



Remarks

by

Dr. C. L. Dhliwayo

Deputy Governor, Reserve Bank of Zimbabwe

at the Banking, Finance & Insurance Conference and Exhibition

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Salutations

- Representatives of the Harare International Conference Centre and the Zimbabwe International Trade Fair here present;
- Representatives of Banking Institutions, Insurance and Securities Sectors;
- Representatives of Industry;
- Distinguished speakers;
- Ladies and gentlemen

Introduction

1. It is my honour and privilege to make a few remarks at this inaugural **Conference and Exhibition for the Banking, Finance and Insurance Sectors** which is jointly organized by the Harare International Conference Centre (HICC) and the Zimbabwe International Trade Fair (ZITF).
2. It is encouraging that the HICC and ZITF have come up with a noble initiative leading to this historic conference and exhibition targeting the financial sector and its stakeholders.

3. As you are all aware, the ZITF has successfully hosted a number of trade shows and exhibitions including the **multi-sectoral Zimbabwe International Trade Fair** and the **Mine Entra Exhibitions** in Bulawayo, over a very long time.
4. The organisers have identified an inspiring theme for this inaugural **Banking, Finance and Insurance Conference** which says "***Zimbabwe is Back in Business.***" I would like to congratulate them for this achievement.
5. Indeed, the history of the Zimbabwean economy is not new to any of us here present. Over the past decade, the economy has gone through trying times.
6. However, you will agree with me that the introduction of the multi-currency system in 2009 marked a **turning point in the economic fortunes** of the nation.
7. The Government and key stakeholders have been working relentlessly on measures to spur economic activities.
8. Cognisant of taking the nation beyond stabilization, the **Government came up with the Zimbabwe Agenda for Sustainable Socio-economic Transformation economic blueprint**, which seeks to revive the economy

in a coordinated and structured manner, leveraging on our key strengths.

9. In this whole scenario the financial services sector is a vital component of the economic transformation process.

Importance of Financial Sector to the Economy

10. Ladies and gentlemen, financial services are fundamental to economic growth and development. Indeed, the world over, no economy has been able to prosper without the support of a well-developed, diversified, and sound financial services sector.
11. Theoretical and empirical evidence have shown that countries with better developed financial systems enjoy faster and more stable long-run growth.
12. The banking, insurance and securities sectors help private individuals, corporations and government to save money, guard against uncertainty and build credit thereby enabling businesses to start, expand, increase efficiency and compete in the local and international markets.
13. In Zimbabwe the financial system is well developed relative to the size of the economy. The sector comprises of a wide

range of businesses including banks, insurance companies, stock brokers, asset management companies, unit trusts, development finance institutions, microfinance institutions, advisory companies and the stock exchange, among others.

14. The financial services sector, by virtue of its ability to link holders of surplus funds to those with deficit positions, plays an integral role in achieving the strategic goals of ZimAsset in all four key clusters of the economic blueprint.
15. As you would all know, the banking sector and the non-bank financial sectors play hugely complementary roles in the provision of financial services.
16. Increasingly, the distinction between banking, insurance and securities sectors have become blurred partly due to the trends in integration, consolidations and cross sector strategic partnerships we have witnessed over the years.
17. However, in my discussion today I will focus more on the banking sector, which is regulated and supervised by the Reserve Bank of Zimbabwe.

Role of the Banking Sector

18. Banking institutions play a unique role in the economic process. Numerous researches have confirmed that strong linkages exist between financial sector stability and economic growth.
19. The primary functions of banks entail financial intermediation, liquidity and maturity transformation in supporting the country's productive sectors.
20. As already indicated by the Reserve Bank, through its various publications, the banking sector had mobilised deposits amounting to over \$5.1 billion as at 31 March 2015 while total banking sector loans amounted to over \$4 billion.
21. Banking institutions also have secondary functions which include international trade finance, purchase and sale of financial instruments, money transfer, provision of letters of credit and guarantees and provision of custodial services, among others.
22. It is our expectation that the financial sector provide tailored products and services for the productive sectors of the economy.

