ZIMBABWE: DIAGNOSTIC REVIEW OF CONSUMER PROTECTION AND FINANCIAL LITERACY

Volume II: Comparison with Good Practices

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ABBREVIATIONS AND ACRONYMS

AM	Asset Managers
AML	Anti Money Laundering
APR	Annual Percentage Rate
ATM	Automatic Teller Machine
BAZ	Bankers Association of Zimbabwe
CAZ	Competition Authority of Zimbabwe
CCZ	Consumer Council of Zimbabwe
CIS	Collective Investment Schemes
CIU	Collective Investment Undertaking
CPAZ	Credit Providers Association of Zimbabwe
CPFL	Consumer Protection and Financial Literacy
CRBAZ	Credit Reference Bureau Association of Zimbabwe
CRM	Consumer Relationship Management
CTC	Competition and Tariff Commission
DA	Deposit Administration
DB	Define Benefit Scheme
DC	Define Contribution Scheme
DPC	Deposit Protection Corporation
FCB	Financial Clearing Bureau
GDP	Gross domestic product
KFS	Key Facts Statement
ICZ	Insurance Council of Zimbabwe
IPEC	Insurance and Pensions Commission
LOAZ	Life Offices Association of Zimbabwe
LSM	Living Standard Measures
MFIs	Microfinance institutions
MNO	Mobile Network Operator or its subsidiary offering digital financial services
MoF	Ministry of Finance
MoICT	Ministry of Information and Communications Technology
MoJ	Ministry of Justice
MOU	Memorandum of Understanding
MSME	Micro, Small and Medium Enterprises
NBCI	Non-Bank Credit Institution
NPF	National Pension Fund
NPLs	Non-performing loans
OECD	Organization for Economic Cooperation and Development
POSB	People's Own Savings Bank
PSPF	Public Service Pension Fund
POTRAZ	Postal and Telecommunications Regulatory Authority of Zimbabwe
RBZ	Reserve Bank of Zimbabwe
RCT	Randomized Control Trial
SACCO	Saving and Credit Cooperative
SECZ	Securities and Exchange Commission

SME	Small and Medium Enterprises
SME Ministry	Ministry of Small and Medium Enterprises and Cooperatives
TCC	Total cost of credit
UNICEF	United Nations Children's Fund
USD	United States dollar
WBG	World Bank Group
ZAFA	Association of Funeral Assurers
ZAMCO	Zimbabwe Asset Management Corporation (Pvt) Ltd
ZAMFI	Zimbabwean Association of Microfinance Institutions
ZAMPS	Zimbabwe All Media Products Survey
ZIBA	Zimbabwe Association of Insurance Brokers
ZINHACO	Zimbabwe National Association of Housing Cooperatives
ZSE	Zimbabwe Stock Exchange
ZTUC	Zimbabwe Congress of Trade Union

I. GOOD PRACTICES: BANKING SECTOR[1]

The banking sector in Zimbabwe consists of 18 commercial banks, 2 merchant banks, and 1 state owned savings bank.[2] As of June 2014, banking sector deposits totaled USD 4.96 billion, while loans and advances totaled USD 3.81 billion.[3] Banking sector assets as a percentage of GDP equaled 51.7 percent in 2012, compared to 67.4 percent in Kenya, 33.2 percent in Uganda, and 29.2 percent in Rwanda in 2013.[4] The banking sector is concentrated, with the deposits of five banks constituting a market share of 61.2 percent.[5]

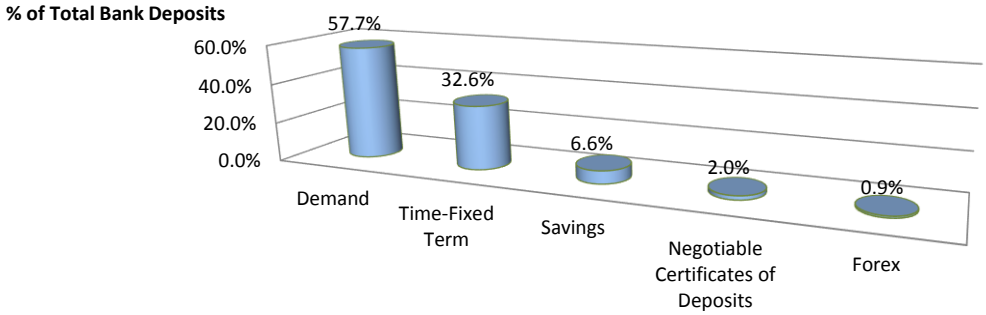
TABLE 1: BANKING SECTOR STATISTICS (IN USD)

Key Indicators	Dec - 09	Dec - 10	Dec - 11	Dec - 12	Dec - 13	Mar - 14
Total No of Accounts	-	-	2,511,101	1,651,073	1,852,556	1,852,556
Total Assets	$2.19 billion	$3.69 billion	$4.74 billion	$6.12 billion	$6.74 billion	$6.81 billion
Total Loans	$693 million	$1.56 billion	$2.76 billion	$3.56 billion	$3.08 billion	$3.64 billion
Net Capital Base	$382 million	$458 million	$512 million	$644 million	$706 million	*$909 million
Total Deposits	$1.36 billion	$2.31 billion	$3.04 billion	$4.41 billion	$4.73 billion	$4.89 billion

Source: Banking Sector Report for Quarter Ended 31 March 2014, Reserve Bank of Zimbabwe

The banking sector is mainly driven by transactional and savings products. In 2011, 19 percent of adults had or used transactional products and 17 percent had or used savings products, while only 5 percent had or used banking products for remittances and only 3 percent used banking credit products.[6] Between 2011 and 2014 the main driving forces for growth were (i) mobile banking; (ii) payment cards (ATM/POS); and (iii) savings accounts.[7] Transactional and savings products mainly consist of demand accounts and short-term under 30-day deposit accounts. As of March 2014, banking sector deposits were structured as shown in the Figure 1.

FIGURE 1: BANKS DEPOSIT ACCOUNTS AS OF MARCH 2014



Source: Banking Sector Report for Quarter Ended 31 March 2014, Reserve Bank of Zimbabwe

[1] Note that the statistics for the banking sector included in this section also include three building societies, which are covered in the "Non-Bank Credit Institutions" section below.
[2] The RBZ's list of licensed and registered financial institutions. Available at http://www.rbz.co.zw/publications/.banksurveillance.asp (last visited on December 9, 2014). Interfin Banking Corporation Limited is currently under curatorship.
[3] Monetary Policy Statement of July 2014, 23 (RBZ, 2014).
[4] See Zimbabwe IMF Country Report No. 12/279, 44 (International Monetary Fund, 2012) and Banking in Sub-Saharan Africa – Challenges and Opportunities, 46 (European Investment Bank, 2013).
[5] African Economic Outlook Zimbabwe, 6 (AfDB, 2013).
[6] FinScope Consumer Survey Zimbabwe 2011, 8 (FinScope, 2011).
[7] FinScope Consumer Survey Zimbabwe 2014 (forthcoming).

BANKING SECTOR

Lending primarily consists of consumer loans (not production loans), typically to salaried individuals. "*Effective lending rates in the banking sector ranged from 13 percent to 38 percent per annum*" in January 2014.[8]

While the banking sector is considered to be generally stable, banks face several systemic challenges. These challenges include general illiquidity in the market, lack of long-term capital, high cost of funds that are only partially mobilized internally and thus still heavily rely on external, often more expensive sources, low capitalization, low volume of transactions, and increasing levels of non-performing loans (NPLs). The current percentage of NPLs to total loans in the banking sector is 18.5 percent as of June 2014.[9] Credit risk is a significant concern for banks, increasing banks' reluctance to lend.

[8] African Economic Outlook Zimbabwe, 6 (AfDB, 2013), available at www.africaneconomicoutlook.org/fileadmin/uploads/aeo/2014/PDF/CN_Long_EN/Zimbabwe.pdf (last visited on December.

[9] As indicated in the Monetary Policy Statement of July 2014, Cabinet has approved the establishment of a National Special Purpose Vehicle known as ZAMCO to acquire NPLs from banks in order to clean up and strengthen their balance sheets and provide liquidity. NPLs have already been acquired by ZAMCO from three banks as of August 15, 2014. ZAMCO is to be supervised by the Reserve Bank of Zimbabwe.

BANKING SECTOR

SECTION A	CONSUMER PROTECTION INSTITUTIONS
Good Practice A.1	***Consumer Protection Regime*** **The law should provide clear consumer protection rules regarding banking products and services, and all institutional arrangements should be in place to ensure the thorough, objective, timely and fair implementation and enforcement of all such rules.** **a. Specific statutory provisions should create an effective regime for the protection of a consumer of any banking product or service.** **b. A general consumer agency, a financial supervisory agency or a specialized financial consumer agency should be responsible for implementing, overseeing and enforcing consumer protection regarding banking products and services, as well as for collecting and analyzing data (including inquiries, complaints and disputes).** **c. The designated agency should be funded adequately to enable it to carry out its mandates efficiently and effectively.** **d. The work of the designated agency should be carried out with transparency, accountability and integrity.** **e. There should be co-ordination and co-operation between the various institutions mandated to implement, oversee and enforce consumer protection and financial system regulation and supervision.** **f. The law should also provide for, or at least not prohibit, a role for the private sector, including voluntary consumer organizations and self-regulatory organizations, in respect of consumer protection regarding banking products and services.**
Description	There are currently very few laws or regulations in Zimbabwe with respect to financial consumer protection which specifically apply to the banking sector.[10] There are other, scattered laws which include limited provisions on general consumer protection issues, as well as the more extensive Consumer Protection Draft Bill. A few limited provisions on disclosure are in the Banking Act and informal requirements regarding disclosure and complaints handling by banks also exist. A specific regulatory framework has been set up for banks engaging in microfinance business – the Microfinance Act (MFA) provides for specific requirements applicable to all "*microfinanciers*" including microfinance institutions, but also subsidiaries or divisions of banking institutions, building societies and People's Own Savings Bank engaging exclusively or predominantly in any microfinance business.[11] More information regarding the regulatory framework established by MFA is provided in the section on the non-bank credit institutions below. There are currently no regulatory bodies specifically tasked with supervising financial consumer protection in the banking sector. ***Paragraph (a)*** No regime or framework for financial consumer protection in the banking sector currently exists. However, there are a few limited provisions in the Banking Act with respect to disclosure, as well as informal requirements from the Reserve Bank of Zimbabwe (RBZ) regarding the disclosure of "*business conditions*" and complaints handling mechanisms, for which compliance appears to be based primarily on moral suasion (*see Good Practice B.7 and Good Practice E.1*). Further, the mission team was advised that amendments to the Banking Act approved by the Cabinet, and being drafted by the Attorney General at the time of the mission, will include provisions on enhanced internal dispute resolution mechanisms and enhanced disclosure of "*business conditions*" for banks, as well as provisions on the creation of an Office of the Public Financial Protector which will enable bank customers to seek redress for their complaints against banks.

[10] The Microfinance Act No. 3 of 2013 (Chapter 24:29) includes extensive provisions on financial consumer protection and technically applies to any subsidiary or division of a banking institution engaging in microfinance business. However, it appears that this application is not typically enforced by the RBZ in practice, either as a matter of policy or due to capacity constraints.
[11] Section 3(1) of the MFA.

	There are, however, scattered laws of general application with limited provisions on issues relevant to consumer protection. They include the Consumer Contracts Act (which primarily deals with unfair terms and conduct and contains a requirement for plain language) and Contractual Penalties Act (which allows courts to provide relief to debtors when penalties are considered excessive). However the mission team was told that consumers do not often seek to rely on these Acts. Also relevant is the anti-money laundering legislation in Zimbabwe which includes rules relating to data collection and record keeping. Further, the Competition Act contains provisions on unfair business practices such as misleading advertising as well as concerning anti-competitive practice more generally. The proposed Consumer Protection Draft Bill provides for an overarching consumer protection framework. The Bill, which was released for public comment in October 2014 after several years in development, includes provisions providing for: (i) establishment of the Consumer Protection Commission (there is no provision for either the MoF or the RBZ to be represented on the Board) and its enforcement powers; (ii) fundamental consumer rights such as rights to plain and understandable language; to be heard and obtain redress; and to consumer education; (iii) relief against unfair contract terms and unfair contracts and (iv) the establishment of a Consumer Court, a special court to enforce consumer rights. The Bill applies generally to all sectors, and does not refer specifically to the financial sector. ***Paragraph (b)*** Currently, there are no regulatory bodies specifically tasked with supervising financial consumer protection in the banking sector. The functions of RBZ, as stated in Section 6 of the RBZ Act, primarily focus on fiscal and monetary stability, though Section (6)(1)(c) refers to the RBZ's function "*to foster the liquidity, solvency, stability and proper functioning of Zimbabwe's financial system*," Section (6)(1)(d) refers to the RBZ's function "*to advance the general economic policies of the Government*," and Section (6)(1)(e) refers to the RBZ's function "*to supervise banking institutions and to promote the smooth operation of the payment system*." Section 17 of the Banking Act also refers to every bank "*adhering to proper risk-management policies*" and complying with "*any directions given to it by the Reserve Bank*". These sections could be broadly interpreted to include financial consumer protection, particularly given that financial consumer protection is important for financial stability, as evidenced by the lack of responsible lending standards that partly contributed to the global financial crisis in 2008. In practice, RBZ has issued no specific directives to date regarding financial consumer protection in the banking sector. Given that few financial consumer protection laws or regulations exist, RBZ is not actively engaged in financial consumer protection supervision. There are no supervisory staff that focus on financial consumer protection issues. RBZ receives complaints directly from consumers on an infrequent basis, for which RBZ facilitates resolution (*see further discussion on supervision in Good Practice A.3 and on formal dispute settlement mechanism in Good Practice E.2*). The Consumer Protection Draft Bill includes the establishment of a Consumer Protection Commission. The Consumer Protection Commission is tasked with a variety of functions and powers, including promoting fair business practices, protecting consumers from unconscionable and unjust trade practices and deceptive or unfair conduct, improving consumer awareness, and providing an accessible and efficient dispute resolution system. The Consumer Protection Commission is also given the power to "*regulate the formation of some consumer protection bodies for specific sectors*" (Section 6(h)) and to "*have oversight on sector specific bodies established under the Commission*" (Section 6(i)). ***Paragraph (c) and (d)*** There is no agency designated to carry out financial consumer protection. ***Paragraph (e)*** There are currently no formal arrangements for coordination and cooperation between relevant financial sector regulators with respect to financial consumer protection matters. RBZ does communicate with the Postal and Telecommunications Regulatory Authority of Zimbabwe (POTRAZ) with respect to mobile banking (*see Annex I on Digital Financial Services*) and the Deposit Protection Corporation (DPC) with respect to deposit insurance, both topics of which relate to financial consumer protection matters.

	Paragraph (f) No particular provisions were noted that either provide for or prohibit a role for the private sector in financial consumer protection. The Consumer Council of Zimbabwe (CCZ) is noted to be the main consumer association in Zimbabwe and is active in consumer education. However, it does not focus much work on the financial sector due to limited capacity and resources (*see Good Practice A.4*). The Bankers Association of Zimbabwe (BAZ) undertakes financial education activities and seeks to expand in this area, as well as in advocating for financial inclusion.
Recommendation	It is strongly recommended that a comprehensive financial consumer protection law be developed over the long-term. This law would establish clear rules on disclosure and sales practices, account handling and maintenance, privacy and data protection, and dispute resolution mechanisms, among other topics. Detailed recommendations on what to include in a comprehensive financial consumer protection law can be found throughout the Banking Sector section. It will be necessary to clarify how this law would interact with the proposed Consumer Protection Draft Bill (if passed into law). As the Consumer Protection Draft Bill includes many detailed provisions, it would be difficult for the Bill and a new financial consumer protection law to co-exist without causing confusion. Given that it would be preferable to have a detailed consumer protection law specific to the financial sector, it may be necessary to specifically carve out financial services from the Consumer Protection Draft Bill. However the optimal role of the Consumer Protection Commission will depend on its level of resources and capacity. If it is given sufficient resources and capacity and includes staff knowledgeable regarding the financial sector, it may be appropriate for the Consumer Protection Commission to oversee the activities of RBZ with respect to financial consumer protection. As developing a comprehensive financial consumer protection law would necessarily be an intensive exercise requiring a significant time commitment, a pragmatic approach in the short-term would be to issue guidelines on key topics such as disclosure and transparency (*see Good Practices B.7, B.8, B.9, C.1, and C.2*) and complaints handling mechanisms (*see Good Practice E.1*). Proceeding in such an incremental manner would provide the added benefit of allowing supervisors to gradually build capacity for implementation and providers to adjust their internal systems accordingly. Guidelines could be issued independently by RBZ or in connection with amendments to the Banking Act relating to consumer protection, whichever is the more expedient option. It will also be necessary to clarify the application of the MFA to the microfinance divisions of banking institution, with the preference being to apply consistent financial consumer protection standards to any provider of microfinance products and services, regardless of the form of business of the provider. The mandate of RBZ should also be clarified to specifically include financial consumer protection. In order to develop and enforce a comprehensive financial consumer protection framework, RBZ should have a clear legal mandate to oversee issues with respect to financial consumer protection. If amending the RBZ Act is not practically feasible, the RBZ's mandate for financial consumer protection should be clearly stated in the Banking Act as an alternative. Such an amendment could be incorporated into the current round of amendments to the Banking Act, and should be appropriate given that Section 6(1)(l) of the Reserve Bank Act states that RBZ may "*exercise any functions conferred or imposed upon it by or in terms of any other enactment.*" For example, the Law on the Central Bank of the Republic of Armenia was specifically amended in 2008 to include "*ensur(ing) essential conditions for protection of the rights and lawful interests of the financial system consumers*" as one of the Central Bank of Armenia's main objectives.[12] Similarly, in 2008, the Banco de Portugal received a specific mandate for market conduct supervision. The Decree-Law No 1/2008 of 3 January amended the overarching Legal

[12] Section 5, Section 1(f) of Law on the Central Bank of the Republic of Armenia of 1996 (as amended). Available in Armenian at http://varker.am/uploads/addon_articles/cba_law.pdf.

	Framework of Credit Institutions and Financial Companies to include a number of provisions related to financial consumer protection. This law also included a specific provision giving the Banco de Portugal the power to: (1) issue rules of conduct deemed necessary to integrate and further develop the revised legal framework with respect to financial consumer protection, and (2) ensure compliance with rules of conduct to be set forth in the revised legal framework with respect to financial consumer protection by issuing determinations as well as by imposing fines and sanctions.[13] While amending either the RBZ Act or Banking Act to expand RBZ's mandate for financial consumer protection, policymakers should also consider taking the opportunity to specifically incorporate a financial inclusion mandate as well, given the many challenges with respect to financial inclusion noted in Volume I of this Consumer Protection and Financial Literacy (CPFL) diagnostic report. However, it may be preferable for RBZ to seek clear power and authority to oversee financial consumer protection concerns in the financial sector, as it is the regulatory body best positioned with the technical knowledge and supervisory experience to undertake such activities.
Good Practice A.2	***Code of Conduct for Banks*** **a. There should be a principles-based code of conduct for banks that is devised by all banks or the banking association in consultation with the financial supervisory agency and consumer associations, if possible. Monitored by a statutory agency or an effective self-regulatory agency, this code should be formally adhered to by all sector-specific institutions.** **b. If a principles-based code of conduct exists, it should be publicized and disseminated to the general public.** **c. The principles-based code should be augmented by voluntary codes of conduct for banks on such matters as facilitating the easy switching of consumers' current accounts and establishing a common terminology in the banking industry for the description of banks' charges, services and products.** **d. Every such voluntary code should likewise be publicized and disseminated.**
Description	***Paragraphs (a) – (d)*** There is currently no active code of conduct for banks. A Code of Banking Practice[14] was previously developed by the BAZ in the 1990s as a self-regulatory mechanism and signed by all banks. The Code of Banking Practice covered the following topics, among others: • Information on fees and charges; • Information on terms and conditions; • Advertising; • Provision of regular account statements; • Creditworthiness assessments; • Confidentiality and data privacy; and • Internal complaints handling and third-party adjudication. The Code of Banking Practice was active up until the period of hyperinflation and dollarization experienced by Zimbabwe in 2008. Since that time, the Code of Banking Practice has been considered to be inactive. Attempts to revise and revamp the Code of Banking Practice have not moved forward. Many banks also maintain their own internal codes of conduct, particularly those banks which are domestic branches of international financial organizations.
Recommendation	As a priority, the Code of Banking Practice should be reinstated as an interim measure while a comprehensive financial consumer protection law is being developed. Although the Code of Banking Practice should not be considered a substitute for a comprehensive financial

[13] Section 76, Decree-Law No 1/2008 of 3 January. Exact translation of relevant provisions to English were unavailable. Available in Portuguese at http://www.bportugal.pt/pt-PT/Legislacaoenormas/Documents/DL1ano2008.pdf.
[14] Available at http://www.baz.org.zw/code-banking-practice.

