



BANK SUPERVISION DIVISION

**MINIMUM LICENSING REQUIREMENTS FOR
BANKING INSTITUTIONS**

June 2018

1. OBJECTIVES OF LICENSING

- a. Licensing or registration is the starting point, i.e. bank supervision starts at the licensing stage.
- b. The objective of licensing criteria is to ensure that sound and potentially viable institutions are allowed to enter the financial sector.
- c. The licensing standards employed are derived from international supervisory standards and customized to local circumstances.
- d. The licensing regulations are reviewed from time to time in line with supervisory developments and changing macroeconomic and financial sector circumstances.

2. GENERAL REQUIREMENTS

- a. No person shall conduct banking business without a valid banking licence.
- b. An application for a banking licence in terms of the Banking Act [Chapter 24:20] shall be made in writing to the Registrar of Banking Institutions, at the Reserve Bank of Zimbabwe and shall be accompanied by:
 - i. A completed application form in the prescribed format;
 - ii. Non-refundable application fee of **US\$2,000** or as may be prescribed from time to time payable to the Reserve Bank of Zimbabwe Account Number: **PL52041** through a cash deposit in the Reserve Bank banking halls, or via an RTGS transfer. Foreign applicants may deposit or transfer the amount into the Reserve Bank Account detailed below:

Account Name	:	Reserve Bank of Zimbabwe
Bank Name	:	Standard Bank South Africa
Account Number	:	7220636
Bank SWIFT Address	:	SBZAZAJJ
SWIFT Code	:	REBZ ZW HX
Purpose:	:	Bank Licence Application fees

Proof of payment will need to be submitted as part of the application letter.

- iii. Certified copies of Certificate of Incorporation and Memorandum and Articles of Association of the company registered in terms of the Companies Act [Chapter 24:03];
- iv. Register of Members containing names, physical addresses, and occupations of persons who hold significant interest directly or indirectly in the proposed banking institution and the respective levels and values of such shareholdings duly approved by the Registrar of Companies;
- v. Proof of authorized and paid-up capital (Form CR2) duly authorised by the Registrar of Companies;
- vi. Proposed directors (Form CR14) duly authorised by the Registrar of Companies;
- vii. Proof of availability of minimum paid-up share capital in the form of bank statement in the name of the proposed institution, and proof of the sources of the funds;
- viii. A business plan, whose contents are detailed hereinunder; and
- ix. Any other information and documents that the Registrar may reasonably prescribe or require.

3. LICENSING CRITERIA

Capital Adequacy....

- a. Capital plays an important role in deposit taking institutions of absorbing losses and therefore protecting deposits and financial system stability.
- b. The Reserve Bank has come up with three segments, namely **Tier I, Tier II and Tier III** for banks' compliance with minimum capital requirements. The strategic groups, the applicable minimum capital requirements and the respective activities are shown in Table below:

New Minimum Capital Requirements

Segments	Type of Institution	Capital requirements		Activities
		Current	2020	
Tier I	Large Indigenous Commercial banks & all foreign banks	\$25 million	\$100 million	Core banking activities plus additional services such as mortgage lending, leasing & hire purchase
Tier II	Commercial banks, Merchant banks, Building societies, Development banks, Finance & Discount houses	\$25 million	\$25 million	Core banking activities only
Tier III	Deposit Taking Microfinance banks	\$5 million	\$7.5 million	Deposit Taking Microfinance activities

c. **Tier I** segment comprises large indigenous commercial banks and all foreign banks. These will conduct their core banking activities, and in addition, offer other activities such as mortgage lending, leasing and hire purchase that have longer term maturities as well as other sophisticated products.

d. Banks in the **Tier I** strategic segment will be required to have minimum core capital requirements of \$100 million by 2020.

e. The **Tier II** segment comprises commercial banks, merchant banks, building societies, development banks, finance houses and discount houses that will only conduct their core banking activities.

f. The **Tier II** banking institutions should maintain minimum capital requirements of \$25 million.

