POLICY MEASURE	COMMENTS/ IMPLICATIONS
USD Savings Bond	○ The central bank introduced a USD-denominated Savings Bond to provide reasonable return on foreign currency denominated savings. The Bond has an interest rate of 7.5% p.a., minimum tenure of 1 year, tax exemption and liquid asset status. It is also tradable and acceptable as collateral when borrowing from the central bank. *Given the continued lack of balance of payments support to anchor the ongoing macroeconomic reforms, this is an innovative way to utilize available means to mobilize the much-needed foreign currency to finance importation of critical inputs and raw materials. The bond's features are aimed at making it attractive to investors and unlock liquidity from local FCA accounts, foreign currency cash outside the banking system as well as potential inflows from the international markets. However, the authorities would need to buttress these features with measures aimed at rebuilding consumer confidence. Additionally, the interest rate of 7.5%, whilst relatively high when compared to the LIBOR and yields in advanced economies, seems to be on the lower side when compared to yields of around 9% on Eurobonds (albeit on longer tenures) in other markets such as Ghana, Angola and Nigeria. As such, an improved yield may also be needed in-order to attract external investors.*
Liquidity Management	○ The central bank will use Open Market Operations to manage excess liquidity from the market. *This is a critical component for the drive to stabilize the exchange and inflation rates.*
Cash Injection	○ Bond notes amount to ZWL510m or 4% of money supply, against a "historical and regional" ratio of 10-15% (about ZWL1.3b and ZWL1.9b) based on May 2019 money supply figures. The central bank will continue to inject bond notes on a gradual basis and against bank's RTGS balances. *However, such a move may now need to be backed by thorough reassessment of the country's actual cash requirements as these might have been reduced by the ongoing rapid*

POLICY MEASURE	COMMENTS/ IMPLICATIONS
	virtualization of payments. The authorities would also need to consistently put measures to support and stabilize the value of the local currency.
Credit Enhancing Policies	○ Banks with loan maturities of at least 3-5 years of at least 25% of total loans will use them as collateral for borrowing from RBZ. *The move is meant to encourage banks to offer long term loans to the productive sectors.* ○ Meanwhile, the RBZ will continue with productive sector lending, with interest rate linked to the TBs rate.
Capitalization of Banks	○ All Tier 1 banks are expected to hold core capital of at least ZWL200m by 2020. Minimum capital requirements for Tier 2 and Tier 3 banks shall remain at the current levels of ZWL25m for commercial banks and ZWL20m for building societies. These shall be reviewed next year. *All banks have capital levels above ZWL25m, whilst a few Tier 1 banks, including CBZ Bank already have surpassed the ZWL200m mark. The central bank, therefore, needs to consistently monitor the capitalization plans of those banks that are still building towards the 2020 new minimum capital levels. Conceivably, the new capital levels will strengthen those institutions that would have been able to comply.*
Interest Rates	○ Interest rate on ZWL Savings Bond to be reviewed to consider developments on the domestic Treasury Bills market. The bank rate was also increased to 70%, *but still appears low when compared to the inflation rate. However, the rate may indicate the central bank's inflation expectations, which need to be clearly and consistently communicated to the market for buy-in and confidence building.*
Financial Technology	○ According to the central bank, there has been a surge in the number of enquiries and proposals from local and foreign companies intending to offer Financial Technology "Fintech" services and products in the country. The central bank has put

POLICY MEASURE	COMMENTS/ IMPLICATIONS
	in place working committees to come up with a National Fintech Strategy. *This is a welcome development which puts the RBZ in the league of other leading central banks that are championing innovation and promoting adoption of new technologies.*
Legislative Developments	○ Microfinance Bill, which seeks to, among others, provide for perpetual license for credit only and deposit taking microfinance institutions, is undergoing parliamentary process. There are also ongoing proposals to align the Banking Regulations with the Banking Act. These include reducing significant interest threshold from 10% to 5%, increase the maximum shareholding that an ordinary company can have in a banking institution from 10% to 25% and providing for the maximum amount which can be loaned to an insider without board approval.

Analysts:

Andrew Chirewo
achirewo@cbz.co.zw

Victor Makanda
vmakanda@cbz.co.zw

Contact Details
3rd Floor, Sapphire House,
Corner Speke/ Angwa St,
P O Box 3313,
Harare, Zimbabwe,

Tel: +263 4 748050-79
Website: www.cbz.co.zw
Email: research@cbz.co.zw