Governor's Office
Reserve Bank of Zimbabwe. 80 Samora Machel Avenue, P.O. Box 1283, Harare, Zimbabwe.
Tel: 263 04 703000, Fax: 263 04 705890, Website: www.rbz.co.zw

24 August 2020

Mr. Papa Lamine Diop
The Executive Secretary
Association of African Central Banks (AACB)
Dakar
SENEGAL

Dear Executive Secretary,

RE: CENTRAL BANK POLICY MEASURES IN RESPONSE TO THE COVID-19 PANDEMIC

We write to acknowledge receipt of your letter regarding the above subject matter. The Reserve Bank of Zimbabwe (the Bank) undertook a number of policy actions to mitigate the effect of Covid-19 on the economy, which are chronicled hereunder:

On 26th March 2020, the Bank through its Monetary Policy Committee implemented the following measures:

- Adopted a fixed exchange rate system at the prevailing interbank level of ZW$25 to the US$ to provide for greater certainty in the pricing of goods and services in the economy;
- Reduced its Policy rate from 35% to 25%; and
- Increased its Medium-term Lending Facility for supporting productive sector activities by an additional ZW$1 billion to ZW$2.5 billion.

Further, on 24th April 2020, additional monetary policy measures were implemented to reinforce the first-round of economic policy responses to the Covid-19 pandemic as follows:

- Reduced further the Bank Policy rate from 25% to 15% per annum;
- Increased the Medium-term Lending Facility by ZW$500 million to bring it to ZW$3 billion;
- Reduced the interest rate on Medium-term Lending Facility from 15% to 10% per annum; and
- Encouraged banks that access the Medium-term Lending Facility to on-lend at interest rates not exceeding 20%.

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As part of its endeavour to assist in the recovery and growth of the productive sectors of the economy during Covid-19, on 8th June 2020, the Bank further reduced, the statutory reserve ratio from 4.5% to 2.5%.

The Bank Policy rate was, however, rewound to 35% on 30th June 2020 to deal with speculative borrowing which was impacting negatively on the exchange rate. The Bank also introduced the foreign exchange auction system on 23rd June 2020 to reduce exchange rate overvaluation and support export and foreign currency generation.

The Bank extended the deadline for compliance, by banks, with the prescribed minimum capital levels by one (1) year from 31st December 2020 to 31st December 2021. In addition, the Bank, in conjunction with other financial sector regulatory authorities has provided a coordinated approach to loan restructuring and repayment moratorium to mitigate against potential increases in credit risk due to the pandemic. The Bank also temporarily increased the single obligor limit from 25% to 35%, effective 21st May 2020 to enhance support to the productive sector, subject to a banking institution meeting the requirements of the country's Banking Act, Banking Regulations and internal policies.

Zimbabwe experienced a recent upsurge in Covid-19 cases, with the number of positive cases rising from 591 as at 30th June 2020 to 5 378 as at 18th August 2020. As such, the central bank will continue to explore amenable monetary policy measures to mitigate the effects of the pandemic.

We have attached for your information the documents containing these measures as per your request.

Please accept, Executive Secretary, the assurances of the Reserve Bank of Zimbabwe's highest and respectful support of the work of the AACB.

Yours sincerely,

Dr J P Mangudya
Governor

RESERVE BANK OF ZIMBABWE

PRESS STATEMENT

INTERVENTIONS IN RESPONSE TO THE FINANCIAL VULNERABILITIES CAUSED BY THE COVID-19 PANDEMIC

Pursuant to His Excellency, the President's 23 March 2020 Address to the Nation on additional measures to mitigate the devastating impact of COVID-19 on the Zimbabwean society and the economy, Government, through the Reserve Bank of Zimbabwe (the Bank), would like to advise the public that it is making it easier for the transacting public to conduct business during this difficult period by making available an option to use free funds to pay for goods and services chargeable in local currency. This intervention takes into account the country's limited access to foreign finance, which is adversely affecting the country's balance of payments position.

