed to exist between them or if they are deemed to be the common beneficiaries of a loan or advance made to either of them.*

(2) A common enterprise shall be deemed to exist between persons when—

(a) the expected source of repayment of loans or advances for a pair or group of borrowers is the same for each or every borrower; or

(b) loans or advances are made to a pair or group of persons who are related through common control, that is, where any one or more of them acting in concert—

(i) directly or indirectly own or control 20% or more of the voting stock of the other person or another person in the group;

(ii) control in any manner the election of a majority of the directors, trustees or other office-bearers exercising similar functions of the other person or another person in the group;

(iii) otherwise exercise a controlling influence over the management or policies of the other person or another person in the group; or

(c) a pair or group of persons is engaged in businesses that are financially interdependent to a substantial degree.

(2) Two or more persons shall be deemed to be the common beneficiaries of any loan or advance if the proceeds of the loan or advance to any one person are used for the direct benefit of another person.

(3) For the purposes of this section, a loan or advance—

(a) to a partnership will be considered to be loan or advance to each member of the partnership;

(b) to any member of a partnership will be combined with loans or advances to the partnership as a whole if the loan is deemed to be made pursuant to a common enterprise between that member and the partnership, or if the member and the partnership are deemed to be the common beneficiaries of the loan or advance;

(c) to a member of a partnership for the purpose of acquiring an interest in the partnership will be combined with loans or advances to the partnership.

(4) In the case of a limited partnership, that is, an arrangement whereby certain of the partners (commonly known as “general partners”) are liable for all the debts and actions of the partnership while the other members (commonly known as “limited partners”) are so liable only

to an extent specified in the partnership agreement, the provisions of subsection (2) above shall apply to the general partners only.

(5) For the purposes of this section, the Reserve Bank may, in its discretion, determine when a loan or advance nominally made to one person shall be combined with loans or advances made to another person.

14.5. The lending limits prescribed herein shall be subject to maintenance of adequate risk management practices on an on-going basis.”

EFFECTIVE DATE

3. This Addendum is effective from the date of issuance specified herein.
4. With effect from the date of this Addendum, the Prudential Standards and this Addendum shall be read and construed as one document and reference in any other document shall be read and construed as reference to the Prudential Standards No. 02-2016/BSD: Deposit-Taking Microfinance Institutions as modified or amended by this Addendum.

Issued this 6th day of November 2019.

**Reserve Bank of Zimbabwe
6 November 2019**