	consumer protection law, an industry Code can be helpful to spell out voluntary industry standards agreed upon by all banks which can enhance existing law. However in an environment such as Zimbabwe for the Code to be considered to be effective, strict enforceability standards must always be established. It is understood that BAZ is currently in the process of revising the Code of Banking Practice. This would serve as a good opportunity to both update and expand the Code of Banking Practice, increase its level of prominence within the banking sector with banking institutions, and increase the level of public awareness regarding the Code of Banking Practice. The revision of the Code of Banking Practice should be undertaken in consultation with RBZ, BAZ, all banks, CCZ, and other relevant stakeholders. Banks should be contractually required to adhere to the Code of Banking Practice, either by signing the Code or as part of their membership requirements as members of BAZ. The MPS July 2014 also notes that BAZ is expected to *"attune the Code of Banking Practice to the obtaining environment and enforce the Code on its members."* How such enforcement would work in practice should be discussed between RBZ and BAZ. Upon completion of the revised Code of Banking Practice, the Code should be widely publicized and disseminated by all relevant stakeholders. In particular, banks should be required to make the Code easily available within bank branches as well as online and to disclose their adherence to the Code in account documents to consumers. Mechanisms for monitoring compliance with the Code of Banking Practice should also be developed alongside the new Code. A committee of relevant stakeholders could be formed to monitor compliance, with members from the banking industry, consumer associations, and potentially RBZ. Alternatively or additionally, banks could be required to provide annual reports to either BAZ or RBZ regarding their compliance with the Code of Banking Practice, and BAZ or RBZ could in turn be tasked with publishing summary details regarding compliance by banks. Banks should also be required to assess their compliance with the Code as part of their overall auditing requirements.
Good Practice A.3	***Appropriate Allocation between Prudential Supervision and Consumer Protection*** **Whether prudential supervision of banks and consumer protection regarding banking products and services are the responsibility of one or two organizations, the allocation of resources to these functions should be adequate to enable their effective implementation.**
Description	Currently, there is little to no formal supervision of financial consumer protection issues in the banking sector. The supervision department consists of 43 staff members, divided between a team for banks and a team for microfinance institutions (MFIs). As there are few regulations relating to financial consumer protection, RBZ does not allocate resources or designate staff specifically to the topic. In practice, there is a limited degree of supervision on consumer protection, particularly regarding internal complaints handling (*see Good Practice E.1*) and disclosure of "*business conditions*" (*see Good Practice B.7*). These responsibilities are spread across all supervisory staff, with no distinction between prudential supervision and consumer protection. Review of complaints handling mechanisms and disclosure of "*business conditions*" does not appear to be consistently or formally incorporated into examinations of banks.
Recommendation	The RBZ's supervisory activities should be formalized and strategically expanded to incorporate financial consumer protection concerns, in particular to monitor and enforce (new) financial consumer protection laws or regulations issued. Ideally, the authority to engage in supervisory activities for financial consumer protection should be incorporated into the RBZ's expanded legal mandate for clarity and market signaling purposes (*see Good Practice A.1*). In the long-term, policymakers may wish to consider establishing a separate financial consumer protection supervision department within RBZ. Such an arrangement can help to ensure that financial consumer protection receives an adequate level of resources and capacity as well as some level of independence from prudential supervision. This separation

	can be necessary as prudential supervisory priorities can often dominate financial consumer protection concerns, although the two topics should be viewed as complementary.[15] However, in the short-term, it may be necessary to begin expanding financial consumer protection supervisory activities in the same department as prudential supervision, for practical operational purposes. If this is the case, policymakers should seek to ensure an appropriate allocation of resources and attention between prudential supervision and financial consumer protection given the concerns noted above. A supervisory agenda should be developed utilizing a risk-based approach that focuses supervisory attention and resources on the most pressing financial consumer protection topics and/or the most problematic products/services or financial providers in the market. Supervisory staff focusing on financial consumer protection will also require training specific to the topic, as the issues and supervisory tools for financial consumer protection differ from prudential supervision. For example, supervision of financial consumer may require greater use of off-site supervisory tools and market monitoring, such as mystery shopping, consumer focus groups and surveys, review of advertising materials, or systematic analyses of customer complaints.[16] Policymakers may also wish to consider tasking the boards of directors of banks with the responsibility of ensuring that proper systems and processes are put in place to implement financial consumer protection requirements, as part of a board's governance responsibilities. Compliance with financial consumer protection requirements could also be explicitly included in audit requirements for banks. Both of these requirements should be assessed as part of RBZ's supervisory activities.
Good Practice A.4	***Other Institutional Arrangements*** **a. The judicial system should ensure that the ultimate resolution of any dispute regarding a consumer protection matter in respect of a banking product or service is affordable, timely and professionally delivered.** **b. The media and consumer associations should play an active role in promoting banking consumer protection.**
Description	***Paragraph (a)*** The judicial system is not a practical or accessible avenue for the average consumer. The majority of consumers appear to be either unaware of or uncomfortable with the judicial avenues technically available to them. Small claims courts and magistrate courts exist but are not used extensively by retail consumers for financial services disputes. Small claims courts provide mediation-like services and are reported to be relatively fast, inexpensive, and effective. However, only four such courts exist in the country and these courts primarily hear disputes between individuals. Magistrate courts are the first instance courts that hear both criminal and civil disputes. Though more magistrate courts exist than small claims courts (around 300), these courts also do not typically hear disputes between consumers and financial providers. Finally, the High Court hears only disputes over USD 10,000 and typical High Court proceedings are too expensive and time-consuming for retail consumers. ***Paragraph (b)*** The media in Zimbabwe appear to be quite active in reporting on activities in the banking and broader financial sector, including with respect to misconduct by banks and other financial institutions.

[15] For further information, see *Establishing a Financial Consumer Protection Supervision Department: Key Observations and Lessons Learned in Five Case Study Countries* (World Bank, 2014), available at http://responsiblefinance.worldbank.org/~/media/GIAWB/FL/Documents/Publications/TechNote-Belarus-FCP-Dept-FINAL.pdf (last visited on December 29, 2014).

[16] For further information on supervisory strategies and tools, see *Implementing Consumer Protection in Emerging Markets and Developing Economies: A Technical Guide for Bank Supervisors* (CGAP, 2013), available at http://www.cgap.org/sites/default/files/Technical-Guide-Implementing-Consumer-Protection-August-2013.pdf (last visited on December 29, 2014).

	CCZ,[17] the main consumer association in Zimbabwe, has five primary objectives: (1) consumer education, (2) information dissemination, (3) complaints handling, (4) lobbying and advocacy, and (5) research. The current focus of the CCZ's activities is on the first objective, consumer education. However, due to limited capacity and resources (the CCZ currently has less than 20 staff members), CCZ does not work much on financial sector issues.
Recommendation	Given the impracticability of the formal judicial system providing an accessible and efficient avenue of judicial relief for individual consumers of financial services, it is recommended that an independent external dispute resolution mechanism be developed. Further details on a financial sector ombudsman type service can be found in Good Practice E.2. In terms of the media, RBZ could continue to encourage and facilitate the media's coverage of financial sector issues, particularly the opportunity for the media to play a role in increasing consumer awareness of potential financial consumer protection concerns. RBZ could also actively engage with the media in its efforts to increase financial literacy and capacity. Finally, RBZ should ensure the use of broad media channels to disseminate the RBZ's own informational materials on consumer rights and responsibilities. For example, if Key Facts Statements (KFS) are developed (*see Good Practice B.8*), the media should be used as one channel to publicize new standard formats in order to familiarize the public with such statements. Policymakers should also encourage and support capacity building at consumer associations in order to allow for organizations such as CCZ to play a more active, targeted role in promoting financial consumer protection.
Good Practice A.5	***Licensing*** **All banking institutions that provide financial services to consumers should be subject to a licensing and regulatory regime to ensure their financial safety and soundness and effective delivery of financial services.**
Description	All banking institutions providing financial services to consumers are subject to the RBZ's licensing regime. Under the Banking Act, no person other than a registered banking institution can conduct banking business in Zimbabwe and no registered banking institution can engage in any banking activity that is not specified in its registration certificate. In reviewing registration applications, RBZ evaluates whether the applicant's directors and senior officers are "*fit and proper*", its business plans and structural organization are appropriate for its class of banking business, whether the applicant will conduct its business in a prudent manner, and whether materials submitted do not indicate undesirable methods of conducting business that are being, or are likely to be, adopted by the applicant. Banks are also required to conduct their banking business and other operations in accordance with sound administrative and accounting practices and procedures and proper risk-management policies. While a licensing and regulatory regime is in place to ensure the financial safety and soundness of financial services, five banks have closed since 2009 (and a sixth bank is currently under curatorship) due to a variety of issues including failure to meet minimum capital requirements, fraud, insider lending, chronic illiquidity, and abuse of depositors' funds. Four other banks are currently facing liquidity and solvency challenges and are being closely monitored by RBZ.
Recommendation	There are no specific recommendations at this time. However, it is worth noting that a large, informal financial sector exists outside of the formal licensing regime in Zimbabwe (*see discussion in Volume I*).
SECTION B	**DISCLOSURE AND SALES PRACTICES**
Good Practice B.1	***Information on Customers***

[17] http://www.ccz.org.zw/

	a. When making a recommendation to a consumer, a bank should gather, file and record sufficient information from the consumer to enable the bank to render an appropriate product or service to that consumer. **b. The extent of information the bank gathers regarding a consumer should:** **(i) be commensurate with the nature and complexity of the product or service either being proposed to or sought by the consumer; and** **(ii) enable the bank to provide a professional service to the consumer in accordance with that consumer's capacity**
Description	There are no specific laws in Zimbabwe requiring banks to gather sufficient information on consumers to render an appropriate product or service. Such requirements that do exist concern gathering information on clients primarily related to AML or more general records of banking business (*see Good Practice C.3*). ***Paragraph (a)*** Under the AML Act, financial institutions are required to keep records on information such as the nature and date of transactions and the type and amount of currency involved. Under the Banking Act, banks are required to keep records of their transactions, banking activities, business affairs, and financial conditions. In particular, banks are required to keep records of any documents, including financial records of any person, on which the banking institution relied in approving or entering into a transaction, as well as a written record of the decision of the banking institution approving a transaction. ***Paragraph (b)*** There are no such legal requirements.
Recommendation	Policymakers should consider incorporating more detailed requirements into the comprehensive financial consumer protection law on banks keeping written records of the type described in Good Practice B.1, for the explicit purpose of rendering an appropriate product or service to that consumer (which should also be a separate obligation). Such records could be examined during supervisory activities.
Good Practice B.2	***Affordability*** **a. When a bank makes a recommendation regarding a product or service to a consumer, the product or service it offers to that consumer should be in line with the need of the consumer.** **b. The consumer should be given a range of options to choose from to meet his or her requirements.** **c. Sufficient information on the product or service should be provided to the consumer to enable him or her to select the most suitable and affordable product or service.** **d. When offering a new credit product or service significantly increasing the amount of debt assumed by the consumer, the consumer's credit worthiness should be properly assessed.**
Description	***Paragraphs (a) and (b)*** There are no specific legal requirements in Zimbabwe for banks to provide a range of options in line with the needs of potential customers. ***Paragraph (c)*** A few limited requirements regarding disclosure of interest rates and charges are noted in Good Practice B.7 (*see description in Good Practice B.7*). ***Paragraph (d)*** There are no specific legal requirements in Zimbabwe for banks to assess a consumer's creditworthiness. Banks typically conduct creditworthiness assessments as a general business practice. For salary-based lending, financial institutions made reference during the mission to following general industry standards that limit total installment repayments for all loans to 25 percent-35 percent of an individual's net salary. In addition, the Salary Services Bureau

	states that deductions from salaries for loan repayments should leave borrowers (i.e. public sector employees) with a minimum of USD 100 net salary per month. However, financial institutions noted that while efforts are made to gather information on a customer's other outstanding loans, this information is difficult to gather given that coverage by credit bureaus is incomplete and fragmented and data is not up-to-date (*see Good Practice D.4. for further discussion on credit reporting*). The (inactive) Code of Banking Practice includes a provision stating that all banks will assess a potential customer's "*ability to afford and willingness to repay*".
Recommendation	Policymakers should consider including provisions on affordability and product suitability in the comprehensive financial consumer protection law, covering the items listed in Good Practice B.2. The rules should specify that banks are required to collect and independently verify information to assess a customer's ability to repay a loan without substantial hardship and to assess whether a loan (or other financial product or service) meets a customer's requirements and needs. Provisions should also include requirements that bank staff have appropriate training and qualifications to properly conduct such affordability and product suitability assessments and to convey necessary information to potential customers. Detailed recommendations on providing sufficient information to consumers to enable consumers to select suitable and affordable products can be found in Good Practices B.7, B.8, and B.9.
Good Practice B.3	***Cooling-off Period*** **a. Unless explicitly waived in advance by a consumer in writing, a bank should provide the consumer a cooling-off period of a reasonable number of days (at least 3-5 business days) immediately following the signing of any agreement between the bank and the consumer.** **b. On his or her written notice to the bank during the cooling-off period, the consumer should be permitted to cancel or treat the agreement as null and void without penalty to the consumer of any kind.**
Description	***Paragraph (a) and (b)*** There is no cooling-off requirement under Zimbabwean law applicable to banking products.
Recommendation	Policymakers may wish to consider including a provision for cooling-off periods in the comprehensive financial consumer protection law, as described in Good Practice A.1. Banks should also be required to inform potential customers regarding their right to a cooling-off period which is of particular importance concerning longer term products such as term deposits and long term mortgages. However, certain qualifications should be included regarding this right. For example, banks should be allowed to retain reasonable administrative fees in relation to the cancellation of an agreement. There may also be certain instances where a cooling-off period does not apply, for instance where there has already been a drawdown of a credit facility.
Good Practice B.4	***Bundling and Tying Clauses*** **a. As much as possible, banks should avoid bundling services and products and the use of tying sections in contracts that restrict the choice of consumers.** **b. In particular, whenever a borrower is obliged by a bank to purchase any product, including an insurance policy, as a pre-condition for receiving a loan from the bank, the borrower should be free to choose the provider of the product and this information should be made known to the borrower.**
Description	***Paragraph (a) and (b)*** There are no legal requirements preventing banks from bundling services and products or using tying sections, nor are there requirements setting controls or safeguards for consumers regarding bundling and tying sections.

	In practice, insurance tying appears to be common among banks, particularly given the high level of NPLs. Most banks also require the use of a pre-determined insurance provider. In addition, disclosure and transparency with respect to bundled products is lacking. Banks noted that consumers frequently do not receive much information regarding tied insurance products, nor are they fully aware of the additional costs involved (*see Good Practice A.5, Insurance Sector*).
Recommendation	As a priority matter, full information regarding the fees, terms and conditions, and rights and responsibilities associated with tied products and services should be conveyed to potential consumers during the pre-transaction phase. Any commissions received by bank employees with respect to tied products and services should also be disclosed. These requirements can be included in guidelines or regulation on disclosure and transparency (*see Good Practice B.7*). Over the medium term, provisions on bundling and tying should be included in the comprehensive financial consumer protection law. In particular, if required to purchase an insurance product (or any other product) as a pre-condition to receiving a loan (or any other product), consumers should be free to choose the provider of the tied insurance product, or at least be given an option between three providers. While not currently noted as a significant issue in the banking sector, policymakers may also wish to consider including a general prohibition on financial institutions forcing the purchase of an unrelated financial product or service as a condition of acquiring another financial product or service (*see Good Practice A.5, Insurance Sector*).
Good Practice B.5	***Preservation of Rights*** **Except where permitted by applicable legislation, in any communication or agreement with a consumer, a bank should not exclude or restrict, or seek to exclude or restrict:** **(i) any duty to act with skill, care and diligence toward the consumer in connection with the provision by the bank of any financial service or product; or** **(ii) any liability arising from the bank's failure to exercise its duty to act with skill, care and diligence in the provision of any financial service or product to the consumer**
Description	There is no law which expressly prohibits the practices described in Good Practice B.5.
Recommendation	The items described in Good Practice B.5 should be incorporated into a comprehensive financial consumer protection law. If passed a comprehensive financial consumer protection should include a provision which declares void any section which seek to exclude or restrict the items described in Good Practice B.5.
Good Practice B.6	***Regulatory Status Disclosure*** **In all of its advertising, whether by print, television, radio or otherwise, a bank should disclose the fact that it is a regulated entity and the name and contact details of the regulator.**
Description	Under Section 21 of the Banking Act, banks are required to conspicuously display the fact that they are registered as a commercial bank in easily legible letters and in English at the entrance to every place where a bank conducts banking business and in every letter, advertisement, or communication. There are no specific requirements with respect to the name and contact details of the regulator, nor are there specific references to different advertising channels or mediums.
Recommendation	No recommendation.
Good Practice B.7	***Terms and Conditions*** **Before a consumer opens a deposit, current (checking) or loan account at a bank, the bank should make available to the consumer a written copy of its general**

	terms and conditions, as well as all terms and conditions that apply to the account to be opened. Collectively, these Terms and Conditions should include: **(i) disclosure of details of the bank's general charges;** **(ii) a summary of the bank's complaints procedures;** **(iii) a statement regarding the existence of the office of banking ombudsman or equivalent institution and basic information relating to its process and procedures;** **(iv) information about any compensation scheme that the bank is a member of;** **(v) an outline of the action and remedies which the bank may take in the event of a default by the consumer;** **(vi) the principles-based code of conduct, if any, referred to in A.2 above;** **(vii) information on the methods of computing interest rates paid by or charged to the consumer, any relevant non-interest charges or fees related to the product offered to the consumer;** **(viii) any service charges to be paid by the consumer, restrictions, if any, on account transfers by the consumer, and the procedures for closing an account; and** **(ix) clear rules on the reporting procedures that the consumer should follow in the case of unauthorized transactions in general, and stolen cards in particular, as well as the bank's liability in such cases facilitates the reading of every word.**
Description	Few legal rules exist in Zimbabwe regarding the consistent, standardized disclosure of all fees and charges and terms and conditions. Many stakeholders met by the mission team noted that high fees and charges are one of the largest complaints by consumers, particularly for transactional accounts.[18] Banks were noted to obtain the majority of their income from fees and charges as opposed to lending. Of potentially greater concern is the fact that banks rarely disclose all fees and charges or, in particular, all terms and conditions. The Banking Act includes provisions for the disclosure of interest rates on deposits and loans. Section 39 of the Banking Act requires that banks display "*a notice setting out its interest rates on deposits and loans"* in a conspicuous place in every building in Zimbabwe in which it carries on its banking business. The MPS issued by the RBZ in January 2014 further specifies that all banks "*display their conditions of service (charges and interest rates) in banking halls and also publish them periodically in circulating newspapers*" (Section 102(e)). It is unclear what formal legal weight this provision holds, though most banks appear to be aware of the requirement. The "*business conditions*" observed to be disclosed by banks include such items as interest rates on current accounts, savings accounts, and loans, interest payment frequencies, loan establishment fees, penalty rates, maximum and minimum balances, and bank fees and charges. While disclosure of "*business conditions*" can be quite detailed in some cases and can be a useful means of broad public disclosure, not all banks disclose "*business conditions*" and those that do disclose "*business conditions*" do not consistently disclose the same information or use the same format for disclosure, making comparison across providers difficult for consumers. In addition, there are no legal requirements regarding providing comprehensive loan agreements or current/savings account agreements containing information on all fees and charges as well as all terms and conditions to consumers and banks infrequently do so. Rather, customer-specific facility or offer letters (which banks consider to be the equivalent of an agreement) are provided to customers that include certain product-specific fees and terms, such as the term of a loan, applicable interest rate, collateral information, and penalty fees. Facility or offer letters from some banks may include information on the actions and remedies a bank may take in the event of default, or may include more details on terms and

[18] A MOU established in February 2013 between banks and the RBZ capped interest rates at 12.5% above each respective bank's weighted average cost of funds and set limits on other fees and charges. The MOU lapsed in December 2013 and has not been renewed since, partially due to complaints by banks that the controls were causing harm to their businesses. The MOU also referred to the development of standardized formats for disclosure requirements. However, the MOU expired before any progress on developing a standardized format could be made.

	conditions in an attachment. However, these letters do not provide complete information in all cases, particularly regarding all applicable terms and conditions. Furthermore, while the general content of such letters may be similar across banks, format and structure varies by bank. As a result of these gaps in disclosure, consumers receive incomplete information and are quite likely to be unaware of all possible fees and charges and terms and conditions when obtaining new products or services. For example, customers are often not affirmatively provided with information on ATM charges, mobile banking fees, or fees for obtaining a regular hard-copy statement. Important terms and conditions such as complaints handling mechanisms, information on deposit protection, and information on what actions may occur upon default are not consistently included in either the disclosure of "*business conditions*" or facility or offer letters. Disclosure to guarantors was also noted to be incomplete and problematic given the fact that some guarantors are not fully aware of the potential consequences of their actions. The inactive Code of Banking Practice included provisions regarding banks encouraging sureties to obtain independent legal advice and advising and cautioning sureties regarding the liability they are incurring.
Recommendation	As a priority in the short-term, comprehensive requirements (regulations or, less desirably, guidelines) should be issued on disclosure and transparency of fees and charges and terms and conditions. These guidelines should address the gaps identified in the current legal framework by covering the key areas listed below. (1) During the pre-agreement stage, banks should be required to disclose interest rates, key fees and charges, and key terms and conditions. Disclosure could be accomplished via a KFS (*see Good Practice B.8*). The following information should be disclosed: • Pricing. Banks should disclose the total cost for a product or service. In the case of a loan, annual percentage rate (APR) and total cost of credit (TCC) should be disclosed. Both metrics provide the "*total cost*" over the life of a loan, inclusive of interest rates, fees, and charges. Such metrics are critical to be disclosed because they allow for better comprehension and comparison by consumers than simply providing nominal interest rates. Both metrics should be disclosed in combination as they serve complementary purposes; APR is better suited to comparison purposes, while TCC (as a monetary amount as opposed to a percentage) is often better understood by typical consumers. Regulations or guidelines issued by the RBZ should provide standardized methods for calculating APR and TCC in order to allow for consistency across banks. • Key fees and charges. Banks should disclose key fees and charges, both those incurred upfront and those that may apply at a later date. For example, establishment or other administrative fees, prepayment penalties, late payment penalties, and fees for bundled services should be disclosed. Consistent and comprehensive disclosure of APR and TCC as well as key fees and charges can help to address the issue of high fees and charges by allowing consumers to comparison shop and increasing market competition. • Key terms and conditions. Banks should disclose items such as bundled products (e.g. insurance), repayment terms, default interest rates, collateral and guarantee information, and deposit insurance. Key risks such as variable interest should also be disclosed. • Complaints handling and recourse mechanisms. Key information on the availability of recourse mechanisms and how to access them should be disclosed to consumers. (2) During the conclusion of a transaction, banks should be required to disclose all applicable fees and charges, terms and conditions, and rights and responsibilities in a written agreement, a copy of which should be provided to consumers free of charge. The following information should be disclosed: • Pricing. In addition to the items listed above in Section (1), the agreement should disclose nominal interest rates and interest rate calculation methods. • All relevant fees and charges. In addition to those fees and charges noted above in Section (1), additional fees and charges that may apply to consumers should be disclosed in a written agreement. For example, ATM usage fees, mobile banking fees, fees for hard-copies of statements, and any fees for account transfers or closings should be disclosed.