The dispensation to use free funds will not only make payment for goods and services easier but will also promote social distancing as banks will be able to provide digital financial services to their customers that include producers of gold, tobacco and cotton and recipients of diaspora remittances.   Digital financial transactions will go a long way in enhancing confidence in the economy and assisting banks to play a critical role as systemic stabilisers of the economy during these unprecedented times.

Related to the above measures, Government, through the Bank, has suspended the managed floating exchange rate system to provide for greater certainty in the pricing of goods and services in the economy. In its place, the Bank has, with immediate effect, adopted a fixed exchange rate system at the current interbank level of ZW$25 to the US$. This measure will be reviewed when markets stabilise from the effects of COVID-19.

Further, the Monetary Policy Committee (MPC) of the Bank at its meeting of 24 March 2020, resolved to respond to the needs of the economy in the wake of COVID-19 through the following:

1. Increasing the Medium Term Bank Accommodation Facility for supporting productive sector activities by an additional ZW$1 billion to ZW$2.5 billion. The additional amount will be targeted at financing the 2020 winter wheat planting programme;
2. Reducing the Statutory Reserve Ratio from 5% to 4.5% in order to free some funds to the banks to enhance their lending activities;
3. Reducing the Bank's Policy rate from 35% to 25% with the expectation that banks will also follow suit and adjust their lending rates to meet the requirements of their customers that are being adversely affected by the pandemic; and
4. The issuance of the Open Market Operations (OMO) Corporate Bills to enhance the monetary targeting framework that is necessary to support the exchange rate and to stabilise prices in the economy.

The Bank also agreed with the banking sector to suspend increases in charges related to the provision of all electronic payments during these trying times. Similarly, the Bank is also engaging the mobile network providers to ensure that their mobile banking charges are reduced in order to promote electronic banking which is in line with social distancing.

Whilst the legal instrument to bring the above measures into effect is being finalised, the Bank urges the transacting public and producers of gold, tobacco and cotton to fully embrace electronic payment platforms as we fight the spread of COVID-19.

J P Mangudya
Governor

26 March 2020

CIRCULAR TO BANKING INSTITUTIONS AND MICROFINANCE INSTITUTIONS, NO. 03-2020/BSD: RELIEF MEASURES IN THE WAKE OF COVID-19 PANDEMIC

1. Further to the interventions announced in the Circular of 02-2020/BSD, the Reserve Bank would like to advise banks and Microfinance Institutions (MFIs) of the additional measures to promote financial sector stability. This circular provides guidance on credit relief, loan restructuring measures and microfinance institutions licensing to minimise the adverse impact of COVID-19 pandemic on the sector as outlined hereunder.

A. Credit Restructuring

2. In view of the potential adverse impact of the COVID-19 pandemic on the performance of certain segments of the real sector and the related effect on repayment capacity of borrowing clients, banking institutions and MFIs are encouraged to review their portfolios and engage eligible clients with a view to institute strategic measures to restructure the existing facilities.
3. The relief that may be provided to clients shall only be applicable to facilities that were performing prior to the challenges associated with the COVID-19 pandemic. Such restructured facilities shall continue to be considered as performing after the relief and no additional provisions shall the charged.
4. Lending institutions shall be required to assess the borrower's ongoing potential to repay, in accordance with approved credit policies and practices normally applied to such assessments. The responsibility of evaluating and deciding appropriate restructuring of credit facilities during this pandemic shall continue to lie with the respective lending institution.

5. The credit restructuring and classification flexibility under this Circular shall be available for a period of 12 months, with effect from 1 April 2020.
6. Every lending institution shall be required to verify and disclose the credit risk associated with restructured facilities in a standardised manner that shall be defined by the Reserve Bank.