Role Technology in the Banking Sector...

23. There is no doubt that an efficient banking system, is a prerequisite for an efficient economy.
24. With the fast paced technological advancements and innovation in electronic banking products there have been significant transformation in the delivery channels in the banking sector and payment system platforms including mobile money and internet based payments.
25. Technology has brought a complete paradigm shift in the functioning of banks and delivery of banking services. Today, most of the transactions can be done from home and customers do not need to visit a bank branch.
26. The growth of the internet, mobiles and communication technology has added a different dimension to banking. Information technology is now being leveraged in customer acquisitions, driving automation and process efficiency, delivering ease and efficiency to customers.
27. In this regard, technology is no longer an enabler, but a business driver which is enhancing efficiency in the value

chain of banking institutions with benefits of reduced costs and higher productivity.

28. The central bank has a role to approve such products before they are rolled out to the public and on an on-going basis we ensure that the products remain safe and sound in their continued use.
29. The Reserve Bank attaches great significance to the stability and soundness of the financial system as problems in the banking sector have profound effects on the real and service sectors of the economy.
30. Due to the very nature of financial institutions, the failure of just one bank, sends waves of differing magnitudes across the entire economy. Bank failures impact negatively on the real sector by causing company closures and job losses.
31. As such effective bank regulation and supervision is therefore essential for financial and economic stabilization.

Role of the Reserve Bank

32. At the apex of the financial system is the Reserve Bank of Zimbabwe, which has several functions. The most

important functions, as defined in section 6 of the Reserve Bank of Zimbabwe Act [Chapter 22:15] include:

- a) Supervision of banking institutions
- b) Formulation and execution of monetary policy
- c) Advancement of economic policies of the Government
- d) Banker, financial advisor and fiscal agency of the state
- e) Enforcing exchange control regulations, and
- f) Managing the payments system.

33. Ladies and gentlemen, on our part as regulators of the banking sector we always endeavour to develop and design policies that promote financial system stability, economic growth and an enabling environment for banking institutions to play their role in the economy.

34. In this respect, the core objectives of the Reserve Bank as a prudential regulator include:

- a) Financial stability
- b) Depositor and investor protection
- c) Safety and soundness of financial institutions
- d) Promote confidence in the financial system
- e) Encourage competition and regulatory neutrality, and
- f) Promote full disclosure and good governance.

Supervisory Measures to Enhance Banking Sector Stability

35. At this juncture I wish to briefly outline the efforts that we have made to date in promoting financial sector stability.

Strengthening the Legal and Regulatory Framework...

36. Ladies and gentlemen, we are cognizant that to sustain the growth and development of our financial system the resilience of the sector has to be strengthened through evolving legal and regulatory reforms.

37. In this regard, much work has gone into strengthening the legal and regulatory framework for banking institutions. Proposals to amend the Banking Act aimed at **enhancing governance structures** within banks, strengthening the powers of the regulator and punishing non-compliance or any errant activities have been made.

Resumption of Interbank Market...

38. The interbank market is now in full swing following the Reserve Bank's access to the guarantee Afreximbank facility. This is assisting in managing liquidity challenges faced by solvent banks, thereby limiting their risk of failure.

Enhancement of Supervisory Approaches...

39. The Reserve Bank's supervisory framework, which is founded on the principles of **risk-based supervision** has been enhanced continuously. The approach has become more interactive to involve other regulatory agencies as well as non-executive board members and assurance functions of banks.
40. The **consolidated supervision framework** provides for oversight of holding companies and affiliates of banking institutions as a means of identifying sources of risk from non-bank operations.
41. Further to this, **memoranda of understanding** were signed with various local and regional supervisory authorities to promote supervisory cooperation and coordination.
42. We now hold **supervisory colleges** which provide us with a forum for bank supervisors to share information on the condition and performance of subsidiaries of banking groups operating in their respective sectors and/or jurisdictions.

Role of the Deposit Protection Scheme as a Safety Net...