	• <u>All relevant terms and conditions</u>. In addition to those terms and conditions noted above in Section (1), the agreement should include further detail on bundled services such as insurance, procedures in the case of default, and information on error resolution and liability. • <u>Complaints handling and recourse mechanisms</u>. In addition to the above, further details should be provided in the agreement on internal complaints handling procedures as well as any external recourse mechanisms. (3) The guidelines should require that any disclosures to consumers use plain language, font sizes, and formats that allow for easy readability. For written agreements, it will be important to strike the right balance between providing complete information and allowing for comprehension by average consumers. Policymakers may wish to consider requiring bank staff to orally convey key fees and charges and terms and conditions to potential consumers during the pre-transaction phase to ensure comprehension, particularly in cases where potential consumers are of low-literacy or low-numeracy. This will require appropriate staff training. (4) Policymakers may wish to consider including specific provisions in disclosure requirements on disclosure to guarantors, in particular appropriate warnings and risks fully disclosed in a standardized and prominent manner in deeds of surety ships. Guarantors could also be required to sign KFSs (*see Good Practice B.8*) to ensure that they have viewed and understood loan terms, and loan officers should be required to orally communicate responsibilities and risks to sureties. (5) Beyond disclosure and transparency issues, policymakers may also wish to consider specifying certain mandatory rights of consumers with respect to product terms and conditions. For example, consumers could be given the clear right to prepay any loan product or to close a current or savings account without unreasonable delays or waiting periods and without incurring unreasonable penalties, subject to payment for reasonable administrative fees and breakage costs. Whether rules on disclosure and transparency should be included in a new regulation or new guidelines should be determined by policymakers based on the method that is both expedient and carries greater legal weight. While it would be preferable to incorporate the topics-list above in a new regulation, if this process is likely to result in undue delays, then issuing guidelines on disclosure and transparency may be the more practical approach. Regardless of the approach, new requirements on disclosure and transparency should be consistently monitored and enforced by the RBZ. If guidelines on disclosure and transparency covering the topics listed above are not issued, the requirement for disclosure of "*business conditions*" should be formalized and clarified at a minimum. It would be preferable for such requirements be formalized in regulations, both to provide for greater legal weight as well as to allow for formal monitoring and enforcement of such requirements. The RBZ should determine and clearly specify which are the important types of fees and charges that are considered to be "*business conditions*" that all banking institutions should disclose, as the reference to "*conditions of service (charges and interest rates)*" in the MPS January 2014 does not provide sufficient detail or specificity. In such disclosures, it would be useful to require that banks use similar formats. Banking institutions should also be required to add a notation that additional fees and charges may apply and to provide information on where consumers can obtain further information. The RBZ should also consider expanding its own efforts in disclosing banks "*business conditions*." The MPS January 2014 notes that RBZ will publish all banks "*business conditions*" on RBZ's website on a quarterly basis. It appears that only interest rates are currently being published, and not in a prominent manner. RBZ could increase efforts to ensure that both interest rates and key fees and charges are communicated on the RBZ's website in an easily accessible location in a consistent, comparable format that is easy to understand for the average consumer. The availability of such information should be broadcast widely to the public through various channels to increase consumer awareness.
Good Practice B.8	***Key Facts Statement*** **a. A bank should have a Key Facts Statement for each of its accounts, types of loans or other products or services and provide these to its customers and potential customers.**

	b. The Key Facts Statement should be written in plain language and summarize in a page or two the key terms and conditions of the specific banking product or service. **c. Prior to a consumer opening any account at, or signing any loan agreement with, the bank, the consumer should have delivered a signed statement to the bank to the effect that he or she has duly received, read and understood the relevant Key Facts Statement from the bank.** **d. Key Facts Statements throughout the banking sector should be written in such a way as to allow consumers the possibility of easily comparing products that are being offered by a range of banks.**
Description	There is no regulation requiring banks to provide KFSs or summary sheets for financial products and services to customers. In practice, banks often provide an offer or facility letter for loan products, which includes a summary of key terms and conditions. However, the content and format of such letters varies across banks (*see Good Practice B.7*). ***Paragraphs (a) – (d)*** There are no such legal requirements.
Recommendation	As a priority, provisions should be included in the comprehensive guidelines (or regulation) on disclosure (*see Good Practice B.7*) that require banks to provide KFSs for their financial products and services to current and potential customers. The guidelines should specify the minimum content of key facts statements, such as the following items (*see Good Practice B. 7 for further details on each of these items*): • Pricing, total cost, and fees and charges; • Key terms and conditions; • Key rights and responsibilities; • Key risks and variable terms; and • Complaints handling and recourse mechanisms. The guidelines should also specify the format of KFSs, for example that they be simple, written in plain language, with a minimum font size (say 11 points), shorter than two pages, and easy to comprehend. KFSs should be provided to potential customers before a transaction is completed, and customers should be given the opportunity to take KFSs away and review them at their own pace outside of the pressure inherent in a sales environment. Potential customers should be required to be given a KFS (and possibly sign it) prior to concluding a transaction. Given the prevalence of suretyships of Zimbabwe, guarantors could also be required to be given KFSs or an equivalent document for suretyships. Records of KFSs signed by customers and guarantors should be maintained by banks and be available for inspection by supervisory authorities. It is recommended that standardized KFSs be developed for the most common retail financial products and services, such as loans, current accounts, and savings accounts. Requiring banks to use the same KFS increases the likelihood of consumer comprehension and enables consumers to more easily compare products being offered by a range of banks. To properly develop an effective, standardized KFS that is understandable by consumers, focus group testing among consumers should be conducted, including with low-income consumers. Policymakers may also wish to undertake efforts to increase consumer awareness regarding new, standardized KFSs introduced into the market, such as by launching media campaigns regarding KFS sand collaborating with financial institutions and consumers associations to introduce such formats to consumers (*see Good Practice A.5*).
Good Practice B.9	***Advertising and Sales Materials*** **a. Banks should ensure that their advertising and sales materials and procedures do not mislead customers.** **b. All advertising and sales materials of banks should be easily readable and understandable by the general public.**

	c. Banks should be legally responsible for all statements made in their advertising and sales materials (i.e. be subject to the penalties under the law for making any false or misleading statements)
Description	There is no overarching legal framework for advertising in Zimbabwe. Limited advertising provisions can be found in the following laws: • The Competition Act lists misleading advertising as an unfair trade practice that is punishable by a fine. • The Advertisements Regulation Act provides for control of advertisements on structures or apparatus erected or intended for display along railways or roads declared to be a main district or branch road. Neither of the above provisions is directly applicable to banks. The (inactive) Code of Banking Conduct included a short section on advertising, requiring banks to ensure that all advertising and promotional material is clear, fair, reasonable, and not intentionally misleading. ***Paragraphs (a) – (c)*** There are no such legal requirements.
Recommendation	In the short-term, provisions on the prohibition of misleading and deceptive conduct and false and misleading statements in relation to the sale, distribution, and management of financial products and services should be included in comprehensive disclosure guidelines (*see Good Practice B.7*). Financial institutions should be held legally responsible for statements made in advertising and sales materials. The disclosure and transparency principles discussed in Good Practices B.7 and B.8 apply to advertising and sales materials as well, as these materials are used by consumers during the shopping and pre-transaction stage to compare product offerings across providers and to select products appropriate to their needs. Advertisements and sales materials should therefore be easily readable and understandable, without excessive fine print. Policymakers may also wish to consider providing rules on standardized formats and minimum content for disclosing pricing and key terms and conditions in advertising for common retail financial products and services. For example, banks could be required to disclose APR and TCC, based on an average use case and using standardized calculation methods provided by the RBZ (*see Good Practice B.7*). Over the long-term, the aforementioned provisions on advertising and sales materials should be included and expanded upon where necessary in the comprehensive financial consumer protection law.
Good Practice B.10	***Third-Party Guarantees*** **A bank should not advertise either an actual or future deposit or interest rate payable on a deposit as being guaranteed or partially guaranteed unless there is a legally enforceable agreement between the bank and a third party who or which has provided such a guarantee. In the event such an agreement exists, the advertisement should state:** **(i) the extent of the guarantee;** **(ii) the name and contact details of the party providing the guarantee; and** **(iii) in the event the party providing the guarantee is in any way connected to the bank, the precise nature of that relationship.**
Description	There are no specific legal requirements on this topic, nor was it noted as an issue by the mission team.
Recommendation	No recommendation (*see Good Practice B.9 regarding general principles for advertising*).
Good Practice B.11	***Professional Competence*** **a. In order to avoid any misrepresentation of fact to a consumer, any bank staff member who deals directly with consumers, or who prepares bank advertisements (or other materials of the bank for external distribution), or who markets any service or product of the bank should be familiar**

	with the legislative, regulatory and code of conduct guidance requirements relevant to his or her work, as well as with the details of any product or service of the bank which he or she sells or promotes. **b. Regulators and associations of banks should collaborate to establish and administer minimum competency requirements for any bank staff member who: (i) deals directly with consumers, (ii) prepares any Key Facts Statement or any advertisement for the bank, or (iii) markets the bank's services and products.**
Description	There are no legal requirements dealing specifically with the professional competence of bank staff members who deal directly with consumers. The Banking Act contains general provisions requiring that applicants for a banking license have directors and senior officers who are fit and proper and have sufficient qualifications and experience for the management of banking business. In addition, Banking Regulation, 2000 requires that banks appoint and provide details on the qualifications and experience of individual officers responsible for such areas as risk management, lending and credit administration, and operations and internal controls. ***Paragraph (a)*** There is no such legal requirement. ***Paragraph (b)*** There is no such legal requirement.
Recommendation	Policymakers may wish to consider including in the comprehensive financial consumer protection law or sector-specific laws enhanced requirements regarding professional competence. In particular, staff members and bank agents dealing directly with consumers, preparing KFSs or advertisements, or marketing bank products and services should be specifically trained on financial consumer protection issues and legal requirements and the features and risks of consumer products.
SECTION C	**CUSTOMER ACCOUNT HANDLING AND MAINTENANCE**
Good Practice C.1	***Statements*** **a. Unless a bank receives a customer's prior signed authorization to the contrary, the bank should issue, and provide the customer free of charge, a monthly statement of every account the bank operates for the customer.** **b. Each such statement should: (i) set out all transactions concerning the account during the period covered by the statement; and (ii) provide details of the interest rate(s) applied to the account during the period covered by the statement.** **c. Each credit card statement should set out the minimum payment required and the total interest cost that will accrue, if the cardholder makes only the required minimum payment.** **d. Each mortgage or other loan account statement should clearly indicate the amount paid during the period covered by the statement, the total outstanding amount still owing, the allocation of payment to the principal and interest and, if applicable, the up-to-date accrual of taxes paid.** **e. A bank should notify a customer of long periods of inactivity of any account of the customer and provide a reasonable final notice in writing to the customer if the funds are to be treated as unclaimed money.** **f. When a customer signs up for paperless statements, such statements should be in an easy-to-read and readily understandable format.**
Description	There are currently no legal requirements for banks to provide monthly statements, and most banks do not do so in practice. Banks noted that the practice of sending customers regular monthly statements by mail ended during the hyperinflation period. Most banks do provide access to statements online. Mini-statements can often be obtained via mobile phone (e.g. account balance and list of

	recent transactions) or at an ATM, in some cases for a fee. Certain banks allow customers to sign up for electronic statements or provide e-statements automatically to higher-value customers. Customers can also obtain hard-copy statements in person at bank branches or can request to receive them by mail. Both of these methods typically have an associated fee. Several banks also noted that statements would not typically be provided in the case of loan products. There is a provision in the inactive Code of Banking Practice on the provision of regular account statements. ***Paragraphs (a) - (f)*** There are no such legal requirements.
Recommendation	As a priority, banks should be required to automatically provide periodic (most likely monthly) statements to customers free of charge for all types of bank products and services. These requirements should be included in the disclosure guidelines discussed in Good Practice B.7. While it is preferable that such statements be provided by mail, if this is practically infeasible due to compliance costs for providers, statements can be provided by electronic means as an alternative. However, customers should still be provided with the option to receive a hard-copy statement by mail or in a bank branch, although they may be required to pay a reasonable fee. Policymakers should also clearly specify that fees charged for dormant accounts be highlighted in regular statements or separate notifications to customers. Several stakeholders noted to the mission team their concerns with monthly service fees charged to dormant accounts, occasionally resulting in a negative balance. Banks should be required to provide an affirmative warning to customers in such situations. Disclosure guidelines should also specify the minimum content for statements as listed in Good Practice C.1, regardless of whether statements are hard-copy or electronic. The format of statements, whether electronic or hard copy, should also be both easy-to-read and self-explanatory.
Good Practice C.2	***Notification of Changes in Interest Rates and Non-interest Charges*** **a. A customer of a bank should be notified in writing by the bank of any change in:** **(i) The interest rate to be paid or charged on any account of the customer as soon as possible; and** **(ii) A non-interest charge on any account of the customer a reasonable period in advance of the effective date of the change.** **b. If the revised terms are not acceptable to the customer, he or she should have the right to exit the contract without penalty, provided such right is exercised within a reasonable period.** **c. The bank should inform the customer of the foregoing right whenever a notice of change under paragraph (a) is made by the bank.**
Description	***Paragraph (a)*** There are no specific requirements for banks to notify customers of changes in interest rates and non-interest charges in writing or in advance. In practice, most banks noted that changes in fees and charges would be reflected via the general disclosure of "*business conditions*" in bank branches and online. However, as discussed in Good Practice B.7, not all fees and charges are included in the disclosure of "*business conditions*". For example, certain banks noted to the mission team that a customer withdrawing from an ATM would only become aware of changes in ATM fees after withdrawing. A few banks indicated that they do notify customers in writing of changes in fees, though it does not appear that this practice is standard across the banking industry. It should be noted that in accordance with the MPS January 2014, banks are currently required to justify to and obtain approval from RBZ if they wish to increase their charges or

	interest rates. Though not technically a legal requirement (*see Good Practice B.7 for a more detailed discussion*), it appears that most banks are aware of and follow this procedure to a certain extent. However, it is not clear which types of fees and charges policymakers and banks consider as requiring advance approval. ***Paragraphs (b) and (c)*** There are no such legal requirements.
Recommendation	As a priority, policymakers should consider explicitly including notification requirements in the disclosure guidelines discussed in Good Practice B.7, in order to ensure that customers are aware of changes in interest rates and fees in advance. It would be preferable for customers to be notified individually, in writing, and in advance of any changes in interest rates or fees. The guidelines should specify that such notification applies to all fees and charges. However, if this is not practically feasible, banks could alternatively be required to provide notice of changes in interest rates and fees in dailies and bank branches. Notifications should highlight the fact that interest rates or fees are changing (as opposed to simply posting the new interest rate or fee). Notification should be provided within a reasonable time period in advance of any changes. If notification is provided via dailies and bank branches, notice should also be provided in the next account statement. Customers could also be advised of their rights to exit a contract when receiving notice of a change.
Good Practice C.3	***Customer Records*** **a. A bank should maintain up-to-date records in respect of each customer of the bank that contain the following:** **(i) a copy of all documents required to identify the customer and provide the customer's profile;** **(ii) the customer's address, telephone number and all other customer contact details;** **(iii) any information or document in connection with the customer that has been prepared in compliance with any statute, regulation or code of conduct;** **(iv) details of all products and services provided by the bank to the customer;** **(v) all documents and applications of the bank completed, signed and submitted to the bank by the customer;** **(vi) a copy of all original documents submitted by the customer in support of an application by the customer for the provision of a product or service by the bank; and** **(vii) any other relevant information concerning the customer.** **b. A law or regulation should provide the minimum permissible period for retaining all such records and, throughout this period, the customer should be provided ready access to all such records free of charge or for a reasonable fee.**
Description	Requirements for the maintenance of records can be found in the Banking Act as well as the AML Act. ***Paragraph (a)*** Under the AML Act, financial institutions are required to keep records on: • The name, address, and occupation of each person conducting a transaction; • The nature and date of the transactions; • The type and amount of currency involved; • The type and identifying number of any account opened; • The names of parties and amounts involved if a transaction involves a negotiable instrument; and • The name and address of the financial institution and the employee or agent of the financial institution who prepared the report on a transaction.

	The Banking Act includes more open-ended requirements for banks to keep records of their transactions, banking activities, business affairs, and financial conditions. In particular, banks are required to keep records of: • Every application and every contract pertaining to a transaction, including credit, guarantee and collateral agreements; • Any documents, including financial records of any person, on which the banking institution relied in approving or entering into a transaction; and • A written record of the decision of the banking institution approving a transaction. There are no specific requirements regarding maintaining records of all documents required to identify a customer or of all documents completed by a customer on an ongoing basis. ***Paragraph (b)*** Under the AML Act, records must be kept for a period of at least five years from the date a transaction is completed.
Recommendation	The requirements in the AML Act and the Banking Act cover several of the basic components listed in Good Practice C.3. However, policymakers may wish to consider being both more comprehensive and more explicit, for example by requiring maintenance of all original documents submitted by a customer in support of an application, all records regarding collateral or suretyships, details of all products and services provided by the bank to a customer, and all original documents submitted by a customer on an ongoing basis. Requirements could also be put in place to ensure that such records are kept up-to-date. It is also recommended that customers be given the right of access to their personal information held by a bank.
Good Practice C.4	***Paper and Electronic Checks*** **a. The law and code of conduct should provide for clear rules on the issuance and clearing of paper checks that include, among other things, rules on:** **(i) checks drawn on an account that has insufficient funds;** **(ii) the consequences of issuing a check without sufficient funds;** **(iii) the duration within which funds of a cleared check should be credited into the customer's account;** **(iv) the procedures on countermanding or stopping payment on a check by a customer;** **(v) charges by a bank on the issuance and clearance of checks;** **(vi) liability of the parties in the case of check fraud; and** **(vii) error resolution** **b. A customer should be told of the consequences of issuing a paper check without sufficient funds at the time the customer opens a checking account.** **c. A bank should provide the customer with clear, easily accessible and understandable information regarding electronic checks, as well the cost of using them.** **d. In respect of electronic or credit card checks, a bank should inform each customer in particular:** **(i) how the use of a credit card check differs from the use of a credit card;** **(ii) of the interest rate that applies and whether this differs from the rate charged for credit card purchases;** **(iii) when interest is charged and whether there is an interest free period, and if so, for how long;** **(iv) whether additional fees or charges apply and, if so, on what basis and to what extent; and** **(v) whether the protection afforded to the customer making a purchase using a credit card check differs from that afforded when using a credit card and, if so, the specific differences.**

	e. Credit card checks should not be sent to a consumer without the consumer's prior written consent. **f. There should be clear rules on procedures for dealing with authentication, error resolution and cases of fraud.**
Description	Checks are regulated by the Bills of Exchange Act. In practice, most banks do not offer checking services to consumers, primarily due to the fact that there is currently no functional clearing system for checks. The RBZ is empowered under the RBZ Act to organize facilities for clearing and settlement of inter-bank payments, including payments by check. The NPS Act also refers to the RBZ establishing and operating a system for the discharge of indebtedness arising from the clearing of payment instructions. However, there is no system currently operating for clearing and settling payments by check (though such systems did operate in the past). ***Paragraph (a)*** The Bills of Exchange Act contains rules on some, but not all, of the issues covered in Paragraph (a). For example, the Act includes provisions related to dishonor, liability, and fraud. There are no specific provisions on the charges of bank with respect to the issuance and clearance of checks. ***Paragraph (b)*** There is no such legal requirement. ***Paragraph (c), (d), (e), and (f)*** Such facilities are not currently available to consumers in Zimbabwe.
Recommendation	Although not a priority at this stage, if checking services begin to be offered again by banks, policymakers should ensure that charges associated with issuing and clearing checks and the consequences of issuing checks with insufficient funds are properly disclosed to consumers. If electronic or credit card checks are introduced in Zimbabwe, policymakers should consider updating and expanding the Bills of Exchange Act (or other related legislation) to include requirements listed in paragraphs (c) – (f) of Good Practice C.4.
Good Practice C.5	***Credit Cards*** **a. There should be legal rules on the issuance of credit cards and related customer disclosure requirements.** **b. Banks, as credit card issuers, should ensure that personalized disclosure requirements are made in all credit card offers, including the fees and charges (including finance charges), credit limit, penalty interest rates and method of calculating the minimum monthly payment** **c. Banks should not be permitted to impose charges or fees on pre-approved credit cards that have not been accepted by the customer.** **d. Consumers should be given personalized minimum payment warnings on each monthly statement and the total interest costs that will accrue if the cardholder makes only the requested minimum payment.** **e. Among other things, the legal rules should also:** **(i) restrict or impose conditions on the issuance and marketing of credit cards to young adults (below age of 21) who have no independent means of income;** **(ii) require reasonable notice of changes in fees and interest rates increase;** **(iii) prevent the application of new higher penalty interest rates to the entire existing balance, including past purchases made at a lower interest rate;** **(iv) limit fees that can be imposed, such as those charged when consumers exceed their credit limits;** **(v) prohibit a practice called —double-cycle billing by which card issuers charge interest over two billing cycles rather than one;** **(vi) prevent credit card issuers from allocating monthly payments in ways that maximize interest charges to consumers; and**

	(vii) limit up-front fees charged on sub-prime credit cards issued to individuals with bad credit. **f. There should be clear rules on error resolution, reporting of unauthorized transactions and of stolen cards, with the ensuing liability of the customer being made clear to the customer prior to his or her acceptance of the credit card.** **Banks and issuers should conduct consumer awareness programs on the misuse of credit cards, credit card over- indebtedness and prevention of fraud.**
Description	There are no specific laws or regulations with respect to credit cards in Zimbabwe. Credit card agreements with consumers would presumably be required to comply with the provisions of the Consumer Contracts Act and the Contractual Penalties Act, both short laws which include a few general requirements regarding fair play in the formation of contracts. Credit cards are not currently a common product offered to retail consumers by banks, although a few of the larger banks have indicated that they may increase their activities in credit cards in the future. There are draft guidelines on electronic payment systems which apply to credit cards, in particular with respect to error resolution and liability rules (*see section on Digital Financial Services*).
Recommendation	If credit card product offerings and usage increase, policymakers should consider including the disclosure principles noted above in comprehensive regulations and guidelines issued on disclosure (*see Good Practice B.7*). Good disclosure and transparency principles such as full advance notice of total costs, applicable terms and conditions, rights and responsibilities, and methods of calculating interest as well as good practices regarding the format of disclosure apply to credit cards as with any other retail financial product or service. Periodic statements should also be provided to consumers (*see Good Practice C.1*), as well as advance notice of changes in interest rates or fees (*see Good Practice C.2*). In addition, the other items listed in Good Practice C.5 should be included in the comprehensive financial consumer protection law, in particular with respect to allowable business practices. Rules regarding error resolution and customer liability should also be established and/or clarified.
Good Practice C.6	***Internet Banking and Mobile Phone Banking***[19] **a. The provision of internet banking and mobile phone banking (m-banking) should be supported by a sound legal and regulatory framework.** **b. Regulators should ensure that banks or financial service providers providing internet and m-banking have in place a security program that ensures:** **(i) data privacy, confidentiality and data integrity;** **(ii) authentication, identification of counterparties and access control;** **(iii) non-repudiation of transactions;** **(iv) a business continuity plan; and** **(v) the provision of sufficient notice when services are not available.** **c. Banks should also implement an oversight program to monitor third-party control conditions and performance, especially when agents are used for carrying out m-banking.** **d. A customer should be informed by the bank whether fees or charges apply for internet or m-banking and, if so, on what basis and how much.** **e. There should be clear rules on the procedures for error resolution and fraud.**