B. Loan Classification and Provisions

7. The restructuring of facilities under this Circular shall not be treated as an adverse change in the credit risk profile or credit rating status of the client and shall not be reported to the Reserve Bank, the Credit Registry and credit bureaus as such.
8. Every lending institution shall ensure full disclosure of the terms and conditions of the restructured arrangement. Any restructured facility must be evidenced by the borrower's consent.
9. The assessment of a borrower's inability to repay shall be based on the performance with respect to the agreed rescheduled payments. Banks and MFIs are allowed a maximum of two (2) restructurings for a credit facility within the 12 month period.

C. Deferment of payment of dividends

10. Unless an institution has done an adequate assessment of anticipated losses and has made sufficient provisions, as well as complied with the prudential capital requirements, it shall not distribute any dividend or pay bonuses to its executives.

D. Microfinance Institutions licencing

11. Against the background of the COVID-19 pandemic, microfinance institutions whose one-year licences are due to expire or have expired, will be granted up to 180 days post the expiry to apply for registration in line with the Microfinance Act [Chapter 24:30].

E. Impact Assessment

12. In order to facilitate a comprehensive assessment of the impact of the pandemic on the banking and microfinance sectors and enable the authorities to institute appropriate responses, the institutions are required to submit COVID 19 business impact analyses by 30 June 2020.
13. The Reserve Bank may review the deadline for application of this Circular having regard to the evolution of the effects associated with the COVID-19 pandemic.

Madamombe

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P.T. Madamombe
For Registrar of Banks and Microfinance Institutions

PRESS STATEMENT

RESOLUTIONS OF THE MONETARY POLICY COMMITTEE MEETING HELD ON 24 APRIL 2020

The Bank's Monetary Policy Committee (MPC) met on 24 April 2020 and deliberated on a number of issues including the impact of Covid-19 on the economy and the necessary policy interventions to ensure that the economy remains on a growth trajectory. The MPC noted the compelling need to reinforce the Bank's first-round of economic policy responses to the Covid-19 pandemic and made the following resolutions:

a) The Bank Policy rate will be reviewed downwards from 25% to 15% per annum with effect from Friday, 1 May 2020, with the expectation that banks will do the same to provide affordable financial facilities to their customers during these challenging times.

b) The interest rate applicable to the Medium-Term Bank Accommodation (MBA) Facility will be reduced from the current 15% to 10% per annum with effect from Friday, 1 May 2020.

c) The MBA Facility has been increased by ZW$500 million to bring it to ZW$3 billion.

d) An additional ZW$2 billion will be raised from the market through money supply neutral financial instruments to augment the MBA Facility to ZW$5 billion.

e) Banks that access the MBA Facility are encouraged to on-lend at interest rates not exceeding 20%.

The above measures will provide further impetus to the resuscitation of production in the economy.

JOHN. P. MANGUDYA
GOVERNOR

29 April 2020

Reserve Bank of Zimbabwe, 80 Samora Machel Avenue, Harare Tel: 263 242703000

21 May 2020

All Banking Institutions

Dear Chief Executive Officers/Managing Directors

Temporary Waiver on the single obligor limit

1. We refer to the representations by Bankers Association of Zimbabwe (BAZ), in a letter dated 21 April 2020 and advise that the Reserve Bank of Zimbabwe considered additional measures to counter the effects of the COVID-19 pandemic. The additional measures were communicated to BAZ in our letter dated 30 April 2020.
2. We are aware that in an effort to support companies affected by the COVID-19 pandemic, banking institutions may need to extend further loans, resulting in the violation of the single obligor limit of 25% of capital.
3. In order to enhance support to the productive sector, the Reserve Bank has temporarily reviewed the single obligor limit from 25% to 35% of capital , subject to the banking institution meeting all other lending requirements in terms of the Banking Act [*Chapter 24:20*], Banking Regulations S.I. 205 of 2000 and internal policies.
4. In respect of the above, banking institutions will be required to submit a report to the Reserve Bank indicating the borrowers' names, the amount advanced and the purpose of the facility.