g. Banks, other than foreign banks that elect not to increase their capital to \$100 million threshold will automatically fall in the **Tier II** category offering the limited product range.

h. The **Tier III** segment which has current minimum capital requirements of **US\$5 million** comprises deposit taking microfinance institutions. The minimum capital requirements of **\$7.5 million by 2020 for Tier III** take into account start-up costs such as acquisition of an IT system and establishment of branches.

i. In line with international practice, the eligible capital components for minimum capital purposes are:

- i. Issued ordinary share capital;
- ii. Share premium;
- iii. Irredeemable Preference Shares;
- iv. Retained Profits reflected on audited financial statements; and
- v. Current year unaudited but verifiable retained earnings.

The minimum capital amount (start-up capital) should not be borrowed.

j. Once an institution has been registered, it should maintain capital adequacy. Ongoing supervision will seek to enforce the minimum capital adequacy ratios [Tier 1=8%; CAR=12%; Leverage=6%]

Ownership Structure...

- a. Only companies registered as public companies are eligible to apply for a banking licence.
- b. Individuals, trustees and nominee companies shall not be registered as banking institutions in Zimbabwe.
- c. Shareholding in a banking institution shall be subject to prior approval by the Registrar and the following limits shall apply:

Type of Shareholder	Percentage Limit
Financial institutions as defined in the Banking Act [Chapter 24:20]	100
Individual or group of closely related individuals	25
Non-financial entities	10
Board Chairperson and Executive management	Less than 5

- d. Shareholders should demonstrate ability to provide additional funding / capital for the banking institution in future should it become necessary.
- e. Significant or principal shareholders (5% or more) of a banking institution shall be vetted in terms **Prudential Standards No. 07-2014/BSD: Fitness & Probity Assessment Criteria** by the Registrar.
- f. Where shares are held by unnatural persons, shareholders should submit an **Affidavit** declaring the details of ultimate beneficial shareholders, which should include names of institutional shareholders, the full names of natural persons who are beneficial owners of shares in the institutional entity and their respective percentage shareholding.

g. The shareholding / capital structure of the proposed bank or banking group should not hinder effective regulation and supervision of the bank or banking group. For example the structure should not facilitate fraud and money laundering tendencies and regulatory arbitrage.

h. Foreign applicants are considered for licensing only if they are authorised to conduct banking business in their home country and are subject to adequate regulation and supervision in their home country.

[NB. There are also Exchange Control and Zimbabwe Investment Authority requirements to be satisfied by foreign investors].

Managerial Resources...

a. This criterion considers the suitability and adequacy of the proposed board of directors and senior management, as well as the adequacy of the risk management structures in place.

Board of Directors

b. A banking institution shall have a board of directors of not less than five (5) members with at least three fifths of the board membership being non-executive directors, of which independent non-executive directors shall be the majority.

c. The board should have the necessary depth and diversity of skills and experience to adequately provide direction and oversight of the bank's operations. The board should be able to appreciate the banking and financial environment, as well as the general business and economic environment.

d. Minimum qualifications (academic and professional) – diploma/degree.

e. Disqualification of directors in terms of section 19 of the Banking Act [Chapter 24:20] and **Guideline No. 01-2004/BSD: Corporate Governance**.

f. No directors of a banking institution shall be a director of competing banking institution without prior approval of the Registrar.

g. All directors of a banking institution shall be vetted in terms of the **Prudential Standards No. 07-2014/BSD: Fitness & Probity Assessment Criteria** by the Registrar.

Board Committees

h. The board of a banking institution shall constitute and maintain board committees to assist the board of directors perform its oversight function effectively.

i. **At a minimum** a banking institution shall have the following board committees:

i. Board Credit Committee;

ii. Board Audit Committee;

iii. Board Loans Review Committee; and

iv. Board Risk Committee.

j. Each of the committees shall have comprehensive and clear Terms of Reference.

k. Each board committee shall have a minimum of three (3) members.

l. Every member of the board shall attend at least three quarters of the meetings of the board and board committees where he/she is a member in any financial year.