[19] See section on Digital Financial Services.

	f. Authorities should encourage banks and service providers to undertake measures to increase consumer awareness regarding internet and m-banking transactions.
Description	*See section on Digital Financial Services.*
Recommendation	*See section on Digital Financial Services.*
Good Practice C.7	***Electronic Fund Transfers and Remittances*** **a. There should be clear rules on the rights, liabilities and responsibilities of the parties involved in any electronic fund transfer.** **b. Banks should provide information to consumers on prices and service features of electronic fund transfers and remittances in easily accessible and understandable forms. As far as possible, this information should include:** **(i) the total price (e.g. fees for the sender and the receiver, foreign exchange rates and other costs);** **(ii) the time it will take the funds to reach the receiver;** **(iii) the locations of the access points for sender and receiver; and** **(iv) the terms and conditions of electronic fund transfer services that apply to the customer.** **c. To ensure transparency, it should be made clear to the sender if the price or other aspects of the service vary according to different circumstances, and the bank should disclose this information without imposing any requirements on the consumer.** **d. A bank that sends or receives an electronic fund transfer or remittance should document all essential information regarding the transfer and make this available to the customer who sends or receives the transfer or remittance without charge and on demand.** **e. There should be clear, publicly available and easily applicable procedures in cases of errors and frauds in respect of electronic fund transfers and remittances** **f. A customer should be informed of the terms and condition of the use of credit/debit cards outside the country including the foreign transaction fees and foreign exchange rates that may be applicable.**
Description	*See section on Digital Financial Services.*
Recommendation	*See section on Digital Financial Services.*
Good Practice C.8	***Debt Recovery*** **a. A bank, agent of a bank and any third party should be prohibited from employing any abusive debt collection practice against any customer of the bank, including the use of any false statement, any unfair practice or the giving of false credit information to others.** **b. The type of debt that can be collected on behalf of a bank, the person who can collect any such debt and the manner in which that debt can be collected should be indicated to the customer of the bank when the credit agreement giving rise to the debt is entered into between the bank and the customer.** **c. A debt collector should not contact any third party about a bank customer's debt without informing that party of the debt collector's right to do so; and the type of information that the debt collector is seeking.** **d. Where sale or transfer of debt without borrower consent is allowed by law, the borrower should be:** **(i) notified of the sale or transfer within a reasonable number of days;** **(ii) informed that the borrower remains obligated on the debt; and**

	(iii) provided with information as to where to make payment, as well as the purchaser's or transferee's contact information.
Description	There are no laws or regulations with respect to debt recovery in Zimbabwe. Banks appear to follow generally similar debt recovery practices. Banks first attempt to collect debt directly by sending demand letters to defaulting borrowers and renegotiating debts. If this process fails, then debt collectors or litigation may be employed. Debt collectors are not licensed in Zimbabwe and do not operate under a specific legal framework for debt recovery, though the Ministry of Justice (MoJ) has discussed a potential law on the subject. The larger, more established debt collection companies follow their own internal corporate processes, involving sending letters to debtors and attempting to create repayment plans. However, there has been a recent increase in the number of smaller, informal debt collectors in the country, posing potential concerns regarding unorthodox debt collection practices. The MoJ has also discussed a potential survey on debt collection practices, but the discussion appears to be in an initial stage. ***Paragraph (a)*** There is no such legal requirement. ***Paragraph (b)*** There is no such legal requirement. In practice, debt collection practices are not typically disclosed to customers in initial credit agreements. ***Paragraph (c)*** There is no such legal requirement. ***Paragraph (d)*** There is no such legal requirement.
Recommendation	Rules should be put in place prohibiting abusive debt collection practices by banks, agents of banks, or third parties, as well as for the other aspects listed in Good Practice C.8. These rules could be included in the comprehensive financial consumer protection law. Any efforts in this regard should be coordinated with related MoJ efforts to formulate a law on debt collection. In addition, debt collectors should be formally licensed and registered and overseen. Debt collection companies should be required to comply with specified business conduct rules. The MoJ should be encouraged to proceed with a survey on debt collection practices, in order to identify informal debt collectors utilizing unorthodox practices that should be reformed or shutdown.
Good Practice C.9	***Foreclosure of mortgaged or charged property*** **a. In the event that a bank exercises its right to foreclose on a property that serves as collateral for a loan, the bank should inform the consumer in writing in advance of the procedures involved, and the process to be employed by the bank to foreclose on the property it holds as collateral and the consequences thereof to the consumer.** **b. At the same time, the bank should inform the consumer of the legal remedies and options available to him or her in respect of the foreclosure process.** **c. If applicable, the bank should draw the consumer's attention to the fact that the bank has a legal right to recover the balance of the debt due in the event the proceeds from the sale of the foreclosed property are not sufficient to fully discharge the outstanding amount.** **d. In the event the mortgage contract or charge agreement permits the bank to enforce the contract without court assistance, the bank should ensure that it employs professional and legal means to enforce the contract, including regarding the sale of the property.**
Description	There are a few rules in place regarding foreclosure on movable and immovable property, including in the Magistrates Court Act and the High Court and Magistrate Court rules (copies of which were unavailable for review by the mission team). Banks must obtain a judgment

	and writ of execution to foreclose on property. Under the Magistrates Court Act (which applies to claims under USD 10,000), immovable property subject to a claim cannot be sold in execution unless a judgment creditor has provided notice in writing of the intended sale to be served personally upon the preferential creditor. There are also provisions regarding what property may not be attached, such as necessary bedding and furniture. However, the Act does not include the specific items listed in Good Practice C.9. ***Paragraph (a)*** There is no such legal requirement. Banks appear to inform consumers in advance of foreclosure proceedings as a matter of practice. It is not clear to what extent information regarding the foreclosure process and the consequences thereof are clearly conveyed to consumers. ***Paragraph (b)*** There is no such legal requirement. It is not clear if banks typically inform consumers regarding their legal remedies in the foreclosure process. ***Paragraph (c)*** There is no such legal requirement. ***Paragraph (d)*** N/A
Recommendation	As there do not appear to be specific legal requirements in place capturing all aspects of Good Practice C.9, such legal requirements should be included in a comprehensive financial consumer protection law or through amendments to other relevant acts. In particular, rules requiring banks to provide consumers with advance notice of foreclosure and available legal remedies are needed to supplement existing foreclosure procedures.
Good Practice C.10	***Bankruptcy of Individuals*** **a. A bank should inform its individual customers in a timely manner and in writing on what basis the bank will seek to render a customer bankrupt, the steps it will take in this respect and the consequences of any individual's bankruptcy.** **b. Every individual customer should be given adequate notice and information by his or her bank to enable the customer to avoid bankruptcy.** **c. Either directly or through its association of banks, every bank should make counseling services available to customers who are bankrupt or likely to become bankrupt.** **d. The law should enable an individual to:** **(i) declare his or her intention to present a debtor's petition for a declaration of bankruptcy;** **(ii) propose a debt agreement;** **(iii) propose a personal bankruptcy agreement; or** **(iv) enter into voluntary bankruptcy.** **e. Any institution acting as the bankruptcy office or trustee responsible for the administration and regulation of the personal bankruptcy system should provide adequate information to consumers on their options to deal with their own unmanageable debt.**
Description	Zimbabwe has an insolvency law, the Insolvency Act, under which individuals can apply for voluntary bankruptcy and have a trustee appointed. However, the mission team was informed that individuals rarely use the Insolvency Act, either due to the fact that they are unaware of such a law or because the process involved would be too expensive and time-consuming in practice. ***Paragraphs (a), (b), and (c)***

	There are no specific legal requirements with respect to these items. Banks did not indicate what particular steps are required to be taken or are typically taken during the bankruptcy of a customer. The mission team was not aware of the availability of counseling services. ***Paragraph (d)*** The Insolvency Act provides for voluntary petitions of surrender to the High Court by insolvent debtors. The Act primarily concerns the responsibilities of trustees and meetings of creditors. There are specific provisions dealing with an individual's right to propose an offer of composition to creditors at any time after the first meeting of creditors, after submission to and approval from the trustee. ***Paragraph (e)*** There are no specific provisions in the Insolvency Act regarding trustees providing information to consumers on their options to deal with debt.
Recommendation	Policymakers should consider whether amendments to the Insolvency Act or Banking Act are warranted to provide for the items listed in Good Practice C.10. In particular, banks should be required to inform customers before initiating bankruptcy proceedings and to provide information on avoiding bankruptcy, and trustees should be required to provide information to consumers on options for dealing with their debt. Such information should also be incorporated into broader financial education programs, and policymakers should consider encouraging the increased availability of counseling services, particularly earlier on during the defaulting stage (*see Annex I*).
SECTION D	**PRIVACY AND DATA PROTECTION**
Good Practice D.1	***Confidentiality and Security of Customers' Information*** **a. The banking transactions of any bank customer should be kept confidential by his or her bank.** **b. The law should require a bank to ensure that it protects the confidentiality and security of the personal data of its customers against any anticipated threats or hazards to the security or integrity of such information, as well as against unauthorized access.**
Description	There does not appear to be a coordinated approach with respect to data privacy issues in Zimbabwean law. There are few laws or regulations in place on data privacy generally and the confidentiality and security of customers' information specifically. It appears that banks primarily follow their own internal guidelines with respect to data privacy and the confidentiality of customer information. There is an Access to Information and Protection of Privacy Act, but the Act concerns providing members of the public with the right of access to records held by public bodies, preventing unauthorized use or disclosure of personal information by public bodies, and protecting data held by public institutions. ***Paragraph (a)*** There is no such legal requirement. There is a provision on confidentiality in the inactive Code of Banking Practice. Banks pledge to treat customer's personal information as private and confidential except in certain situations, e.g. where legally compelled, where it is in public interest, where bank's interests require disclosure, and where disclosure is made at customer's request or with customer's written consent. ***Paragraph (b)*** There is no such legal requirement.
Recommendation	In the short-term, it is suggested that amendments to the Banking Act give consumers common protections such as rights of access and limitations on the collection and use of personal information. In the medium to long-term, an overarching data privacy and protection law should be developed for the financial sector that requires all entities, including banks, to protect the

	confidentiality and security of all personal data in respect of their customers against unauthorized access and any anticipated threats or hazards to the security or integrity of such information. This law should also apply generally to all personal information. The law should cover the following issues, among others: • The circumstances in which personal data can be collected and the disclosures that must be made at the time of collection; • The permitted uses and disclosures of personal information and the permitted exceptions (such as disclosures to government authorities, police and courts, disclosures authorized or permitted by law and uses of personal data for marketing purposes); • Data quality, i.e. data should be accurate, complete and up-to-date; • Data security, i.e. the obligation to protect data from misuse and loss and from unauthorized access; • The need to make customers aware of the bank's policies in relation to the handling of personal data; • Rights of access and correction; • Any rights of anonymity; • Any restrictions on the use of national identifiers (such as the national identification number); • The circumstances in which trans-border data flows are permitted; and • Any special rules relation to the collection, use and disclosure of sensitive information (e.g. relating to health, religious or political affiliations). The OECD Guidelines on the Protection and Privacy and Trans-border Flows of Personal Data, 2013 have been used as the basis for developing many such data protection laws and should be consulted as a reference.
Good Practice D.2	***Sharing Customer's Information*** **a. A bank should inform its customer in writing:** **(i) of any third-party dealing for which the bank is obliged to share information regarding any account of the customer, such as any legal enquiry by a credit bureau; and** **(ii) as to how it will use and share the customer's personal information.** **b. Without the customer's prior written consent, a bank should not sell or share account or personal information regarding a customer of the bank to or with any party not affiliated with the bank for the purpose of telemarketing or direct mail marketing.** **c. The law should allow a customer of a bank to stop or opt out of the sharing by the bank of certain information regarding the customer and, prior to any such sharing of information for the first time, every bank should be required to inform each of its customers in writing of his or her rights in this respect.** **d. The law should prohibit the disclosure by a third party of any banking-specific information regarding a customer of a bank.**
Description	There do not appear to be any legal rules in place regarding sharing of customer information by banks. ***Paragraph (a)*** There is no such legal requirement. There was a provision on sharing of customer information in the (inactive) Code of Banking Practice which specified under what circumstances information about a customer's personal debt could be disclosed to credit reference agencies. In practice, it was reported to the mission team that some banks do obtain affirmative consent from consumers to share information for purposes of credit reporting, though this likely arises from internal corporate practices with respect to data privacy of certain banks as opposed to compliance with legal requirements.

	Paragraph (b) There is no such legal requirement.
	Paragraph (c) There is no such legal requirement. ***Paragraph (d)*** There are no general legal requirements on this topic. There are also a few provisions on secrecy in the Banking Act, though these provisions primarily relate to secrecy on the part of RBZ and the Registrar of Banking Institutions. For example, Section 64 allows RBZ and the Registrar of Banking Institutions to share statistics for purposes of the census, though statistics shared cannot reveal confidential information concerning a particular bank or person. Section 76 states that the RBZ, the Registrar of Banking Institutions, and auditors of banks cannot disclose information acquired during the performance of their activities under the Banking Act which relate to the affairs of a bank.
Recommendation	Legal rules regarding the sharing of customer information should be included in an overarching data privacy and protection law (*see Good Practice D.1*). These provisions will be particularly important for the clear operations of private credit bureaus, assuming a legal framework for private credit bureaus is established.
Good Practice D.3	***Permitted Disclosures*** **The law should provide for:** **(i) the specific rules and procedures concerning the release to any government authority of the records of any customer of a bank;** **(ii) rules on what the government authority may and may not do with any such records;** **(iii) the exceptions, if any, that apply to these rules and procedures; and** **(iv) the penalties for the bank and any government authority for any breach of these rules and procedures.**
Description	There do not appear to be specific rules regarding permitted disclosures as listed in the Good Practice D.3.
Recommendation	Legal provisions regarding permitted disclosures, particularly with respect to rules and procedures for release of the records of any customer of a bank to government authorities, should be developed and incorporated in the new data privacy and protection law proposed in the recommendation for Good Practice D.1.
Good Practice D.4	***Credit Reporting*** **a. Credit reporting should be subject to appropriate oversight, with sufficient enforcement authority.** **b. The credit reporting system should have accurate, timely and sufficient data. The system should also maintain rigorous standards of security and reliability.** **c. The overall legal and regulatory framework for the credit reporting system should be: (i) clear, predictable, non-discriminatory, proportionate and supportive of consumer rights; and (ii) supported by effective judicial or extrajudicial dispute resolution mechanisms.** **d. In facilitating cross-border transfer of credit data, the credit reporting system should provide appropriate levels of protection.** **e. Proportionate and supportive consumer rights should include the right of the consumer** **(i) to consent to information-sharing based upon the knowledge of the institution's information-sharing practices;**

	(ii) to access his or her credit report free of charge (at least once a year), subject to proper identification; **(iii) to know about adverse action in credit decisions or less-than-optimal conditions/prices due to credit report information;** **(iv) to be informed about all inquiries within a period of time, such as six months;** **(v) to correct factually incorrect information or to have it deleted and to mark (flag) information that is in dispute;** **(vi) to reasonable retention periods of credit history, for instance two years for positive information and 5-7 years for negative information; and** **(vii) to have information kept confidential and with sufficient security measures in place to prevent unauthorized access, misuse of data, or loss or destruction of data.** **f. The credit registries, regulators and associations of banks should undertake campaigns to inform and educate the public on the rights of consumers in the above respects, as well as the consequences of a negative personal credit history.**
Description	***Paragraph (a)*** At least three private credit bureaus operate in Zimbabwe, but are not officially licensed or formally overseen by RBZ. One credit bureau in particular, the Financial Clearing Bureau (FCB), operates as a closed user group and includes as its members (and collects information from) all banks as well as a number of non-banks, including Econet (EcoCash) and MFIs. FCB reports that it holds a total of 6 million records and has processed over 1 million searches in 2014. The FCB noted that banks are relatively active users of its services and that it has informal communications with RBZ regarding its operations. However, given that there are currently no laws or regulations on the operation of credit bureaus and no licensing procedures, credit bureaus are operating without any formal rules for important consumer topics such as data privacy, data reliability, governance, and consumer rights regarding their credit information. The mission team understands that RBZ and the Ministry of Finance (MoF) are in the process of finalizing a legal and accreditation framework for credit reference bureaus. Provisions for the licensing of credit bureaus are reportedly included in amendments to the Banking Act that have been approved by Cabinet and are soon to be gazetted, according to the MPS July 2014. The Banking Act amendments also reportedly contain provisions on the establishment of a credit information bank to be housed at RBZ. This credit registry would collect credit information from all banks and MFIs, and would serve as a databank for licensed private credit reference bureaus. ***Paragraph (b)*** The credit reporting system in Zimbabwe is generally not considered to have accurate, timely, or sufficient data. Banks and credit reporting agencies noted that no agency has sufficient data, and that data is often submitted to credit reporting agencies once a month. Therefore, a search at any given time will not produce up-to-date results. As credit reporting agencies are not formally registered as credit bureaus, they do not have easy access to information from government agencies. There are no legal requirements regarding security and reliability. However, the Credit Reference Bureau Association of Zimbabwe (CRBAZ), which includes all three credit reference bureaus as its members, produced a Code of Conduct in 2013 as a means of self-regulation. The Code of Conduct includes provisions on information quality and accuracy and security safeguards, though it is unclear to what extent the code is complied with by existing credit bureaus. ***Paragraph (c)***

	No legal and regulatory framework for credit reporting exists in Zimbabwe. CRBAZ's Code of Conduct includes provisions on duties to customers, including the duty to act with reasonable care and for the benefit of its customers and to deal fairly and objectively with all customers and not to unfairly discriminate. ***Paragraph (d)*** No legal and regulatory framework for credit reporting exists in Zimbabwe. ***Paragraph (e)*** No legal and regulatory framework exists regarding consumer rights with respect to credit history. Existing credit bureaus may follow their own internal codes of conduct. However, the credit bureaus met by the mission team noted that such internal codes of conduct did not explicitly include such consumer rights as accessing a credit report free of charge or the ability to correct factually incorrect information. In practice, there is a process to correct records, though credit bureau staff noted that such inquiries from consumers do not occur frequently, as consumers are not highly aware of the existence of credit bureaus. Following the aforementioned amendments to the Banking Act, regulations are expected to be developed spelling out the statutory obligations of credit reference bureaus and the rights of borrowers (as indicated in the MPS July 2014). ***Paragraph (f)*** There are no campaigns currently being undertaken to inform the public regarding the rights of consumers with respect to their credit history.
Recommendation	Policymakers should continue to prioritize finalizing and putting in place a legal and regulatory framework and licensing regime for the formalization and operation of private credit bureaus in Zimbabwe. This framework should provide clear guidelines on topics such as data privacy, standards for data security and reliability, governance, and consumer rights as listed above. For useful guidance, see the World Bank's General Principles for Credit Reporting[20] as well as reform recommendations on credit reporting provided to the MoF as part of the "*Doing Business*" assessment by the World Bank Group in December 2013. Compliance with this new legal and regulatory framework should be monitored and enforced by RBZ. Appropriate training regarding the new framework should be provided to RBZ staff members as well. As many consumers are not aware of the existence of credit bureaus or their rights with respect to their credit information, campaigns should be undertaken to raise consumer awareness. Credit bureaus and banks should both be required to provide information on consumer rights on their websites and in their printed materials. The RBZ could also provide independent information for consumers that seek to improve their knowledge on how to actively manage the credit history. Policymakers may also wish to reconsider the proposal to create a public credit registry housed at RBZ, as such an undertaking would require a significant financial investment, would be limited to credit information from banks (and not data from other sources such as retailers or utilities), and would create a risk of duplication with the services offered by private credit bureaus if the focus and content of the respective databases significantly overlap.
SECTION E	**DISPUTE RESOLUTION MECHANISMS**
Good Practice E.1	***Internal Complaints Procedure*** **a. Every bank should have in place a written complaints procedure and a designated contact point for the proper handling of any complaint from a customer, with a summary of this procedure forming part of the bank's Terms and Conditions referred to in B.7 above and an indication**

[20] General Principles for Credit Reporting (World Bank, 2011), available at http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTFINANCIALSECTOR/0,,contentMDK:22912648~pagePK:148956~piPK:216618~theSitePK:282885,00.html (last visited on December 29, 2014).