Yours faithfully,

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P.T. Madamombe
Acting Director, Bank Supervision

RESERVE BANK OF ZIMBABWE

PRESS STATEMENT

RESOLUTIONS OF THE MONETARY POLICY COMMITTEE MEETING HELD ON 22 MAY 2020

The Monetary Policy Committee of the Reserve Bank of Zimbabwe (the Committee) met on 22 May 2020 and considered a wide range of issues currently confronting the Zimbabwean economy.

The Committee welcomed the Bank's decision to introduce higher-denominated banknotes to the market through normal banking channels that are money supply neutral but urged the Bank to enhance the process of dealing with and replacing soiled and damaged notes in circulation.

The Committee noted and appreciated the new cash withdrawal limit of ZW$1000 per week and that approved cash withdrawals of above ZW$1000 by business entities would need to be closely monitored to eliminate abuse.

The Committee expressed serious concern over the continued deterioration in the exchange rates that were widely being used by the private sector. The Committee welcomed action taken by the Bank to curb speculative trading in foreign exchange using electronic banking platforms. It was resolved that a formal market-based system of foreign exchange trading will be put in place. To ensure that foreign currency trades were monitored in real time, the Committee urged the Bank to expedite the implementation of the electronic foreign exchange trading system for compulsory use by *bureaux de change*. The Committee also urged more active application of the Open Market Operations (OMO) Bills to deal with any identified excess liquidity balances in the market.

As part of efforts to assist in the recovery and growth of the productive sectors of the economy and to help with post Covid-19 recovery, it was resolved that there was need to release more financial resources for the productive sectors of the economy by banks. To assist that process, the Committee resolved to reduce the statutory reserve ratio from the current 4.5% to 2.5% with effect from 8 June 2020.

The Committee also resolved to reinstate, with effect from 1 July 2020, the 30-day limit of liquidating surplus foreign exchange receipts from exports in order to ensure that more foreign exchange was released onto the market.

John P Mangudya
Governor

8 June 2020

RESERVE BANK OF ZIMBABWE

PRESS STATEMENT

RESOLUTIONS OF THE MONETARY POLICY COMMITTEE MEETING HELD ON 26 JUNE 2020

The Monetary Policy Committee of the Reserve Bank of Zimbabwe (the MPC) met on 26 June 2020 and deliberated on, and made resolutions on, the following issues:

- **Foreign Exchange Auction System**

The Committee welcomed the outcome of the inaugural Foreign Exchange Auction held on Tuesday, 23 June 2020, which gave rise to the initial market-determined exchange rate of ZW$57.36 to the US$.

The Committee urged foreign exchange recipients (including exporters, NGOs, *bureaux de change* and receivers of remittances) to participate directly in the auction process by offering foreign currency to the Bank at their preferred reserve prices in order enhance the efficiency and effectiveness of the Foreign Exchange Auction System.

The Committee restated that authorised dealers and *bureaux de change* must serve all entities and individuals in need of foreign currency in between auctions, including those with requirements below the auction threshold of USD50 000, at the ruling market exchange rate.

- **Open Market Operations (OMO)**

In order to help stabilise the auction-determined exchange rate and preserve value for depositors and investors, the MPC **Resolved** to introduce an exchange rate indexed OMO instrument, open for uptake by individuals and entities with excess liquidity. The instrument will have the following features:

(a) It will be settled in Zimbabwe dollar;
(b) The principal will be linked to the auction determined exchange rate;
(c) It will earn interest at the rate of 5% per annum (subject to review from time time); and
(d) Its maturity will vary from 30 days to 360 days.

The MPC urged banks to structure similar exchange rate linked instruments for depositors and borrowers.

- **Policy Rate**

In order to curb speculative borrowing, the MPC **Resolved** to increase the Bank Policy rate from the current 15% to 35%, with effect from 1 July 2020. The rate will be reviewed from time to time as dictated by prevailing market fundamentals.

The MPC policy measures taken are envisaged to support the smooth functioning and sustainability of the Foreign Exchange Auction System and stabilisation of the exchange rate and inflation rate.

John P Mangudya
Governor
30 June 2020