Senior Management Team

- m. In addition to the appointment of the Chief Executive Officer and Chief Finance Officer in terms of the requirements of the Banking Act [Chapter 24:20] and Banking Regulations 2000, every banking institution shall be required to appoint, subject to prior approval by the Registrar of Banking Institutions, any other senior officer based on the nature of the institution's activities and as may be determined by the Registrar.
- n. Officers appointed to key management positions in the banking institution shall have minimum qualifications and experience as stipulated below:
 - i. Managing Director/Chief Executive Officer - a recognized relevant university degree or relevant professional qualification with at least 5 years post qualification experience in banking or related industry; and
 - ii. Departmental Head - a recognized relevant university degree in banking or other relevant degree and/or relevant professional qualification with at least 5 years post-qualification experience in banking and/or related industry.
- o. Every licensed banking institution shall notify the Reserve Bank of any proposal to effect changes in the membership of the board or senior management team 21 days in advance, with reasons. If prior notification is not practically possible the Reserve Bank shall be notified within three (3) days of its occurrence, with the reasons for such occurrence and the proposed replacement individual.

p. Every member of the senior management team of a banking institution shall be vetted in terms of the **Prudential Standards No. 07-2014/BSD: Fitness & Probity Assessment Criteria** by the Registrar.

Requirements for Fitness and Probity Assessment...

1. In terms of the **Prudential Standards No. 07-2014/BSD: Fitness & Probity Assessment Criteria** every shareholder with a minimum of 5% equity in the banking institution, a board member and member of senior management team shall be approved by the Registrar of Banking Institutions.
2. The following information and documentation shall be submitted to the Registrar of Microfinance Institutions to facilitate the fitness and probity assessment of individual shareholders, directors and members of senior management team:
 - i. Certified copy of identification certificate or valid passport or drivers' licence;
 - ii. Detailed Curriculum Vitae with exception of shareholders;
 - iii. An affidavit in the format prescribed by the Registrar of Microfinance Institutions, **Appendix A**;
 - iv. net worth statements duly certified by auditors registered in terms of the Public Accountants and Auditors Act [*Chapter 27:12*];
 - v. tax clearance certificate *issued within the last six (6) months*; and
 - vi. police clearance certificate *issued within the last six (6) months*.

3. ***Please note that all identification documents, affidavits, tax clearance and police clearance certificates obtained from outside Zimbabwe should be notarized by a registered Notary Public.***
4. For corporate shareholders the following information and documentation shall be submitted to the Registrar:
 - i. Certified copies of Memorandum & Articles of Association;
 - ii. Certified copy of Certificate of Incorporation;
 - iii. Names of shareholders and composition of board of directors accompanied with the appropriate Form CR2 and CR14;
 - iv. Audited financial statements for the past two (2) years; and
 - v. Where the company is a shelf-company the shareholders should submit networth statements as prescribed in above.
5. **The Registrar of Banking Institutions reserves the right to acquire information on shareholders, directors and senior management from any other reliable source.**

Prospects for Profitability...

- a) The institution's prospects for viability will be concluded from the evaluation of the submitted **Business Plan** showing 5 year projections of the balance sheet, income statement and cashflow statements, the markets to be served, products offered, etc.
- b) The business plan should cover the following aspects:

Identifying information

- ❖ name and location of the applicant banking institution including the location of any branches;

- ❖ description and/or diagram of the applicant banking institution's corporate structure, including every associate of the applicant banking institution; and
- ❖ a brief discussion of the origin of the applicant banking institution, including how its founders came together and the reasons for wanting to form a banking institution.

Market analysis

- ❖ identification of the market(s) to be served by the applicant banking institution; and
- ❖ description of the economic characteristics of the identified markets, including anticipated changes in the market, factors influencing such changes and possible effects on the applicant banking institution.