	in the same Terms and Conditions of how a consumer can easily obtain the complete statement of the procedure. **b. Within a short period of time following the date a bank receives a complaint, it should:** **(i) acknowledge in writing to the customer/complainant the fact of its receipt of the complaint; and** **(ii) provide the complainant with the name of one or more individuals appointed by the bank to deal with the complaint until either the complaint is resolved or cannot be processed further within the bank.** **c. The bank should provide the complainant with a regular written update on the progress of the investigation of the complaint at reasonable intervals of time.** **d. Within a few business days of its completion of the investigation of the complaint, the bank should inform the customer/complainant in writing of the outcome of the investigation and, where applicable, explain the terms of any offer or settlement being made to the customer/complainant.** **e. When a bank receives a verbal complaint, it should offer the customer/complainant the opportunity to have the complaint treated by the bank as a written complaint in accordance with the above. A bank should not require, however, that a complaint be in writing.** **f. A bank should maintain an up-to-date record of all complaints it has received and the action it has taken in dealing with them.** **g. The record should contain the details of the complainant, the nature of the complaint, a copy of the bank's response(s), a copy of all other relevant correspondence or records, the action taken to resolve the complaint and whether resolution was achieved and, if so, on what basis.** **h. The bank should make these records available for review by the banking supervisor or regulator when requested.**
Description	There are no formal requirements issued by RBZ regarding internal complaints handling, though RBZ noted that the expectation that banks should have internal complaints handling mechanisms is clearly conveyed to banks as part of the RBZ's supervision of risk management issues. Banks are also required to submit information on internal complaints handling policies during the licensing stage. As a result, most banks appear to have internal complaints handling and dispute resolution mechanisms in place, although given that there are no detailed requirements formally issued, the actual practices among banking institutions tend to vary widely. Most banks report not receiving many complaints, which may indicate the consumers are unaware of complaints mechanisms available to them. ***Paragraph (a)*** Because there are no formal requirements by law regarding internal complaints handling procedures, it appears that not all banks have in place formal written complaints procedures and designated contact points for proper handling of customer complaints. In addition, complaints procedures are not well publicized to customers. Some banks may have notices on complaints procedures in bank branches, but this information is most often not disclosed as part of disclosure of terms and conditions discussed in Good Practice B.7. As a result, though many banks have internal complaints handling mechanisms, bank staff noted that customers often are not aware of such complaints handling mechanisms nor do they know how to use them. ***Paragraph (b)*** While some banks acknowledge in writing to customers receipt of a complaint or provide the name of the individual appointed to deal with the complaint, this practice does not appear to be common among the majority of banks. Internal complaints procedures at banks typically involve basic mechanisms, often consisting of a suggestion box or complaints book in bank branches. The bank branch manager is the

	primary person in charge of addressing these complaints, and complainants may speak with the branch manager directly. Some banks require that managers acknowledge complaints within 24 hours. These complaints may then be reported up or escalated to headquarters if not addressed by branch managers, and are occasionally reviewed by compliance teams. ***Paragraph (c)*** There is no formal requirement for banks to provide complainants with regular written updates, and this does not appear to often occur in practice. See the description under paragraph (b) on typical internal complaints procedures of banks. ***Paragraph (d)*** There is no formal requirement for banks to inform complainants in writing of the outcome of investigations within a few business days of completion. See the description under paragraph (b) on typical internal complaints procedures of banks. ***Paragraph (e)*** There was no specific information available regarding how verbal complaints are typically treated by banks. ***Paragraphs (f) and (g)*** As described under paragraph (b), it appears that most banks maintain records of complaints received. Practices vary regarding how such records are maintained and with what level of detail. Some banks maintain records of actions taken to deal with complaints, though this practice does not appear to be followed by all banks. For example, one bank noted that it used software to track the details of complaints, where they are channeled, and how they are resolved. ***Paragraph (h)*** As most banks maintain some form of records of complaints received, these are presumably available for review by banking supervisors. RBZ noted that it includes assessing complaints handling procedures in its on-site inspections, but not consistently. Draft amendments to the Banking Act may empower RBZ to examine actual complaints books, suggesting that this is currently not common practice.
Recommendation	In the short-term, the requirement that all banks have internal complaints handling and dispute resolution mechanisms should be both formalized and standardized. RBZ should issue guidelines that set clear standards regarding the minimum requirements for banks' internal complaints handling and dispute resolution mechanisms, including: • Having written policies; • Appropriate training for staff; • Providing a variety of channels to make complaints (e.g. via email or internet, complaints books, or verbally in person or by phone); • Acknowledgment to and updating of complainants; • Tracking of actions taken on disputes; • Reasonable turnaround times for completing investigations; and • Procedures escalating complaints up the reporting chain. These guidelines should also require that complaints handling mechanisms availability be widely publicized through a variety of channels (e.g. account agreements, branch posters, bank websites) so that consumers are aware such mechanisms exist and know how to utilize them. Banks should be required to consolidate and report complaints data to RBZ on a regular basis and in a standardized fashion. RBZ should continue to consistently monitor and enforce requirements regarding complaints handling as part of its supervisory activities. RBZ should also analyze the complaints data it receives (from banks as well as directly from consumers) for purposes of identifying, and acting upon, issues of particular systemic concern. In the long-term, the above requirements should be incorporated into a comprehensive financial consumer protection law.
Good Practice E.2	***Formal Dispute Settlement Mechanisms***

	a. A system should be in place that allows customers of a bank to seek affordable and efficient recourse to a third-party banking ombudsman or equivalent institution, in the event the complaint of one or more of customers is not resolved in accordance with the procedures outlined in E.1 above. **b. The existence of the banking ombudsman or equivalent institution and basic information relating to the process and procedures should be made known in every bank's Terms and Conditions referred to in B.7 above.** **c. Upon the request of any customer of a bank, the bank should make available to the customer the details of the banking ombudsman or equivalent institution, and its applicable processes and procedures, including the binding nature of decisions and the mechanisms to ensure the enforcement of decisions.** **d. The banking ombudsman or equivalent institution should be appropriately resourced and discharge its function impartially.** **e. The decision of the banking ombudsman or equivalent institution should be binding upon the bank against which the complaint has been lodged.**
Description	***Paragraph (a)*** There is currently no system in place that provides affordable and efficient third-party recourse mechanisms for bank customers. No financial sector or banking ombudsman currently exists. Small claims courts, which deal with claims below USD 250, provide mediation-like services and are reported to be relatively fast, inexpensive, and effective. Lawyers are not allowed to represent individuals, and disputes are typically resolved in a single day. However, only four such courts exist in the country (one in Harare and three in other urban locations), and these courts primarily hear disputes between individuals (though individuals may bring claims against corporations in small claims court). As of July 2014, small claims courts had heard a total of around 850 cases since the start of the calendar year. RBZ receives and facilitates resolution of some complaints directly, but it reports only receiving a few complaints per month. Regardless, it does not appear that RBZ has a system in place for systematically dealing with larger numbers of complaints and it cannot make binding decisions, and does not record or publish detailed statistics about complaints. The inactive Code of Banking Conduct made reference to an "*adjudication committee*" established to investigate complaints at no cost to consumers and to rule or recommend on any complaint which consumers were not able to resolve with their banks. All banks which were members of BAZ were automatically subject to the jurisdiction of this committee. However, BAZ reports that the committee never sat in the past as no cases were ever referred to it. The Arbitration Act provides the only formal dispute settlement mechanism outside of the court system in Zimbabwe. ***Paragraph (b)*** Available means of seeking recourse in the judicial system do not appear to be typically disclosed during the disclosure of banks' terms and conditions. ***Paragraph (c)*** N/A ***Paragraph (d)*** There was insufficient information gathered during the mission to gauge whether the judicial system is appropriately resourced. However, it was noted in the MPS January 2014 that commercial and banking-related cases take too long to settle through the court system, suggesting a backlog of commercial-related banking disputes. ***Paragraph (e)*** Decisions within the judicial system should be binding against banks.
Recommendation	Over the long-term, policymakers should consider setting up a financial ombudsman or similar independent dispute resolution service. There is already discussion around creating

	an Office of the Public Financial Protector to enable bank customers to seek redress (*see Good Practice A.1*). Such an office would provide a more accessible and less intimidating avenue for recourse for consumers than the judicial system. If resources and capacity allow, it would be preferable to set up a financial ombudsman that covers all sectors, including banking, non-bank financial institutions, securities, pensions, insurance, and other relevant financial sectors, rather than limiting the Office of the Public Financial Protector to dealing solely with banking disputes. Consumers may face similar issues across sectors, particularly with banks and non-bank financial institutions providing similar products and services. Given the significant investment required to set up a fully-functioning ombudsman, such investment could be leveraged to cover as much of the financial sector as possible where consumers may require formal third-party dispute mechanisms. The financial ombudsman, or equivalent body, should be: • Independent of financial institutions and their regulators; • Be available at low cost or no cost to consumers; • Have the power to make decisions which are binding on financial institutions; and • Operate in accordance with transparent processes and procedures. The availability of the ombudsman's services should also be well-publicized to consumers to increase awareness. In the short-term, while a financial sector ombudsman is being created, RBZ may wish to consider expanding its own dispute resolution activities. For example, RBZ could publicize its availability to receive complaints to a greater degree and dedicate greater resources to create a formal system for tracking and addressing complaints. However, it is not recommended that RBZ create a permanent unit to deal with complaints, as this may not necessarily be the best use of the RBZ's resources and capacity in the long-run and given the possibility of a perceived lack of independence from regulated institutions.
Good Practice E.3	***Publication of Information on Consumer Complaints*** **a. Statistics and data of customer complaints, including those related to a breach of any code of conduct of the banking industry should be periodically compiled and published by the ombudsman, financial supervisory authority or consumer protection agency.** **b. Regulatory agencies should publish statistics and data and analyses related to their activities in respect of consumer protection regarding banking products and services so as, among other things, to reduce the sources of systemic consumer complaints and disputes.** **c. Banking industry associations should also analyze the complaint statistics and data and propose measures to avoid the recurrence of systemic consumer complaints.**
Description	There is currently no information published regarding consumer complaints by either RBZ or BAZ.
Recommendation	Once guidelines on internal complaints handling and dispute resolution mechanisms are issued and RBZ begins receiving consolidated reports on complaints data from banks, RBZ should consider publishing such information on a periodic basis, either by institution or as high-level systemic complaints (or both). BAZ should also be encouraged to analyze complaints data and propose measures to avoid recurrence of systemic complaints.
SECTION F	**GUARANTEE SCHEMES AND INSOLVENCY**
Good Practice F.1	***Depositor Protection*** **a. The law should ensure that the regulator or supervisor can take necessary measures to protect depositors when a bank is unable to meet its obligations including the return of deposits.** **b. If there is a law on deposit insurance, it should state clearly: the insurer;** **(i) the classes of those depositors who are insured;** **(ii) the extent of insurance coverage;** **(iii) the holder of all funds for payout purposes;**

	(iv) the contributor(s) to this fund; **(v) each event that will trigger a payout from this fund to any class of those insured;** **(vi) the mechanisms to ensure timely payout to depositors who are insured.** **c. On an on-going basis, the deposit insurer should directly or through insured banks or the association of insured commercial banks, if any, promote public awareness of the deposit insurance system, as well as how the system works, including its benefits and limitations.** **d. Public awareness should, among other things, educate the public on the financial instruments and institutions covered by deposit insurance, the coverage and limits of deposit insurance and the reimbursement process.** **e. The deposit insurer should work closely with member banks and other safety-net participants to ensure consistency in the information provided to consumers and to maximize public awareness on an ongoing basis.** **f. The deposit insurer should receive or conduct a regular evaluation of the effectiveness of its public awareness program or activities.**
Description	***Paragraph (a)*** The DPC Act established the DPC, a parastatal body, to provide compensation to depositors in failed financial institutions. The Act replaced Part XII of the Banking Act on the Deposit Protection Scheme. The Act grants considerable additional powers and functions to the DPC than were previously held by the Deposit Protection Board. In addition to its core responsibility for the Deposit Protection Fund and for compensating depositors when a contributory institution fails, DPC functions now include a risk-minimizing role. Its functions include the following (among others): • Administering the Deposit Protection Fund; • Levying contributions from contributory institutions; • Paying compensation to depositors in the event of the insolvency of a contributory institution; • Monitoring the business and activities of contributory institutions to ensure minimal exposure of the Deposit Protection Fund; • Assisting the MoF and RBZ in the formulation and implementation of fiscal and monetary policy to ensure sound banking practices and fair competition among banks in Zimbabwe; and • Keeping the public informed of the DPC's role in contributing to the stability of Zimbabwe's financial system and the rights of depositors. In furtherance of the DPC's risk management and risk monitoring roles, the Act provides for examination powers and includes provisions on the various powers of DPC examiners. The DPC is also empowered to request that contributory institutions observe prudential requirements that are in addition to those prescribed by RBZ. RBZ must consult with the DPC during the execution of numerous of its activities, including during the registration process of banks, amalgamations or transfers of business of banks, when taking any supervisory actions against banks (such as issuing written instructions or imposing penalties), and when placing banks under curatorship. As of the CPFL diagnostic conducted in July 2014, the mission team was advised by the DPC that there was around USD 8.5M in the Deposit Protection Fund. It is not clear whether this amount provides adequate protection for risks to all depositors in the banking system. Currently, only banks and building societies are contributing to the Deposit Protection Fund and thus only deposits held with these institutions are covered by the deposit insurance.[21]

[21] See the list of insured institutions available at www.dpcorp.co.zw/index.php?option=com_content&view=article&id=99&Itemid=106 (last visited on December 29, 2014).

	However, the DPC Act leaves enough discretion for DPC and the MoF to include other financial institutions.[22] ***Paragraph (b)*** The Act clearly states that the insurer is the Deposit Protection Fund, which is administered by the DPC as trustee. Regulations issued under the Act specify the types of deposits that are insurable (e.g. time/fixed deposits, demand deposits, savings deposits). The extent of insurance coverage is currently set at USD 500, as fixed from time to time by the DPC. The DPC indicated to the mission team that this maximum covers 90 percent of depositors in Zimbabwe. All registered banking institutions (including building societies) are required to contribute to the Deposit Protection Fund. The Act refers to compensating depositors as soon as practicable for any direct loss suffered through a contributory institution's insolvency in respect of their protected deposits in that institution, and provides procedures for payment of compensation. ***Paragraph (c)*** The DPC uses traditional forms of advertising (including radio and print) to increase public awareness regarding its activities, and noted that it was entering social media as well. It participates in national and regional events (such as Consumer Rights Day) and tries to target consumers in rural areas. ***Paragraphs (d) and (e)*** Regulations issued under the Act call for contributory institutions to represent their membership in the Deposit Protection Scheme in advertising in clearly legible size and print. The regulations also state that the DPC will provide membership signs to contributory institutions to be displayed prominently in the entrance to offices, as well as brochures which would include information on what deposits are covered and maximum amounts of deposit insurance and which contributory institutions would be required to prominently display in offices. The DPC is currently working on developing the format of these signs and brochures, which have not yet been sent to contributory institutions. In addition, the DPC noted that is has not yet compelled contributory institutions to comply with advertising rules. ***Paragraph (f)*** To date, the DPC has not conducted regular evaluations of the effectiveness of its public awareness programs or conducted market research on public awareness, brand awareness, or preferred communication methods. The DPC noted that it plans to undertake a national survey on deposit insurance in order to inform the development of a public awareness strategy. However, its plans are limited by a lack of funding.
Recommendation	The DPC should work to increase its public awareness activities. A targeted strategy will need to be developed to best utilize limited resources. The membership signs and brochures required by regulation should be finalized and distributed to contributory institutions, as it appears that many depositors are not aware of deposit insurance. The requirements regarding advertising and display of membership signs and brochures should be regularly monitored and enforced by the DPC. It may also be necessary to clarify the breakdown of roles and responsibilities and any potential conflicts between RBZ and the DPC regarding the scope of DPC's expanded powers and intended activities, particularly regarding in what specific circumstances the DPC intends to engage in on-site supervisory activities. A draft Memorandum of Understanding (MOU) between RBZ and the DPC was mentioned to the mission team. This MOU should be further discussed and finalized between the two parties.
Good Practice F.2	***Insolvency*** **a. Depositors should enjoy higher priority than other unsecured creditors in the liquidation process of a bank.**

[22] See Article 2 definition of "contributory institution" and Part V in the DPC Act.

	b. The law dealing with the insolvency of banks should provide for expeditious, cost effective and equitable provisions to enable the maximum timely refund of deposits to depositors.
Description	***Paragraph (a)*** The DPC Act states that upon the winding up or dissolution of a contributory institution, (1) the costs of winding up or dissolving the contributory institution is paid first, (2) the claims of the Deposit Protection Scheme and registering and supervisory agencies in terms of fees and charges are paid second, and (3) the claims of depositors with respect to protected deposits are paid third. Therefore, depositors in effect have higher priority than other unsecured creditors. ***Paragraph (b)*** There are no specific legal provisions dealing with the timely refund of deposits to depositors. There is an Insolvency Act, but it applies primarily to individuals and partnerships and not corporations. There are some provisions in the Banking Act on curatorship of banks, but these provisions primarily concern RBZ's powers and duties as curator and not the refund of deposits to depositors.
Recommendation	It would be helpful to specify in law or regulation the winding-up process of banks, and in particular the process for timely refunding of deposits to depositors.
SECTION H	**COMPETITION AND CONSUMER PROTECTION**
Good Practice H.1	***Regulatory Policy and Competition Policy*** **Regulators and competition authorities should be required to consult one another for the purpose of ensuring the establishment, application and enforcement of consistent policies regarding the regulation of financial services.**
Description	There is currently no formal requirement for consultation between regulators and competition authorities in order to establish and enforce consistent policies with respect to competition. However, in practice, some consultation does occur, primarily between the Competition and Tariff Commission (CTC), RBZ, the Ministry of Information and Communications Technology (MoICT), and the POTRAZ. Established by the Competition Act, the CTC has the following functions (among others): • To encourage and promote competition in all sectors of the economy; • To reduce barriers of entry into any sector of the economy or to any form of economic activity; • To investigate, discourage and prevent restrictive practices; and • To monitor prices, costs, and profits in any industry or business that the Minister of Industry and Commerce directs the Commission to monitor. In relation to its activities, particularly with respect to investigating competition issues in mobile banking (described in further detail in Good Practice H.2), the CTC consults with both RBZ and POTRAZ. The CTC is planning to establish a formal cooperation agreement with POTRAZ, as well as with the RBZ (*see section on Digital Financial Services*). RBZ consults with the CTC with respect to mergers and amalgamations in the banking sector. Similarly, there are discussions between RBZ and POTRAZ to enter into a MOU with respect to mobile banking.
Recommendation	The CTC should formalize consultation with both RBZ and POTRAZ via the aforementioned cooperation agreements. RBZ should also formalize consultation with MoIC and POTRAZ through MOUs. These MOUs should include addressing common concerns with competition, in order to create consistent policies particularly with respect to the rapidly growing mobile banking industry, which falls across the jurisdiction of multiple regulatory agencies.
Good Practice H.2	***Review of Competition*** **Given the significance of retail banking to the economy as a whole and to the welfare of consumers, competition authorities should:**

	(i) monitor competition in retail banking; **(ii) conduct, and publish for general consumption, periodic assessments of competition in retail banking (such as the range of interest rates across banks for specific products); and** **(iii) make recommendations publicly available on enhancing competition in retail banking.**
Description	RBZ is not specifically tasked by law with monitoring competition in retail banking. However, as part of its broader functions of supervising banking institutions and fostering the stability and proper functioning of Zimbabwe's financial system, RBZ does appear to engage in some monitoring of competition in the retail banking sector, in particular regarding interest rates and fees and charges. For example, the most recent MPS January 2014 noted that banks would be required to justify increases in their charges or interest rates before approval was granted by RBZ, in order to "*assist the regulator in monitoring 'collusion' on pricing as well as evaluating banks' cost structures in relation to bank charges*" (Section 102). No significant issues were noted regarding charges to closing accounts, switching fees, or unreasonable prepayment penalties. Given its limited capacity, the CTC focuses its efforts on competition issues with respect to mobile banking, covering topics such as charges, monopolistic tendencies in the market, tying and bundling, and agent exclusivity. It investigates complaints it receives (primarily concerning mobile banking) and also conducts onsite and offsite supervision. The CTC organizes workshops, public seminars, and radio shows (including in rural areas) to disseminate information to the public regarding its activities.
Recommendation	Given the fact that the retail banking market is not highly competitive, and the mobile banking market even less so, it would be advisable for regulatory authorities to increase their monitoring of competition issues. Such an increase should be pursued strategically. As RBZ is already active in requiring and monitoring the disclosure of business conditions, it could consider taking the next step to build off of this information and publish periodic comparisons of interest rates (and perhaps common fees and charges) across banks in daily newspapers and online.
Good Practice H.3	***Impact of Competition Policy on Consumer Protection*** **The competition authority and the regulator should evaluate the impact of competition policies on consumer welfare, especially regarding any limitations on customer choice and collusion regarding interest and other charges and fees.**
Description	No impact assessment of competition policies is currently conducted, as there are few formal competition policies in existence.
Recommendation	If formal competition policies in the banking sector are developed, impact evaluations should be considered alongside.

II. GOOD PRACTICES: SECURITIES SECTOR

The securities market in Zimbabwe is still recovering from the effects of the hyperinflation of the last decade and the adoption of a multi-currency monetary system (frequently referred to as "dollarization"). During the hyperinflation period, many retail customer opened securities accounts as a way of protecting themselves from the hyperinflation by buying stocks that would appreciate in value along with the hyperinflation. The result was that a large number of Zimbabweans are educated in the securities markets and many appeared to be interested in returning to the markets, once the current wave of institutional reforms is completed.

The stock market capitalization has improved over the last years, since dollarization. The market has played a significant role in the economy over the last years, although it may be due to a weak economy and strong foreign demand for a few of the top ten performers at the Zimbabwean stock exchange, particularly Delta and Econet Wireless.

The number of shares listed on the stock exchange has been relatively stable over the last several years. Most of the activity is in the top ten stocks on the exchange, particularly Delta and Econet Wireless.

The number of account holders has remained stable, but the retail investors have been basically inactive. Many retail investors have indicated a continued interest in the market.

TABLE 2: NUMBER OF ACCOUNT HOLDERS OF SECURITIES

Year	Brokerage Accounts
2009	423,067
2010	414,776
2011	430,040
2012	429,735
2013	436,834

Source: SECZ 2014

The Securities and Exchange Commission of Zimbabwe (SECZ) was created in 2008 with its primary focus on regulating brokers and the Zimbabwe Stock Exchange (ZSE). Prior to that, the ZSE was the primary regulatory for the securities market and reported to the Registrar of Stock Exchanges which was supervised by the Minister of Finance. Collective investment schemes and asset managers reported to the Registrar of Collective Investments and Registrar of Asset Managers respectively which were staffed by employees of RBZ and were supervised by RBZ.

In 2013, the SECZ was also given the responsibility to license and supervise Collective Investment Schemes[23] and Asset Managers. These responsibilities have significantly added to the SECZ's workload without an increase in budget or staff.

Brokers, asset managers and investment advisors are required to register and obtain a license from the SECZ. The number of broker dealer firms has declined slightly, but the number of individual brokers and investment advisors increased in the last several years.

[23] Although the Zimbabwe nomenclature refers to Collective Investments as "Collective Investment Schemes," this report will follow the commonly used term "Collective Investment Undertaking" ("CIU") in the this report. CIUs in Zimbabwe are organized as "unit trusts" and this term will also be used to refer to CIUs in this report.

