INTRODUCTION

Micro, small and medium enterprises (MSMEs) as well as individuals are major players in all productive sectors of the economy in Zimbabwe. However, they often fail to access the credit markets to capitalise their businesses due to their lack of immovable collateral that mainstream lenders require as security.

Against this background and in line with international best practices the Reserve Bank and the Government have taken initiatives to establish a collateral registry for movable assets in order to expand the range of qualifying collateral accepted by banks as part of the broader reforms to promote access to finance for businesses and individuals.

WHAT IS A COLLATERAL REGISTRY?

A collateral registry is a publicly available database of interests in or ownership of movable assets allowing borrowers to prove their creditworthiness and potential lenders to assess their ranking priority in potential claims against particular collateral.

Movable collateral that can be used as security includes equipment, inventory, accounts receivable, farm products, household items, fixtures, bank accounts, etc.

TYPES OF MOVABLE PROPERTY (COLLATERAL)

- Agricultural products (livestock, poultry, crops etc)
- Industrial and commercial equipment
- Durable Consumer Goods
- Vehicles
- Agricultural equipment
- Inventory and raw materials
HOW THE COLLATERAL REGISTRY WORKS

Borrower approaches a Bank/Microfinance institution (MFI)

Bank/MFI grants loan

Bank/MFI registers movable collateral with collateral registry at Reserve Bank of Zimbabwe

Debtor keeps title & possession of movable asset

Bank/MFI has priority over the asset in case of insolvency/default

BENEFITS OF A SECURED TRANSACTION SYSTEM

- Increases access to credit
  - underserved segments e.g. MSMEs & women
  - promotes risk prudent lending
- Increases market competition
- Development of industries (factoring & leasing)

- Reduces cost of credit
  - better interest rates
  - move from informal to formal financing
  - cost savings for businesses
- Promotes credit diversification
  - credit risk diversification: immovable and movable
  - sector diversification in the portfolio

KEY FEATURES OF COLLATERAL REGISTRY

- Single data source for all collateral, all debtors, centralised registry
- Web based system accessible 24/7
- Notice based system, limited information, no documents
- Registrations done by creditors or their representatives
- Information available to the public in general for searches
- Flat reasonable registration fees to cover the cost of the operation
- Limited role of registry in verification, not liable for information entered
- Search criteria on identification of debtor and serial numbered collateral
- Secured registry data, data back up

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