Business strategy and objectives

- ❖ brief description of the services (distinguished by type: depository, credit, fiduciary, etc.) to be offered by the applicant banking institution;
- ❖ detailed account of how the banking institution will contribute towards the expansion of financial inclusion and access to financial services by the marginalised segment of the society; and
- ❖ enumeration of the major macroeconomic assumptions upon which the applicant banking institution's projections are based, with reference to indicators such as market growth, inflation and interest rates as well as economic growth.

Capitalization and additional capital sources

- ❖ description of the plans for financing growth, internally or externally, over the first 5 years of operation; and

- ❖ description of what additional capital sources are available should the need arises.

Financial Projections and Economic Assumptions

- ❖ The business plan should include the following financial projections based on the normal, most and least favourable scenarios:
 - a projected annual balance sheet for the first five years of operation;
 - a projected annual income statement (profit and loss account) for the first five years of operation; and
 - a projected cash flow statement for the first five years of operation.
- c) The financial projections should be supported by underlying assumptions on economic variables and any other variables of importance to the bank's performance. The projections and assumptions should be reasonable and realistic in light of prevailing and forecast economic performance, industry performance, outlined strategies, etc.
- d) The projected accounts should take into account the regulatory capital, provisioning requirements, lending limits, and any other requirements to be complied with.

Policies & Procedures Manuals...

- a) The application should also be accompanied with draft Policies & Procedures Manuals covering key risk areas of the bank's functional departments, operations and envisaged activities.

Public Need...

- a. The evaluation of this criterion is based on the ability or potential for the proposed banking institution to:

- ❖ Foster healthy competition within the financial sector through the broadening of the range of financial services and products;
- ❖ Promote economic growth;
- ❖ Enhancing access to credit and deposit facilities to a broad range of customers; and
- ❖ Outline the developmental value of the applicant banking institution to the economy etc.

Good Faith Representation...

- a. Banking business and financial stability depend to a great extent on public confidence in the individual institutions and the financial system – financial institutions are entrusted with depositors' funds.
- b. For the above reasons, honesty, openness and good faith representation by the promoters are an important consideration.

4. CHECKLIST: REQUIRED DOCUMENTATION AND INFORMATION

1. Completed Application Form BK1.
2. Proof of payment of non-refundable application fee of \$2,000.00.
3. Name and location of the applicant banking institution (Form CR6)
4. Copy of a valid lease agreement for business premises, where applicable.
5. Memorandum and Articles of Association of applicant public company.
6. Certificate of incorporation.
7. Proof of authorized and paid-up capital (Form CR2).
8. Proof of availability of capital by each proposed shareholder.
9. Details of proposed shareholders.
10. Affidavit declaring ultimate shareholders for all unnatural persons.

11. Register of members of the company duly approved by the Registrar of Companies.
12. Proposed directors (Form CR14) and senior management team.
13. Audited financials for the past three years for corporate shareholders; certified networth statements for individual shareholders.
14. Business Plan outlining :
 - a. Corporate / group structure
 - b. Organisational structure, including departmental organograms
 - c. Composition of board committees, as well their terms of reference.
 - d. Policies and Procedures Manuals
 - e. Business strategy and objectives
 - f. Market analysis
 - g. Projected financial statements for first 5 years of operation in normal, best case and worst case scenarios, as well as the assumptions upon which the financial projections are based.
15. **Fit and proper person test – for all accountable persons (significant shareholders, directors, senior management) as applicable.**
 - a. Certified copy of identification card / valid passport
 - b. Detailed CVs
 - c. Networth statements certified by an accountant/auditor registered in terms of the Public Accountant & Auditors Act
 - d. Current tax clearance certificates
 - e. Current police clearance certificates
 - f. Affidavits by the proposed individual shareholders, directors and senior management team (see **Appendix A** attached).

16. All vetting documents being submitted from any other jurisdiction outside Zimbabwe will need to be notarized and authenticated by a duly registered Notary Public.