TABLE 3: TOTAL NUMBER OF ENTITIES REGISTERED TO ACT AS SECURITIES COMPANIES, BROKER-DEALERS AND INVESTMENT ADVISORS

Year	Total	Broker Dealer Firms	Broker Dealer Individual	Investment Advisors
2009	43	21	22	-
2010	41	19	22	-
2011	52	19	32	1
2012	67	14	39	14
2013	80	14	41	25
2014	80	14	41	25

Source: SECZ 2014

Since collective investment schemes and fund management only recently came within the SECZ's jurisdiction in late 2013, it is currently building a regulatory expertise and data base for the unit trusts, trustees and asset managers. There are currently 9 registered fund trustees and 17 Investment Fund Managers.

One of the primary investor protection mechanisms in Zimbabwe is the requirement that all money received by licensees from customers must be placed in a trust account with a Bank. The SECZ licenses custodian banks for the purpose of maintaining the trust accounts.

SECTION A	INVESTOR PROTECTION INSTITUTIONS
Good Practice A.1	***Consumer Protection Regime*** **The law should provide for clear rules on investor protection in the area of securities markets products and services, and there should be adequate institutional arrangements for the implementation and enforcement of investor protection rules.** **a. There should be specific legal provisions that create an effective regime for the protection of investors in securities.** **b. There should be a governmental agency responsible for data collection and analysis (including complaints, disputes and inquiries) and for the oversight and enforcement of investor protection laws and regulations.**
Description	The passage of the 2013 amendments to the Securities and Exchange Act (SE Act) made the SECZ a unified regulator for investor protection in the securities market. New rules that are being put into place will effectuate the amendments, with some fine tuning necessary to meet certain gaps in the regulatory structure. ***Paragraph (a)*** The SE Act, as amended, provides the basic legal framework for the protection of investors in Zimbabwe. Additional statutes, the AM Act and the CIS Act, provide for specific legal provisions for their respective subjects, all of which are administered by the SECZ. The statutes contain general provisions and they give the SECZ the authority to issue detailed regulations to implement the various investor protection provisions in the laws. The SECZ is currently in the process of preparing a basic set of regulations: the Draft Rules. The Draft Rules are comprehensive and well written covering most of the areas of investor protection, although a few gaps remain, such as the need to issue rules on unsolicited calls, the disclosure of conflicts of interests by securities sales people, and the need to qualify and license sales people of investment trusts and their supervisors that are located in banks. The existing Member's Rules of the ZSE provide for many of the investor protection rules needed for brokers, who are members of the ZSE. According to brokers interviewed, the existing rules are complied with. These Member's Rules have been "grandfathered" by the SE Act and will remain in effect until new ZSE Member Rules prepared under Section 65 of the SE Act are approved. Section 65 of the SE Act sets forth the requirements for the new rules of a registered securities exchange to replace the old rules. The exchange rules are required to have provisions on advertising, safekeeping of assets, fees, regulation of the conduct of members' employees and agents, requirements for members and their agents to be in compliance with the SE Act, and disciplinary procedures and penalties. These new rules have been prepared and will be released to coincide with the finalization of the de-mutualization of the ZSE. The various securities laws were enacted and amended at different periods of time and need to be harmonized. For example the AM Act provides for the association of asset managers to prepare a Code of Conduct with the SECZ for use by the asset managers. This provision does not exist in the other laws. Section 13(4) of CIS Act provides that limitations on liability in the Trust Deed are void and unenforceable – this also does not exist in other laws. Several other laws have potential for a limited impact on investor protection in Zimbabwe. They include the Consumer Contracts Act, the Contractual Penalties Act, the Competition Act and the AML Act. The draft Consumer Protection Draft Bill is also relevant in this context (*see Good Practice A.1, Banking Sector for details of these Acts and the Bill*). ***Paragraph (b)*** The SECZ was created in the SE Act of 2008. The Commissioners were appointed in 2008 and the Secretariat was established in 2009. The first objective of the SECZ in Section 4(1)(a) of the Act is "*to provide for high levels of investor protection*." The Act transferred the regulation of all securities industry activity and licensees to the SECZ and as a result, asset managers, collective investment schemes, and the stock exchange came under the

	supervision of the SECZ. Currently the SECZ has the authority to license and regulate all entities that provide investment services to the public in Zimbabwe. Under Rule 48 of the Draft Rules, licensees must keep a record of all complaints and must provide them to the SECZ on request. The SECZ audits these complaint logs during its annual audits of licensees. Under Section 100 of the SE Act, the SECZ has full authority to investigate violations of the securities laws with wide-ranging subpoena authority. Section 105 of the SE Act gives the SECZ a wide range of sanctions and remedial measures that it can take to deal with a violation of the securities laws, including the imposition of fines. Section 63 of the SE Act gives the SEC the right to request a High Court to take away control of trust accounts which hold the assets of clients of a licensee for the welfare of its clients. Under Section 91, the SECZ has the right sue a violator for insider trading to recover money lost by investors; under Section 92, the SECZ has the right to bring a class action on behalf of all investors who were damaged by insider trading. Section 99 also gives the SECZ the authority to bring a class action for fraudulent sales practices. Notwithstanding these provisions, the SECZ does not consider itself to have sufficient enforcement authority. In practice, fines can only be imposed by the Attorney General or State Police. Moreover, actions against non-registrants are outside of the jurisdiction of the SECZ and must be turned over to criminal prosecutors. Although due to the low level of market activity, there is no need for a large staff, the SECZ is operating with a relatively small number of people. The Supervision and Surveillance Department is directly responsible for ensuring compliance to rules and regulation by regulated and licensed entities has 4 staff members. There is also the Legal Department with 2 lawyers which is responsible for enforcement. The Corporate Finance and Market Development Department is also responsible for investor education and awareness activities. The department has a staff complement of 4 people. New responsibilities, such as investment funds, an automated stock exchange, and a Central Depository will require more staff. However, there is no unit at the SECZ for Collective Investments or large institutions such as the Central Depository and ZSE.
Recommendation	The Securities Draft Rules should become effective as soon as possible. In the long term, the Government should develop and implement a comprehensive financial consumer protection law (*see Good Practice A.1, Banking Sector*). Such a law could cover transparency and disclosure, sales practices, staff and intermediary training requirements, advertising, privacy and data protection, and dispute resolution mechanisms. Consideration will also need to be given to how any new consumer protection legislation interacts with the Consumer Protection Draft Bill (*see Good Practice A.1, Banking Sector*). The regulation of sales of unit trusts in banks needs to be brought within the regulatory framework of the SECZ. The persons selling unit trusts and managing the sales people must be tested and licensed. The different securities laws need to be harmonized so that they have similar provisions as to investor protection. For example, the code of conduct provision in the Asset Management Law should be in the other securities laws. Section 13(4) of CIS Act provides limitations on liability are void – this should be the same for all statutes. The enforcement powers of the SECZ are limited in practice to registration and deregistration. The government should permit the SECZ to impose fines. Although the ability to do so varies from country to country, the USSEC and the UK Financial Conduct Authority have the authority to impose fines on licensed entities and it has proven to be an effective tool.

Good Practice A.2	***Code of Conduct for Securities Intermediaries, Investment Advisers and Collective Investment Undertakings*** **a. Securities intermediaries, investment advisers and CIUs should have a voluntary code of conduct.** **b. If such a code of conduct exists, securities intermediaries, investment advisers and CIUs should publicize the code to the general public through appropriate means.** **c. Securities Intermediaries, Investment Advisers and CIUs should comply with the code and an appropriate mechanism should be in place to provide incentives to comply with the code.**
Description	There are no voluntary codes of conduct for regulated entities in the securities market in Zimbabwe. Some of the participants have internal codes of conduct and the proposed brokers association, the Zimbabwe Institute of Financial Markets, has a provision for a code of conduct in its proposed rules. ***Paragraph (a)*** There are currently no codes of conduct for industry associations. Section 21 of AM Act provides for the creation, with the SECZ, of a Code of Conduct for asset managers, but it hasn't been done. The proposed brokers association, the Zimbabwe Institute of Financial Markets, has prepared a set of conduct rules which are being reviewed by the SECZ. These rules contain a Code of Conduct for brokers, although it is in a preliminary stage. ***Paragraphs (b) and (c)*** N/A
Recommendation	The associations of industry participants should consider establishing an enforceable Code of Conduct for their members. Codes of Conduct provide for an industry benchmark that members of the industry association can use in conducting their business. Although they do not have the legal authority of statutory codes of conduct, they do represent a consensus in the industry as to good practice and provide a mechanism for the industry to police itself.
Good Practice A.3	***Other Institutional Arrangements*** **a. The judicial system should provide an efficient and trusted venue for the enforcement of laws and regulations on investor protection.** **b. The media should play an active role in promoting investor protection.** **c. The private sector, including voluntary investor protection organizations, industry associations and, where permitted, self-regulatory organizations should play an active role in promoting investor protection.**
Description	The judicial system provides a venue for the enforcement of the securities laws but it is rarely used by investors. The private sector and media cover and promote investor protection from time to time, but it does not appear to be a priority. ***Paragraph (a)*** The judicial system provides for a relatively efficient but unused mechanism for the enforcement of investor protection. ***Paragraph (b)*** The media cover investor protection in the context of the financial markets, but feel they are hampered by the lack of transparency in the financial markets (*see Good Practice A.4, Banking Sector for a discussion of the media generally*).

	Paragraph (c) There is a private sector, including NGOs that are active in providing an active role. There are no SROs, except the ZSE which is active in promoting investor protection. The ZSE focuses on particular groups of people with an immediate or potential interest in the securities market. Lately they have been emphasizing training for policy makers and during the mission conducted a general educational workshop for parliamentarians and will conduct more detailed workshops in the future for particular committees. They have also focused on training for the utility sector to emphasize the use of the ZSE for raising capital. The ZSE is also active in universities where they associate with brokers to encourage the students to consider a career in the securities sector. ZSE also works with high schools to provide career guidance and it brings in two schools every week to watch how the exchange operates (*see Good Practice A.4, Banking Sector for a discussion of the consumer association, CCZ*).
Recommendation	*See Good Practice A.4, Banking Sector.*
Good Practice A.4	***Licensing*** **a. All legal entities or physical persons that, for the purpose of investment in financial instruments, solicit funds from the public should be obliged to obtain a license from the supervisory authority.** **b. Legal entities or physical persons that give investment advice and hold customer assets should be licensed by the securities supervisory authority.** **c. If a jurisdiction does not require licensing for legal entities or physical persons that give only investment advice, such persons should be supervised by an industry association or self-regulatory organization and the anti-fraud provisions of the securities laws or other consumer laws should apply to the activity of such persons.**
Description	Zimbabwe has a comprehensive licensing regime for companies and individuals in the securities industry. ***Paragraph (a)*** Section 4(2)(c) of the Act provides that one of the functions of the SECZ is to license participants in the securities industry. Section 38 of the SE Act requires that persons who act as brokers, investment advisors, asset managers, trustees, custodians and transfer agents must obtain a license from the SECZ. Statutory Instrument (SI) 100 of 2010 approves the SECZ's rules related, among other things, to the licensing of individuals. All brokerage firms, persons who act as brokers for them and persons who liaise with clients must have a license issued by the SECZ. However, one group of people who solicit funds for investment are not covered by the licensing regime. Unit trusts are sold through bank branches but the persons who deal with clients of the banks in regards to these sales are not licensed with the SECZ, nor are their supervisors. ***Paragraph (b)*** Investment advisors, trustees and custodians must also be licensed with the SECZ under Section 38 of the SE Act and SI100 of 2010. ***Paragraph (c)*** N/A
Recommendation	All persons who sell securities and CIUs and/or provide services in the securities sector should be licensed. Sales in banks of unit trusts should be made by, and supervised by, persons licensed by the SECZ.
SECTION B	**DISCLOSURE AND SALES PRACTICES**
Good Practice B.1	***General Practices*** **There should be disclosure principles that cover an investor's relationship with a person offering to buy or sell securities, buying or selling securities, or providing**

	investment advice, in all three stages of such relationship: pre-sale, point of sale, and post-sale. **a. The information available and provided to an investor should inform the investor of:** **(i) the choice of accounts, products and services;** **(ii) the characteristics of each type of account, product or service;** **(iii) the risks and consequences of purchasing each type of account, product or service;** **(iv) the risks and consequences of using leverage, often called margin, in purchasing or selling securities or other financial products; and** **(v) the specific risks of investing in derivative products, such as options and futures.** **b. A securities intermediary, investment adviser or CIU should be legally responsible for all statements made in marketing and sales materials related to its products.** **c. A natural or legal person acting as the representative or tied-agent of a securities intermediary, investment adviser or CIU should disclose to an investor whether the person is licensed to act as such a representative and who licenses the person.** **d. If a securities intermediary, investment adviser or CIU delegates or outsources any of its functions or activities to another legal entity or physical person, such delegation or outsourcing should be fully disclosed to the investor, including whether the person to whom such function or activity is delegated is licensed to act in such capacity and who licenses the person.**
Description	There are general rules for disclosure in the securities laws, but there is no requirement for specific disclosures. Nonetheless, the licensees are responsible for the statements made in marketing materials. ***Paragraph (a)*** There are no legal requirements for disclosing this information to a client in detail. Section 35 of the CIS Act has a general requirement of disclosure of material information but it does not go into this detail. (i) There are no legal requirements for such disclosure. (ii) There are no legal requirements for such disclosure as to each type of account product or service offered. However, according to industry members at the time of the opening of an account, disclosure is done orally during an interview with the client in which the characteristics of the account and risks involved are discussed. The client account agreement also contains disclosures on fees and risks. (iii) See (ii) above. (iv) There are no legal requirements for such disclosure. (v) There are no legal requirements for such disclosure since there are currently no derivatives in Zimbabwe. ***Paragraph (b)*** Section 109 of the SE Act provides for sanctions for violations of the Act and rules issued thereunder. ***Paragraph (c)*** There are no legal requirements for such disclosure; although the brokerage firm is obliged to disclose its registration at his home and branch offices. ***Paragraph (d)***

	There are no general legal requirements for such disclosure. However, Section 10.04(iii) of the ZSE Member Rules requires that a broker/member disclose whether it has an interest in any securities contained in a report given to customers.
Recommendation	A more detailed set of disclosure requirements should be put into the Securities Draft Rules which would include, at a minimum, the elements in this practice.
Good Practice B.2	***Terms and Conditions*** **a. Before commencing a relationship with an investor, a securities intermediary, investment adviser or CIU should provide the investor with a copy of its general terms and conditions, as well as any terms and conditions that apply to the particular account.** **b. The terms and conditions should always be in a font size and spacing that facilitates easy reading.** **c. The terms and conditions should disclose:** **a. details of the general charges;** **b. the complaints procedure;** **c. information about any compensation scheme that the securities intermediary or CIU is a member of, and an outline of the action and remedies which the investor may take in the event of default by the securities intermediary or CIU;** **d. the methods of computing interest rates paid or charged;** **e. any relevant non-interest charges or fees related to the product;** **f. any service charges;** **g. the details of the terms of any leverage or margin being offered to the client and how the leverage functions;** **h. any restrictions on account transfers; and** **i. the procedures for closing an account.**
Description	There is no specific requirement as to the contents of the agreement between a licensee and an investor, although, in practice, disclosure as to terms and risk are in the contracts and sales presentations. The practice of how this is done can vary from licensee to licensee. ***Paragraph (a)*** There are no legal requirements for such disclosure, although, in practice there is disclosure as to terms and risks in the customer contract and sales presentations. ***Paragraph (b)*** There are no legal requirements for the font size of the contracts and terms and conditions. ***Paragraph (c)*** There are no legal requirements for such disclosure, although, in practice there is disclosure as to terms and risks in the customer contract and sales presentations. The extent of these disclosures varies from firm to firm.
Recommendation	A more detailed set of disclosure requirements for the terms and conditions of a contract for investment services should be put into the Securities Draft Rules, which at a minimum would include elements (c)(i)-(c)(ix) above.
Good Practice B.3	***Professional Competence*** **Regulators should establish and administer minimum competency requirements for the sales staff of securities intermediaries, investment advisers and CIUs, and collaborate with industry associations where appropriate.**
Description	The SECZ rules set out in SI 100 of 2010, Securities (Registration, Licensing, and Corporate Governance) Rules, 2010 ("Securities Rules") require that sales people of brokers have minimum competency requirements. However, sales people of unit trusts do not have such a requirement. There is a requirement in the SI 100 of 2010 that all persons at a brokerage firms who have a Securities (Client Liaison) License must pass a test as to competence administered by the South African Institute of Financial Markets. Individual brokers at a

	brokerage firm must also pass the exam. The new brokers association, tentatively named the Zimbabwe Institute of Financial Markets, together with the SECZ, intends to develop their own competency examinations in the future. Investment advisors must have educational, experience and professional association qualifications, but are not required to have passed a competency exam. Similarly investment managers for CIUs must have educational, experience and professional association qualifications, but are not required to have passed a competency exam. Sales people for CIUs, including those who work are banks, are not required to have a minimal competency requirement in order to sell units in CIUs to customers of the bank.
Recommendation	The SECZ should continue to work with the brokers' association that is in the process of formation to create a mechanism for testing minimum competency requirements as contemplated by this Good Practice. All persons providing investment services should be brought within this regime, including investment advisors, investment managers and all sales people of financial service providers.
Good Practice B.4	***Know Your Customer (KYC)*** **Before providing a product or service to an investor, a securities intermediary, adviser or CIU should obtain, record and retain sufficient information to enable it to form a professional view of the investor's background, financial condition, investment experience and attitude toward risk in order to enable it to provide a recommendation, product or service appropriate to that investor.**
Description	The Draft Rule 46 provides for a Know Your Customer requirement. Draft Rule 46 provides that a licensee must use due diligence to obtain the essential information regarding its customers. This applies to all license holders, including brokerage firms, asset managers, investment advisors, other licensees. The data that it must obtain at a minimum include, among other things, financial situation, risk tolerance, financial objectives and investment experience. Section 10.01(1) of the ZSE Member Rules requires each broker/member to use due diligence to obtain essential facts related to their clients, including their investment objectives.
Recommendation	As an in immediate priority, given that the Securities Draft Rules containing a Know Your Customer Rule is well written, it should be made effective.
Good Practice B.5	***Suitability*** **A securities intermediary, investment adviser or CIU should ensure that, taking into account the facts disclosed by the investor and other relevant facts about that investor of which it is aware, any recommendation, product or service offered to the investor is suitable to that investor.**
Description	The Draft Rule 47 provides for a suitability requirement. The Draft Rule provides that a licensee must have a reasonable basis, based on information provided by the customer, that a particular transaction is suitable for at least some of its customers. It must also make a determination that a recommendation is suitable for a particular customer based on the customer's objectives and characteristics. Finally, it must determine that the customer has the financial ability to engage in the transaction and refrain from a recommendation if it determines that he or she does not have the financial capability. Section 10.01(3) of the ZSE Member Rules requires each broker/member use due diligence to ensure that recommendations made for any account are appropriate for the client and in keeping with his investment objectives.
Recommendation	Given that the Draft Rules dealing with product suitability are well written, they should be made effective as soon as possible.
Good Practice B.6	***Sales Practices*** **a. Legislation and regulations should contain clear rules on improper sales practices in the solicitation, sale and purchase of securities. Thus,**

	securities intermediaries, investment advisers, CIUs and their sales representatives should: **(i) Not use high-pressure sales tactics;** **(ii) Not engage in misrepresentations and half truths as to products being sold;** **(iii) Fully disclose the risks of investing in a financial product being sold;** **(iv) Not discount or disparage warnings or cautionary statements in written sales literature;** **(v) Not exclude or restrict, or seek to exclude or restrict, any legal liability or duty of care to an investor, except where permitted by applicable legislation.** **b. Legislation and regulations should provide sanctions for improper sales practices.** **c. The securities supervisory agency should have broad powers to investigate fraudulent schemes.**
Description	The securities laws contain general provisions for sales practices, such as for unsolicited calls. Nonetheless, the laws require that regulations be issued to effectuate the laws and elaborate details as to how the sales practices are to be regulated. Many sales practice protections are contained in the Draft Rules, but a number of significant practices are not, such as a rule on unsolicited calls. ***Paragraph (a)*** (i) Section 113 of SE Act and Section 34 of CIS Act provide that the SECZ can issue rules regarding unsolicited calls to trade in a security or CIU or to refrain from exercising rights in securities they hold. The Draft Rules do not contain a provision related to unsolicited calls. (ii) Section 97 of the SE Act prohibits fraud and deception acts in the inducement to trade or deal in securities. Draft Rule 66(4) and Schedule 1 of the Draft Rules provide that no licensee may make any false, exaggerated, unwarranted or misleading statement or claim in any securities advertisement with the public. Section 41 of the CIS Act provides that making any false statements in any document for the purposes of the Act shall be guilty of an offence. (iii) Section 7(a) and Section 13 of Schedule 1 of Draft Rules provide that risk warning should be put in all advertisements with the exception of short form advertisements ("tombstone advertisements"). (iv) Section (1) of the Draft Rules Schedule I provides that the significance of any statement or other matter required by the provisions of the Advertising Schedule shall not be disguised either through lack of prominence or by the inclusion of matter calculated to minimize the significance of the statement or the other matter required to be included. (v) Section 11(4) of CIS Act provides such provisions in a trust deed for a unit trust that restrict liability are void. Section 5(1)(d) of the Consumer Contracts Act states that a contract may be unfair if it limits liability or responsibility more than is reasonably necessary. ***Paragraph (b)*** Section 105 of the SE Act gives the SEC a wide range of sanctions and remedial measures that it can take to deal with a violation of the securities laws, such as a warning, suspension of license, withdrawal of license and the imposition of fines. Under Section 63 of the SE Act gives the SEC the right to request a High Court to take away control of trust accounts which hold the assets of clients of a licensee for the welfare of its clients. Under Section 91, the SECZ has the right sue a violator of the insider trading provisions for recovery of money lost by investors. Under Section 92, the SECZ has the right to bring a class action on behalf of all investors who were damaged by insider trading and under Section 99, it has the authority to bring a class action for fraudulent sales practices. However, the SECZ does not think that it can impose significant administrative sanctions for such violations and must transfer the matters to a law enforcement agency to obtain sanctions such as fines.