43. Deposit insurance schemes have been globally accepted as a means for promoting financial stability and protecting depositors and creditors of banks.
44. In Zimbabwe the Deposit Protection Corporation (DPC) is a significant player in the financial sector as it provides a safety-net for the savings, banking and payments systems.
45. The introduction of the deposit insurance system has promoted public confidence in banks, thereby making the financial system more stable. As a safety net, the DPC limits the effect that problems at one bank might have on other, healthier banks in the market, thereby reducing the possibility of contagion or a chain reaction within the banking system as a whole.
46. The Reserve Bank and DPC have collaborative arrangements which promote effective, orderly and logical exit procedures of failed banking institutions.

Issuance of Guiding Policies to the Market...

47. The Reserve Bank has also issued numerous guidelines to financial institutions on topical issues such as corporate governance, financial disclosures, special purpose vehicles and risk management, among others. The guidelines serve as a reference to bank management on minimum regulatory expectations.

Enhanced Risk Management Systems in Banks...

48. Banking institutions have embraced enterprise-wide risk management as an approach which enables them to have a holistic view of the risks they face and the inter-linkages between risks.

Revised Capital Requirements...

49. The Reserve Bank has revised upwards capital levels that should be held by banks.

50. This is against the recognition that adequately capitalised banks are better positioned to weather the storms of banking sector challenges and are therefore less prone to failure.

51. Banks have worked resolutely to raise their capital positions to levels compliant with minimum regulatory requirement.

Establishment of an Asset Management Company...

52. In order to mitigate NPLs from dragging down the economy, the resolution of the current scourge of non-performing loans is being done through the **Zimbabwe Asset Management Corporation (ZAMCO)**. The initiative is expected to rejuvenate the banking sector by injecting back liquidity previously tied up in non-performing assets and freeing up banks' balance sheets. This will enable banks to resume in earnest their role in funding productive sectors of the economy.

Establishment of a Credit reference System...

53. In addition, ladies and gentlemen, the Reserve Bank is in the process of establishing a Credit Reference System which will assist in limiting the risk of information asymmetry which has been partly blamed for the rising non-performing loans in Zimbabwe.

54. The system will foster responsible behaviour on the part of both borrowers and lenders, thereby reducing the incidence of delinquent borrowings.

Contingency Planning...

55. In order to deal with systemic risk vulnerabilities within the sector, the Reserve Bank has developed a Contingency Planning Framework. The framework seeks to guide banking institutions in planning for distressed conditions, thereby limiting the risk of failure.

Consumer Education...

56. Consumer education on the functioning of banks and their right to accurate information on the safety and soundness of institutions in which they entrust their hard-earned monies is also key to limiting risk of failure. To this end, the Reserve Bank and other stakeholders have embarked on numerous consumer education initiatives including road shows and periodic bulletins, highlighting the rights and responsibilities of the banking public.

Business Opportunities Provided by the Conference and Exhibition

57. Ladies and gentlemen, surveys which have been undertaken over the last few years have noted that Exhibitions such as this one **offer huge benefits and**

opportunities as a marketing instrument to the financial services sector.

58. For example, when compared with trade publications, sales representatives, catalogues and similar information resources, Exhibitions rank higher with respect to the development and cultivation of customer relations, search for strategic partners and personnel, and positioning the company as a whole.

59. Exhibitions are also test markets for new products and are a great way to advertise to a target market and create brand awareness.

60. As such this Conference and Exhibition should serve to increase public awareness of the financial industry and the companies operating in it.

Conclusion

61. On this note ladies and gentlemen, I would like to once again thank the organisers. I have seen that they have designed the Exhibition to be accompanied by a conference program covering a number of topical issues to provide stakeholders the opportunity to reflect upon the status of

the financial sector vis-a-vis the requirements of the economy.

62. We would all like to see this Conference and Exhibition prospering and becoming a leading annual event which helps in identifying and generating fruitful policy directions and business for the financial sector.

63. The Reserve Bank in collaboration with key stakeholders is working on initiatives aimed at putting the Zimbabwean economy on a path to robust and self-sustained growth.

64. I trust you will all find the presentations and open-floor discussions interesting and thought provoking.

Thank You