For more detailed requirements, consult the Banking Act [Chapter 24:20]; the

Banking Regulations, Statutory Instrument 205 of 2000;

Guideline No. 01-2004/BSD: Corporate Governance; and

Prudential Standards No. 07-2014/BSD: Fitness & Probity Assessment Criteria on www.rbz.co.zw

APPENDIX A

AFFIDAVIT OF FITNESS AND PROBITY

I, [*insert name, national registration number*] of [*insert physical address*], do hereby make oath and state that:

1. [*insert declarations as to directorships in other companies*];
2. [*insert declarations as to shareholding in other companies (including shareholding in a related subsidiary, whether held directly or indirectly through other interests)*];
3. [*insert declarations as to whether you have the appropriate qualification and experience to effectively fulfil the role and responsibilities of the position and attach *curriculum vitae**];

4. [insert declarations as to whether you are assuming concurrent responsibilities and how you will manage conflict of interest and ability to discharge your duties];
5. [insert declarations as to whether you are or have been the subject of any proceedings of a disciplinary or criminal nature, or have been notified of any impending proceedings or of any investigations, which might lead to such proceedings];
6. [insert declarations as to whether you are or have been the subject of civil or financial crime within the last five (5) years or enforcement action, in relation to the management of an entity, or commercial or professional activities, which were determined adversely against you (including consenting to an order or direction, or giving an undertaking, not to engage in unlawful or improper conduct)];
7. [insert declarations as to whether you have faced criminal convictions or served sentences and whether you have been granted free pardons, whether in Zimbabwe or any other country];
8. [insert declarations as to whether you have contravened any provision made by or under any written law designed to protect members of the public against financial loss due to dishonesty, incompetence or malpractice];
9. [insert declarations as to whether you have contravened any of the requirements and standards of a regulatory body, professional body, government or its agencies];
10. [insert declarations as to whether you or any business in which you have a controlling interest or exercises significant influence, has been investigated, disciplined, suspended or reprimanded by a regulatory or professional body, a court or tribunal, whether publicly or privately];
11. [insert declarations as to whether you have been engaged in any business practices in a negligent, deceitful, oppressive or otherwise improper (whether unlawful or not), or otherwise discreditable business or professional practices];

- 12.[insert declarations as to whether you have been associated, in ownership or management capacity, with a company, partnership or other business association that has been refused registration, authorisation, membership or a license to conduct any trade, business or profession, or has had that registration, authorisation, membership or licence revoked, withdrawn or terminated];
- 13.[insert declarations as to whether you have made any arrangements or composition with your creditors, filed for bankruptcy, been adjudged bankrupt, had assets sequestrated, or been involved in proceedings relating to any of these];
- 14.[insert declarations as to whether you have held a position of responsibility in the management of a business that has gone into insolvency, or liquidation while you were connected with that business and whether you contributed to receivership, insolvency, or liquidation];
- 15.[insert declarations as to whether you have been a director of, or directly concerned in the management of, any institution which is being or has been wound up by a court or other authority competent to do so, or of any regulated entity, the licence of which has been revoked under any written law and whether you contributed to the winding up];
- 16.[insert declarations as to whether you have non-performing loans with any banking institution, building society, microfinance institution or other lending institution in Zimbabwe or outside Zimbabwe];
- 17.[insert declarations as to whether you have any judgement debts in Zimbabwe or outside Zimbabwe or bad debts with retailers, utility companies or any other credit service provider in Zimbabwe or outside Zimbabwe]; and
- 18.[Insert declarations as to whether you are free from any business or other relationship which could materially pose a conflict of interest in discharging your duties as an appointed person within the institution].

SWORN TO AT THIS DAY OF [YEAR]

SWORN TO BY
[NAME OF PERSON DEPOSING TO THE AFFIDAVIT]

.....
[SIGNATURE OF PERSON DEPOSING TO THE AFFIDAVIT]

BEFORE ME:
[COMMISSIONER OF OATHS]

THIS DAY OF [YEAR]