	Paragraph (c) SECZ has broad powers of investigation under Section 100-103 of the SE Act and can demand information from anyone related to the ZSE or to someone who has traded on the ZSE. In addition, it can examine, under oath or otherwise, any person related to a licensee.
Recommendation	As an immediate priority the abovementioned Securities Draft Rules should be made effective.
Good Practice B.7	***Advertising and Sales Materials*** **a. All marketing and sales materials should be in plain language and understandable by the average investor.** **b. Securities intermediaries, investment advisers, CIUs and their sales representatives should ensure their advertising and sales materials and procedures do not mislead the customers.** **c. Securities intermediaries, investment advisers and CIUs should disclose in all advertising, including print, television and radio, the fact that they are regulated and by whom.**
Description	The securities laws provide that the regulator can issue rules regarding permissible advertising. The Draft Rules contain such provisions but they have not yet been adopted. There is however no overarching legal framework for advertising in Zimbabwe. Limited advertising provisions of general application can be found in the following laws: • The Competition Act lists misleading advertising as an unfair trade practice that is punishable by a fine. • The Advertisements Regulation Act provides for control of advertisements on structures or apparatus erected or intended for display along railways or roads declared to be a main district or branch road. ***Paragraph (a)*** Section (2)(1) of the Draft Rules Schedule I provides that the content of a securities advertisement and the manner of its presentation shall be such that the advertisement is "*not likely to be misunderstood*". ***Paragraph (b)*** Draft Rule 66(4) and Schedule 1 of the Draft Rules provide that no licensee may make any false, exaggerated, unwarranted or misleading statement or claim in any securities advertisement with the public. Section 33 of the CIU law provides that it shall be a violation to advertise in contravention of SECZ rules. The SEC must issue rules to effectuate the prohibition against false advertising. This has been done in the Draft Rules. For broker/members, Rule 10.20 of the Members Rules of the ZSE forbids advertising to persons who are not already clients of the broker for the purpose of obtaining exchange related business. Draft Rule 68 requires all advertisements to be filed with the SECZ and CIS Regulations, 1998 Schedule II Section 23 requires that trust deed of a unit trust provide that no advertisement can be used unless it is approved by the trustees and is filed with the SECZ. The Competition Act Section 42 and Schedule I Section 2(a) regarding false and misleading advertising can be used against misleading securities advertising. It is administered by the Industry and Trade Competition Commission with whom the SECZ has an MOU. ***Paragraph (c)*** There is not requirement in the law or regulations requiring disclosure of who is the regulator for the person advertising. Section 4 of Schedule I does not go that far. However, the license must be displayed in home office.
Recommendation	The Draft Rules must be made effective as soon as possible and should include a requirement that sales people disclose their license to prospective customers.

Good Practice B.8	***Relationships and Conflicts*** **a. A securities intermediary, investment adviser or CIU should disclose to its clients all relationships that it has which impact on the client's account, such as banks, custodians, advisers or intermediaries which are used to maintain and manage the account.** **b. A securities intermediary, investment adviser or CIU should disclose all conflicts of interest that it has with the client and the manner in which the conflict is being managed.**
Description	Rules on disclosure have not been issued by the SECZ or its predecessors. ***Paragraph (a)*** There is no requirement in the securities laws, Securities Rules or Draft Rules that requires a broker, investment advisor or CIU to disclose all relationships that it has which could impact on a client's account. Section 35 of the CIS Act provides that all material facts must be disclosed to a potential purchaser of a CIU, but this apparently has not been interpreted to include all relationships. ***Paragraph (b)*** Section 118(2)(c)(ii) of the SE Act provides that the SECZ can issue rules regarding disclosure of conflicts and interests to clients but there is no provision in the Draft Rules which addresses this issue. Section 10.04(i) of the ZSE Member Rules requires that a broker/member disclose to a client when it acts as a principal in a transaction. Section 10.04(iii) requires that a broker/member disclose whether it has an interest in any securities contained in a report given to customers.
Recommendation	The securities Draft Rules should include a provision on disclosure of conflicts and entities that can affect an investor' account.
Good Practice B.9	***Specific Disclosures by CIUs*** **a. CIUs should disclose to prospective and existing investors:** **(i) the CIU's policies with regard to frequent trading and the risks to investors from such policies;** **(ii) any inducements that it receives to use particular intermediaries or other financial firms, such as "soft-money" arrangements; and** **(iii) a fair and honest description of the performance of the CIU's investments over several different periods of time that accurately reflect the CIU's performance.** **b. In addition, a CIU should provide a Key Facts Statement for each fund that it is offering to the client that succinctly explains the fund in clear language. Such document is in addition to any other disclosure documents required by law.**
Description	The CIS Act does not deal with issues of frequent trading and soft-money, nor does it require a KFS for CIUs. Nonetheless, in practice, asset managers do provide prospective investors with a Fact Sheet for the unit trusts that they are selling. ***Paragraph (a)*** (i) There are no legal requirements for such disclosure. (ii) There are no legal requirements for such disclosure. (iii) Section 11 of the Draft Rules Schedule 1 provides for the manner in which past performance can be given to potential clients. However, there is no requirement that the performance be stated for several different periods of time. ***Paragraph (b)*** There are no legal requirements for providing a KFS. However in practice, potential customers of a CIU are provided a Fact Sheet which contains the basic information regarding the CIU. This is the basic disclosure form for CIUs in Zimbabwe.

Recommendation	Although frequent trading and soft-money activity do not appear to be an activity that takes place in Zimbabwe, the SECZ should be alert to their development in the future. Although, in practice, asset managers use a Fact Sheet for unit trusts as the primary disclosure mechanism, the SECZ should issue a rule regarding the contents of the Fact Sheet so that the disclosure will be uniform in the industry.
Good Practice B.10	***Specific Disclosures by Investment Advisers*** **a. Investment advisers should disclose to prospective and existing clients:** **(i) whether the investment adviser is also registered in another capacity and whether the adviser deals with the client's account in the second registered capacity; and** **(ii) whether the financial instruments that the investment adviser is recommending are held in the adviser's own inventory or the inventory of a legal or natural person related to the adviser and will be bought from or sold to its own inventory or the inventory of a related party.** **b. An investment adviser should provide prospective and existing clients with a Key Facts Statement for each product or service that is being offered or sold to the client that succinctly explains the product or service in clear language.**
Description	There are no specific disclosure requirements for investment advisors. ***Paragraph (a)*** (i) There are no legal requirements for such disclosure. (ii) There are no legal requirements for such disclosure. ***Paragraph (b)*** There is no specific legal requirement that a KFS be given to potential or existing clients of an investment adviser. However, in practice asset managers give a Fact Sheet which is the primary disclosure document for the CIU. This could be used by an investment advisor, particularly for advice regarding CIUs.
Recommendation	The securities Draft Rules should include disclosure by investment advisers, particularly regarding their holdings of securities which they are recommending. The Draft Rules should include a disclosure requirement for a KFS or Fact Sheet that sets for the required contents of the Fact Sheet.
SECTION C	**CUSTOMER ACCOUNT HANDLING AND MAINTENANCE**
Good Practice C.1	***Segregation of Funds*** **Funds of investors should be segregated from the funds of all other market participants.**
Description	Investor funds are segregated from brokers, investment advisors and asset managers and placed with custodian banks. When the Central Depository is operational, securities can be held at the Central Depository in a separate account. The SE Act Section 50 provides that every licensed person who receives money from clients must place the funds in a separate trust account at a bank. Section 52 provides that the funds in the trust accounts are not part of the licensed persons assets and are not liable for attachment by his creditors. Rule 51(2) of the Draft Rules further provides that the assets are not part of the licensed persons assets and are not reachable by creditors and are not liable to be taken under an order of a court. The CIS Act provides that assets of a unit trust are held by the trustee of the trust and Section 50 of the SE Act provides that all trustees must maintain customer funds in a separate account that are not part of the trustees assets. The SI 172 of 1998, CIS (Internal Schemes) Regulations 1998 provide in Section 14(d) of the Second Schedule that the trust

	deed of a unit trust must contain provisions that the trustee holds the trust assets separately and segregated from the other assets it holds.
Recommendation	No recommendation.
Good Practice C.2	***Contract Note*** **a. Investors should receive a detailed contract note from a securities intermediary or CIU confirming and containing the characteristics of each trade executed with them, or on their behalf.** **b. The contract note should disclose the commission received by the securities intermediary, CIU and their sales representatives, as well as the total expense ratio (expressed as total expenses as a percentage of total assets purchased).** **c. In addition, the contract note should indicate the trading venue where the transaction took place and whether (i) the intermediary for the transaction acted as a broker in the trade, (ii) the intermediary or CIU acted as the counterparty to its customer in the trade, or (iii) the trade was conducted internally in the intermediary between its clients.**
Description	There is no provision in the securities laws or SECZ rules that require a contract note or confirmation of trade be given to an investor after a trade. However, such a requirement exists in the ZSE Member Rules. ***Paragraph (a)*** Section 10.05 of the ZSE Member Rules provides that brokers/members should send their customers a confirmation of any transactions within 24 hours of the transaction. ***Paragraph (b)*** Sections 10.05(f) and (g) of the ZSE Member Rules requires that the broker/member set out all fees, charges and commissions related to the trade in the confirmation. ***Paragraph (c)*** Sections 10.05 (c) and (i) of the ZSE Member Rules require a broker/member to disclose the venue of the transaction and whether the broker/member acted as principle. There is no provision as to whether the trade was made internally between two clients of the broker/member.
Recommendation	The securities Draft Rules should also contain a provision on the obligation to send a contract note to a client and the contents of such a contract note.
Good Practice C.3	***Statements*** **a. An investor should receive periodic, streamlined statements for each account with a securities intermediary or CIU, providing the complete details of account activity in an easy-to-read format.** **(i) Timely delivery of periodic securities and CIU statements pertaining to the accounts should be made.** **(ii) Investors should have a means to dispute the accuracy of the transactions recorded in the statement within a stipulated period.** **(iii) When an investor signs up for paperless statements, such statements should also be in an easy-to-read and readily understandable format.** **b. If a legal or natural person who provides only investment advice to customers also holds client assets, the client statements should be prepared by and sent from the custodian for the assets and not from the investment adviser.**

Description	There are no provisions in the Draft Rules regarding the provision of statements to customers. Industry members have stated that in practice such statements are provided and they are made electronically. ***Paragraph (a)*** (i) There is no provision in the SE Act, Draft Rules or ZSE Member Rules that statements must be sent to customers and in a timely fashion. However, the SECZ and brokers have stated that it is a standard practice and the team was shown examples of the statements. (ii) Rule 48(1) of the Draft Rules provides that a license holder must establish and maintain effective, efficient and transparent procedures for reasonable and prompt handling of complaints received from retail customers. Thus, complaints regarding a statement regarding its accuracy would fall under such an internal complaint procedure. (iii) There is no specific requirement in the Draft Rules for paperless statements. ***Paragraph (b)*** There is no specific provision in the Draft Rules requiring statements of investment advisors who hold client assets be sent by the custodian bank.
Recommendation	The securities Draft Rules should contain a provision on the contents and manner of delivery for statements.
Good Practice C.4	***Prompt Payment and Transfer of Funds*** **When an investor requests the payment of funds in his or her account, or the transfer of funds and assets to another securities intermediary or CIU, the payment or transfer should be made promptly.**
Description	There is no provision in the SEC rules regarding the prompt payment of funds. Members of the industry say the practice is for immediate payments. However, interviews indicate that one of the common complaints by investors is that payments are not promptly made.
Recommendation	The securities Draft Rules should also contain a provision regarding the prompt payment of funds on demand or on the closing of an account with penalties for failure to comply with the rule.
Good Practice C.5	***Investor Records*** **a. A securities intermediary, investment adviser or CIU should maintain up-to-date investor records containing at least the following:** **(i) a copy of all documents required for investor identification and profile;** **(ii) the investor's contact details;** **(iii) all contract notices and periodic statements provided to the investor;** **(iv) details of advice, products and services provided to the investor;** **(v) details of all information provided to the investor in relation to the advice, products and services provided to the investor;** **(vi) all correspondence with the investor;** **(vii) all documents or applications completed or signed by the investor;** **(viii) copies of all original documents submitted by the investor in support of an application for the provision of advice, products or services;** **(ix) all other information concerning the investor which the securities intermediary or CIU is required to keep by law;** **(x) all other information which the securities intermediary or CIU obtains regarding the investor.**

	b. Details of individual transactions should be retained for a reasonable number of years after the date of the transaction. All other records required under a. to j. above should be retained for a reasonable number of years from the date the relationship with the investor ends. Investor records should be complete and readily accessible.
Description	Section 118(2)(c)(iii) of the SE Act allows the SECZ to issue rules on record keeping. Rule 49 of the Draft Rules provides for the records that must be kept. ***Paragraph (a)*** (i) Draft Rule 49(2) requires that all customer identification information be maintained, including all KYC information. (ii) Draft Rule 49(2) requires customer contact details be maintained. (iii) Draft Rule 49(1)(a)(iii) requires all customer account records to be maintained but it does not specifically require periodic statements and notices to client. (iv) Draft Rules 49 requires that all information regarding transaction be maintained but does not require that documents regarding all services and transactions offered be maintained. (v) There is not specific requirement in Draft Rule 49 regarding all information in relation to advice, products and services provided to a client other than information on each transaction. (vi) There is no specific requirement in Draft Rule 49 that all correspondence be maintained. (vii) There is no specific requirement in Draft Rule 49 that all documents signed by the investor be maintained, although Draft Rule 49(1)(a)(iii) requires all customer account records be maintained. (viii) Draft Rule 49(1)(a)(iii) requires all customer account records be maintained, but does not specifically require original account documents submitted by the investor. (ix) There is no specific statement in Draft Rule 49 regarding other legally mandated document retention. (x) There is no specific statement in Draft Rule 49 regarding other general document retention. ***Paragraph (b)*** SECZ states that the current practice is 5 years. Rule 49(1) (c) of Draft Rules requires that all records be maintained seven years. Section 10.03(2) of the ZSE Member Rules requires that a broker/member shall retain records of customer orders for six years.
Recommendation	The Draft Rules regarding the customer records to be maintained should set out the records in more detail as set out in paragraph (a) (i)-(x) above.
SECTION D	**PRIVACY AND DATA PROTECTION**
Good Practice D.1	***Confidentiality and Security of Customers' Information*** **Investors of a securities intermediary, investment adviser or CIU have a right to expect that their financial activities will remain private and not subject to unwarranted private and governmental scrutiny. The law should require that securities intermediaries, investment advisers and CIUs take sufficient steps to protect the confidentiality and security of a customer's information against any anticipated threats or hazards to the security or integrity of such information, and against unauthorized access to, or use of, customer information.**

Description	There is no general privacy law in Zimbabwe, nor any SECZ rules on the obligation for licensees to keep customer financial information confidential. The Act provides that the new ZSE Member Rules require members to keep investor information confidential. Section 21 of the SE Act provides that SECZ Commissioners and employees can not disclose confidential information which he or she has obtained in the course of employment and which relates to licensees, the ZSE or the Central Depository. Section 37 of the CIU Act also provides that the regulator and employees must keep confidential information obtained in the course of their duties. The Access to Information and Protection of Privacy Act, as amended, also provides for circumstances where a government agency cannot disclose information held by the government regarding a person who is the subject of an information request under the Access to Information and Protection of Privacy Act. The information can be considered an unreasonable invasion of personal privacy if it contains information regarding, among other things, the financial affairs, assets, bank balances, and financial history of such person (*see Good Practice D.1, Banking Sector*). However, there is no provision in the Draft Rules requiring licensees to maintain the confidentiality of their clients' information. Section 65(1)(j) of the SE Act provides that the rules of a licensed stock exchange should provide that it and its members must keep client information confidential, but these rules haven't been written as of the date of this report. In any event, these rules would not cover asset managers, trustees, investment advisors and other licensees. Nonetheless, the SECZ states that it is the practice for confidentiality sections to be placed in the customer contracts/opening documents. Section 69(1)(k) of the SE Act also provides that the Central Depository must keep investor information confidential.
Recommendation	A comprehensive Privacy and Data Protection Act should be enacted in Zimbabwe to cover the confidentiality of investors' and other financial consumers' data (*see Good Practice D.1, Banking Sector*).
Good Practice D.2	***Sharing Customer's Information*** **Securities intermediaries and CIUs should:** **(i) inform an investor of third-party dealings in which they are required to share information regarding the investor's account, such as legal enquiries by a credit bureau, unless the law provides otherwise;** **(ii) explain how they use and share an investor's personal information;** **(iii) allow an investor to stop or "opt out" of certain information sharing, such as selling or sharing account or personal information to outside companies that are not affiliated with them, for the purpose of telemarketing or direct mail marketing, and inform the investor of this option.**
Description	There is no general privacy law in Zimbabwe and there are no general legal requirements regarding the sharing of customer information in the securities laws and rules.
Recommendation	A comprehensive Privacy and Data Protection Act should be enacted in Zimbabwe to cover the confidentiality of investors and other financial consumers' data (*see Good Practice D.2, Banking Sector*).
Good Practice D.3	***Permitted Disclosures*** **a. If there are to be any specific procedures and exceptions concerning the release of customer financial records to government authorities, these procedures and exceptions should be stated in the law.** **b. The law should provide for penalties for breach of investor confidentiality.**

Description	There is no general privacy law in Zimbabwe that would govern permitted disclosures by non-governmental entities. ***Paragraph (a)*** Section 21(5) of the SE Act provides for circumstances when the Commissioners and employees of the SECZ are required to or permitted to disclose confidential information, such as in response to a judicial request. ***Paragraph (b)*** Section 21(4) of the SE Act provides for penalties for disclosure in contravention of the Securities Act which include fines and imprisonment.
Recommendation	A comprehensive Privacy and Data Protection Act should be enacted in Zimbabwe to cover the confidentiality of investors and other financial consumers' data (*see Good Practice D.3, Banking Sector*).
SECTION E	**DISPUTE RESOLUTION MECHANISMS**
Good Practice E.1	***Internal Dispute Settlement*** **a. An internal avenue for claim and dispute resolution practices within a securities intermediary, investment adviser or CIU should be required by the securities supervisory agency.** **b. Securities intermediaries, investment advisers and CIUs should provide designated employees available to investors for inquiries and complaints.** **c. Securities intermediaries, investment advisers and CIUs should inform their investors of the internal procedures on dispute resolution.** **d. The securities supervisory agency should provide oversight on whether securities intermediaries, registered investment advisers and CIUs comply with their internal procedures on investor protection rules.**
Description	The Draft Rules for Securities provides for a requirement for internal dispute resolution within licensed entity. In practice, all firms we met had an internal dispute system, although it varies from entity to entity**.** ***Paragraph (a)*** Draft Rule 48 provides that all licensees should have an effective, transparent, and efficient procedure for reasonable and prompt handling of complaints. The SECZ states that the complaints must be resolved or sent to the SECZ within 30 days. Section 5 of SI172 of 1998 CIU Regulations also provides that asset managers must have an internal dispute mechanism in place. ***Paragraph (b)*** Although the Draft Rules do not contain a provision for a designated person, in practice the compliance officer in many institutions takes on this role. ***Paragraph (c)*** There is no provision in the Draft Rules regarding disclosure of the internal dispute procedure in the account opening documents. It does not appear to be a general practice to do so. ***Paragraph (d)*** The SECZ audits the complaint logs during its annual examination. In addition, under Draft Rule 48(3) it can ask for a log of all complaints which the licensee must provide on request.
Recommendation	*See Good Practice E.1, Banking Sector* which is equally applicable to the securities industry, SECZ and ZSE.
Good Practice E.2	***Formal Dispute Settlement Mechanisms***

	There should be an independent dispute resolution system for resolving disputes that investors have with their securities intermediaries, investment advisers and CIUs. **a. A system should be in place to allow investors to seek third-party recourse, such as an ombudsman or arbitration court, in the event the complaint with their securities intermediary, investment adviser or CIU is not resolved to their satisfaction in accordance with internal procedure, and it should be made known to the public.** **b. The independent dispute resolution system should be impartial and independent from the appointing authority and the industry.** **c. The decisions of the independent dispute resolution system should be binding on the securities intermediaries and CIUs. The mechanisms to ensure the enforcement of these decisions should be established and publicized.**
Description	There is currently no system in place that provides an overall affordable and efficient third-party recourse mechanisms for investors. No financial sector or securities ombudsman currently exists. The Arbitration Act provides the only formal dispute settlement mechanism outside of the court system in Zimbabwe. The ZSE arbitration system is deemed to be arbitration under the Arbitration Act. ***Paragraph (a)*** The Arbitration Act provides for arbitration, but only if both parties agree. Due to its expense it is not used by retail investors to settle their disputes. Section 10.12 and Appendix D of the ZSE Member Rules provide for a method of arbitration between a client and a broker/member which is related to a transaction on the Exchange. These adjudications by the ZSE are deemed to be arbitration decisions under the Arbitration Act. Our interviews with brokers indicated that this mechanism has been used for customer disputes. ***Paragraph (b)*** The Arbitration Act provides for independent arbitrators. ***Paragraph (c)*** Section 35 of the Arbitration Act provides that an arbitration decision under the Arbitration Act is binding and can be enforced by application to the High Court.
Recommendation	The SECZ and the Government should consider the creation of an ombudsman type scheme for the resolution of retail investor and other financial consumer disputes (*see Good Practice E.2, Banking Sector*). This could take the place of costly arbitration.
SECTION F	**GUARANTEE SCHEMES AND INSOLVENCY**
Good Practice F.1	***Investor Protection*** **a. There should be clear provisions in the law to ensure that the regulatory authority can take prompt corrective action on a timely basis in the event of distress at a securities intermediary, investment adviser or CIU.** **b. The law on the investors' guarantee fund, if there is one, should be clear on the funds and financial instruments that are covered under the law.** **c. There should be an effective mechanism in place for the pay-out of funds and transfer of financial instruments by the guarantee fund or insolvency trustee in a timely manner.** **d. The legal provisions on the insolvency of securities intermediaries, investment advisers and CIUs should provide for expeditious, cost-effective and equitable provisions to enable the timely payment of funds and transfer of financial instruments to investors by the insolvency trustee of a securities intermediary or CIU.**

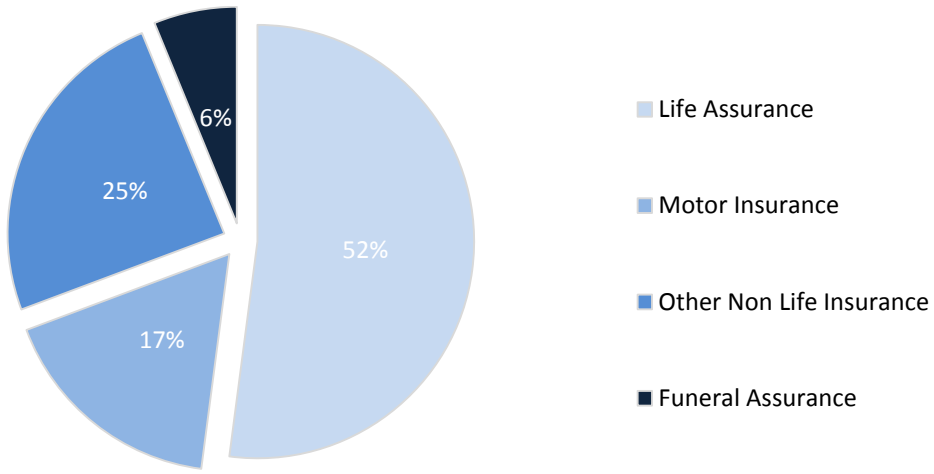
Description	The 2013 amendments to the SE Act provide for the creation of an Investor Protection Fund to protect investors from a licensed entity that has gone bankrupt. The Fund is still in the process of finalizing the rules as to the functioning of the Fund. This Fund, when it is fully operational and properly funded, will provide for the most expeditious payout mechanism to investors in regards to a firm that has gone bankrupt. ***Paragraph (a)*** Section 110 of the SE Act provides that notwithstanding anything in the Insolvency Act or Corporations Act, it can apply to a High Court for the winding up of a licensee or placing the licensee under judicial management. Moreover, no person other than a person nominated by the SECZ can be placed in charge of the entity. In addition, Section 53 of the Securities Act gives the SECZ the right to request that the High Court place restrictions on, or a *curator bonis* to administer and control, the trust funds of a licensee. ***Paragraph (b)*** Part IXA of the SE Act creates the Investor's Protection Fund and provides that the law and the responsibilities in the law apply to all licensed persons who are contributors of the Fund. There is no limitation as to the types of funds or financial instruments that are covered. ***Paragraph (c)*** Draft Rule 5(4) on the Investor Protection Fund provides that payment should be made as quickly as possible after the determination is made that the application has met the criteria for payment. In any event, the payment should be paid within 3 months of the determination of eligibility. ***Paragraph (d)*** Section 110 of the Securities Act provides that notwithstanding anything in the Insolvency Act or Corporations Act, it can apply to a High Court for the winding up of a licensee or placing the licensee under judicial management. As a result, the payouts can occur more quickly than provided for in the Corporations Act and Insolvency Act.
Recommendation	No recommendation.

III. GOOD PRACTICES: INSURANCE SECTOR

The Insurance Sector in Zimbabwe is supervised by the Insurance and Pensions Commission (IPEC) and is diverse yet highly concentrated. Pursuant to the list of the registered companies available on the IPEC's website, there are 9 life assurers, 2 life reassures, 11 funeral assurers, 27 short-term/non-life insurers, 10 short-term reinsurers, and 30 brokers.[24] The three largest life companies accounted for 82.7 percent of the premiums; the three largest funeral insurers for 86.4 percent; and the top 4 short-term insurers accounted for 50 percent of premiums. [25] [26]

In terms of premiums, the insurance market in Zimbabwe is small but growing fast. The insurance sector has to some extent moved on from the severe adverse effect on policy values of Zimbabwe's hyperinflation and subsequent dollarization period. In 2013, premiums for life and funeral insurance grew by 34.8 percent and for short-term insurance by 9.3 percent, leading to an overall growth of total insurance premiums of 22.2 percent.[27] Premiums for life funds count for 27.9 percent of all the premiums of the insurance sector in 2013. Funeral policies (sold by specialized companies or by life assurers) count for another 20 percent. Motor (third party liability motor insurance is compulsory in Zimbabwe) and fire insurance still remain in 2013 as the major sources of business in the short term insurance industry (motor is 41 percent of the premiums of short term insurance, and fire 20 percent). Life and Funeral Assurances count for 58 percent of the Gross Premium Written.

FIGURE 2: GROSS PREMIUMS BY TYPE OF INSURANCE (2013)



Source: IPEC

As of December 2013 Zimbabwe reached US USD 38 insurance premiums per capita. In contrast, South Africa had USD 1,025 insurance per capita, Kenya had USD 35 per capita and Nigeria had USD 11 per capita.[28] The insurance penetration ratio is currently claimed to be around 5 percent[29] (as compared to 1.70 percent in 2012[30]), slightly above the average for the African continent, which is 3.56 percent.[31]

[24] The IPEC's list of registered companies, available at www.ipec.co.zw/images/stories/pdffiles/registered%20companies.pdf (last visited on December 9, 2014).
[25] Source: IPEC December, 2013 reports available at http://www.ipec.co.zw/ (last visited on December 29, 2014).
[26] The mission team was also told anecdotally that another area of rapid growth is the health insurance / medical aid sector and that there are concerns about the administration and supervision of these schemes. However such schemes are not the focus of this report, which considers consumer protection issues relevant to products and services issued by the financial sector.
[27] Source: IPEC December, 2013 reports available at http://www.ipec.co.zw/ (last visited on December 29, 2014).
[28] Source: SIGMA publication of SwissRe.
[29] Zimbabwe: Insurance Penetration Rate to Increase (Herald, 2014), available at allafrica.com/stories/201405261202.html (last visited on December 11, 2014).
[30] Sector Report: Insurance in Africa, 2 (KMPG, 2014), available at www.kpmg.com/Africa/en/IssuesAndInsights/Articles-Publications/Documents/Insurance%20in%20Africa.pdf (last visited on December 11, 2014).
[31] Sector Report: Insurance in Africa, 1 (KMPG, 2014) available at www.kpmg.com/Africa/en/IssuesAndInsights/Articles-Publications/Documents/Insurance%20in%20Africa.pdf (last visited on December 11, 2014).

Although insurers can sell directly to their clients, most insurances policies are distributed through brokers. Agents and brokers have to obtain a license from IPEC. To apply for their license for the first time agents have to obtain a certificate of proficiency (at the Insurance Institute of Zimbabwe), or similar proof of knowledge of insurance. There is no requisite of continuous professional development to continue to be registered. The only condition is to pay annual fees and maintain professional liability insurance in force.

There is evidence of innovation in the insurance market in Zimbabwe, including development of the mobile phone based insurance market. Examples include distributing insurance products through banks and other financial institutions (such as credit life insurance products) and, significantly, the sale of insurance through mobile phones. Two examples of the mobile insurance market of note are the recently launched e-FML Mobile Funeral Cash Plan[32] and the EcoFarmer product (see below). The failure of the EcoLife mobile insurance product is a reminder of the consumer issues relevant to the mobile insurance market. EcoLife was a free life insurance product made available by Econet as part of a loyalty program. The product scaled up rapidly but was withdrawn after 7 months as a result of a dispute over royalties. As a result, around 1.6 million Zimbabweans lost coverage and were not compensated.[33] As noted in one of the consumer focus groups conducted during the mission: "*I joined EcoLife, but up to now I don't understand what happened to it, I was never refunded…It is so painful…"* (Urban, Low Income).
Source: https://www.econet.co.zw/ecofarmer

What Is EcoFarmer?

EcoFarmer is described as "*a revolutionary way of farming using mobile technology*" and a micro insurance product designed to insure inputs and crops against drought or excessive rainfall. In addition the insured farmer receives daily weather information, farming tips and information on when and where to sell, and the best price for his/her products.

The cover

- The benefits of EcoFarmer are described as including information on various farming and financial related services (such as daily rainfall advice, farming prices, crop data, credit rating, advertising and marketing links and financial linkages).
- To be an "*insured farmer*", the farmer must be registered.
- To become registered, the farmer has to fill in a registration form which is available from any Econet shop, Econet Green kiosk or EcoFarmer agent. Confirmation of registration is via SMS.
- The farmer must also be a Econet subscriber and registered EcoCash user.
- There are 2 premium and cover options for the crop insurance. Option 1 gives the farmer USD 100 in the event of rainfall deficit or excessive rain upon payment of USD 10 premium for the season and purchase of 10 kg Seed Co seed pack. Option 2 gives the farmer USD 25 for a seasonal premium of USD 2.50 (the amount of seed required to be purchased is not clear).
- Premiums are paid via EcoCash.

[32] See First Mutual Life's website http://www.fmlzim.co.zw/?page_id=126.
[33] See, e.g. http://www.finmark.org.za/wp-content/uploads/pubs/Rep_M_insurance_Zimbabwe_20142.pdf and http://www.southerneye.co.zw/2013/12/01/first-mutual-life-clients-limbo/ .

SECTION A	CONSUMER PROTECTION INSTITUTIONS
Good Practice A.1	***Consumer Protection Regime*** **The law should provide for clear rules on consumer protection in all matters of insurance and there should be adequate institutional arrangements for implementation and enforcement of consumer protection rules.** **a. There should be specific provisions in the law, which create an effective regime for the protection of retail consumers of insurance.** **b. The rules should prioritize a role for the private sector, including voluntary consumer organizations and self-regulatory organizations.**
Description	***Paragraph (a)*** The principal legislation relevant to the insurance sector are the Insurance Act and the IPEC Act. The Insurance Act governs the organization and operation of insurance business, and auxiliary professions (including agents and brokers). There are very limited provisions dealing with consumer protection issues.[34] Examples include provisions dealing with court actions by policy holders against insurers (Section 75); requirements for the display of information at business premises (Section 78) and requirements for life and funeral policies to be printed in no less than 8 point font and other policies to be in clearly legible letters (Section 83). Further, Section 87 gives the power to IPEC, by notice in the Gazette, to declare a specified practice or method of conducting business an irregular or undesirable practice or an undesirable method of conducting business for a class or classes of registered insurers, or agents, or for all such insurers, brokers and agents. However we are not aware of any such declaration having been made. It is also to be noted that IPEC's objectives under the Insurance Act include "*the protection of the rights, benefits and other interests of policy owners and of any beneficiaries of policies*" as well as "*the monitoring of the solvency of insurers and the maintenance of sound insurance principles and practices in the conduct of insurance business in Zimbabwe*".[35] Further, IPEC is responsible for supervising all activities of registered insurers, insurance agents and insurance brokers.[36]However, IPEC's limited capacity and resources mean that it has difficulty in meeting these (and other) broad objectives in an effective way (*see Good Practice A.4*). The mission team was told that there are proposals to amend the Insurance Act which have been approved by Cabinet. Amongst other significant reforms, they provide for the introduction of provisions concerning a duty to act in the best interests of policyholder, to establish a Policy Holders Protection Fund and for the remission of premiums by brokers. Several other laws have potential for a limited impact on consumer protection in Zimbabwe. They include the Consumer Contracts Act, the Contractual Penalties Act, the Competition Act and the AML Act. The Consumer Protection Draft Bill is also relevant in this context (*see Good Practice A.1, Banking Sector for details of these Acts and the Bill*). ***Paragraph (b)*** No particular provisions were noted that either provide for or prohibit a role for the private sector in financial consumer protection. CCZ is noted to be the main consumer association in Zimbabwe and is active in consumer education. Though not specializing in financial or insurance issues, they have passed complaints onto IPEC and a pension and insurance expert was previously a member of their Board. However, CCZ does not focus much work on the financial sector due to limited capacity and resources (*see Good Practice A.4, Banking Sector*).

[34] For instance, provisions dealing with court actions by policyholders against insurers (Section 75); requirements for the display of information at business premises (Section 78) and requirements for life and funeral policies to be printed in no less than 8 point font and other policies to be in clearly legible letters (Section 83).
[35] Sections 5(a) and (c).
[36] Section 6(b). See also Article 4 of the IPEC Act.

Recommendation	The abovementioned proposed new consumer protection laws for the insurance industry should be finalized in a manner consistent with the Good Practices as soon as possible. In the long term, the Government should develop and implement a comprehensive financial consumer protection law (*see Good Practice A.1, Banking Sector*). Such a law could cover transparency and disclosure, sales practices, staff and intermediary training requirements, advertising, privacy and data protection, and dispute resolution mechanisms. Consideration will also need to be given to how any new consumer protection legislation interacts with the Consumer Protection Draft Bill (*see Good Practice A.1, Banking Sector*).
Good Practice A.2	***Contracts*** **There should be a specialized insurance contracts section in the general insurance or contracts law, or ideally a separate Insurance Contracts Act. This should specify the information exchange and disclosure requirements specific to the insurance sector, the basic rights and obligations of the insurer and the retail policyholder and allow for any asymmetries of negotiating power or access to information.**
Description	There is neither a special law regulating the insurance contract, nor a special section about insurance contracts in any general contract law as contemplated by this Good Practice. There are however specific provisions on certain types of insurance contracts in Part IX of the Insurance Act (*Special Provisions relating to Life and Other Policies*). These provisions deal with issues such as life policies relating to children, married persons and spouses; suicide by the insured, lost or stolen policies, disability benefits, discrimination and Days of grace, paid-up policies and non-forfeiture provisions (Sections 41 to 61). Part XI (General) of the Insurance Act also has provisions dealing with Actions by policy owners against insurers (Section 75), policies not being invalid by reason of failure to comply with the law (Section 82), certain policies to be printed in clearly legible letters (Section 83) and the abovementioned ability for IPEC to make declarations about undesirable business practices.
Recommendation	It would be desirable to enact an insurance contract law with at least provisions relating to the form and contents of insurance contracts; insurable interests; when liability arises and the basis for indemnity; the rights and obligations of insurers and insureds; avoidance and termination of policies; amendment and assignment; and time limits for premium payments, claims settlement and lawsuits. Such a law could be enacted as a separate part of the proposed financial consumer protection law (*see Good Practice A.1, Banking Sector*).
Good Practice A.3	***Codes of Conduct for Insurers*** **a. There should be a principles-based code of conduct for insurers that is devised in consultation with the insurance industry and with relevant consumer associations, and that is monitored and enforced by a statutory agency or an effective self-regulatory agency.** **b. If a principles-based code of conduct exists, insurers should publicize and disseminate it to the general public through appropriate means.** **c. The principles-based code should be augmented by voluntary codes for insurers on such matters specific to insurance products or channels.** **d. Every such voluntary code should likewise be publicized and disseminated.**
Description	***Paragraphs (a) and (b)*** There is not a single industry wide Code of Conduct as contemplated by this Good Practice. There are however several insurance industry associations: ICZ (for short term insurers), LOAZ (for life insurers), ZAFA (for funeral insurers) and ZIBA (for insurance brokers) and each of those associations has its own Code of Conduct. These Codes are not publicly available but it is understood they cover matters such as the duty to act in the best interests

	of policyholders, unfair competition, and confidentiality of information, the remission of premiums and a disciplinary process for breaches. ***Paragraphs (c) and (d)*** The abovementioned Codes are not directly accessible on their webpages or similar public sites.
Recommendation	Consideration should be given to establishing a legally enforceable code of conduct for insurance practices as contemplated by this Good Practice.
Good Practice A.4	***Other Institutional Arrangements*** **a. Prudential supervision and consumer protection can be placed in separate agencies or lodged in a single institution, but allocation of resources between prudential supervision and consumer protection should be adequate to enable the effective implementation of consumer protection rules.** **b. The judicial system should provide credibility to the enforcement of the rules on financial consumer protection.** **c. The media and consumer associations should play an active role in promoting consumer protection in the area of insurance.**
Description	***Paragraph (a)*** IPEC is responsible for the supervision of the insurance and pension sectors, with the MoF having policy responsibility for insurance and pension's legislation. However, IPEC's mandate regarding consumer protection and market conduct is rather vague. Moreover, the capacity of IPEC is currently stretched, with only 24 staff in total for both the insurance and pensions sectors, thus making it difficult for IPEC to fully meet the statutory objectives. IPEC also lacks much needed specialists, such as staff with an actuarial or legal training. Presumably because of the lack of resources, IPEC does not actively supervise the limited consumer protection rules that exist and there is no separation of prudential and consumer protection supervision. It is also doubtful that IPEC will have the capacity to supervise the new consumer protection rules which have been approved by Cabinet (especially when taking into account its pension functions). IPEC's lack of capacity in relation to consumer protection is a particular concern as its IPEC's objectives under the Insurance Act include "*the protection of the rights, benefits and other interests of policy owners and of any beneficiaries of policies*" as well as "*the monitoring of the solvency of insurers and the maintenance of sound insurance principles and practices in the conduct of insurance business in Zimbabwe*".[37] ***Paragraph (b)*** The judicial system is not a practical or accessible avenue for the average consumer (*see Good Practice A.4, Banking Sector for details*). ***Paragraph (c)*** The media in Zimbabwe appear to be quite active in reporting on activities in the insurance sector, including with respect to issues such as the EcoLife failure (see the Insurance Sector Background above) and the process that was followed to introduce "*dollarization*" in insurance and especially for life assurance products with a savings component (*see Good Practice A.4, Banking Sector for a discussion of the media generally and the consumer association, CCZ*).
Recommendation	IPEC's capacity, resources and supervisory tools to undertake consumer protection supervision should be strategically expanded, focusing on highest risk activities. A particular emphasis should be placed on IPEC's ability to monitor and enforce any new financial consumer protection laws or regulations issued.

[37] Sections 5(b) and (c).

	In the long-term, policymakers may wish to consider establishing a separate financial consumer protection supervision department within IPEC. Such an arrangement can help to ensure that financial consumer protection receives an adequate level of resources and capacity as well as some level of independence from prudential supervision. This separation can be necessary as prudential supervisory priorities can often dominate financial consumer protection concerns, although the two topics should be viewed as complementary.[38] However, in the short-term, it may be necessary to begin expanding financial consumer protection supervisory activities in the same department as prudential supervision, for practical operational purposes. If this is the case, policymakers should seek to ensure an appropriate allocation of resources and attention between prudential supervision and financial consumer protection given the concerns noted above. Supervisory staff focusing on financial consumer protection will also require training specific to the topic, as the issues and supervisory tools for financial consumer protection differ from prudential supervision. For example, supervision of financial consumer may require greater use of off-site supervisory tools and market monitoring, such as mystery shopping, consumer focus groups and surveys, review of advertising materials, and systematic analyses of customer complaints.[39] See also *Good Practice A.4 Banking Sector* regarding the judiciary, the media and support for consumer associations.
Good Practice A.5	***Bundling and Tying Clauses*** **Whenever an insurer contracts with a merchant or credit grantor (including banks and leasing companies) as a distribution channel for its contracts, no bundling (including enforcing adhesion to what is legally a single contract), tying or other exclusionary dealings should take place without the consumer being advised and able to opt out**
Description	"Bankassurance" strategic alliances between banks and insurance companies focused on the distribution of insurance products by banks are becoming increasingly commonplace in Zimbabwe, with reports of up to 7 commercial banks having formed alliances with insurers.[40] Further, it is becoming increasingly common to bundle consumer credit and life insurance products. Mandatory insurance may be required while in many cases a customer is effectively not offered an opportunity to choose an insurance provider. In some contracts studied by the mission team, a life insurance policy was included in the credit agreement, with premiums already included in the price of the credit. There are, however, no laws of the type contemplated by this Good Practice.
Recommendation	In the short term, when a product or service is bundled with different components, among which one is insurance, the amount of the insurance premium charged should be required to be disclosed together with a summary of the key features of the policy cover and related exclusions and details of the insurer and how to make a claim. In the mid-term, IPEC together with relevant industry associations (ICZ, LOAZ) and other financial sector regulators (such as RBZ and the SME Ministry) should investigate the level of bundling and tying practices and should establish formal standards of practice in this regard. These standards should include a clear prohibition on insuring forcing practices be introduced, coupled with disclosure and rebate provisions. The 'insurance forcing' prohibition would apply to a requirement to acquire insurance from a particular supplier as

[38] For further information, see *Establishing a Financial Consumer Protection Supervision Department: Key Observations and Lessons Learned in Five Case Study Countries* (World Bank, 2014), available at http://responsiblefinance.worldbank.org/~/media/GIAWB/FL/Documents/Publications/TechNote-Belarus-FCP-Dept-FINAL.pdf (last visited on December 29, 2014).
[39] For further information on supervisory strategies and tools, see *Implementing Consumer Protection in Emerging Markets and Developing Economies: A Technical Guide for Bank Supervisors* (CGAP, 2013), available at http://www.cgap.org/sites/default/files/Technical-Guide-Implementing-Consumer-Protection-August-2013.pdf (last visited on December 29, 2014).
[40] See Bancassurance in Zimbabwe – the Scramble for Strategic Alliances, Threats and Opportunities for Insurance Brokers, available at hwww.academia.edu/7645225/BANCASSURANCE_IN_ZIMBABWE_-_THE_SCRAMBLE_FOR_STRATEGIC_ALLIANCES_THREATS_AND_OPPORTUNITIES_FOR_INSURANCE_BROKERS (last visited on December 29, 2014).

	a condition of providing a banking service (such as a loan) and to a requirement to pay for such insurance. However there could be an exception to such a prohibition in certain cases – for example, where the requirement is for insurance over mortgaged property or where insurance is required by law. Further, where there is a tied insurance contract, credit providers should be required to give a proportionate refund of the applicable premium if the consumer pays out a loan early. It is further recommended to introduce a requirement for disclosure of insurance commissions and premiums. Finally, there should be a requirement for at least three insurers on the list presented to the consumer when there is a tying and bundling situation. It is also recommended that there be a requirement for a consumer to receive a list of at least three insurers when there is a tying and bundling situation, and that notice of any affiliation between the bank and the listed insurance company be provided.
SECTION B	**DISCLOSURE & SALES PRACTICES**
Good Practice B.1	***Sales Practices*** **a. Insurers should be held responsible for product-related information provided to consumers by their agents (i.e. those intermediaries acting for the insurer).** **b. Consumers should be informed whether the intermediary selling them an insurance contract (known as a policy) is acting for them or for the insurer (i.e. in the latter case the intermediary has an agency agreement with the insurer).** **c. If the intermediary is a broker (i.e. acting on behalf of the consumer) then the consumer should be advised at the time of initial contact with the intermediary if a commission will be paid to the intermediary by the underwriting insurer. The consumer should have the right to require disclosure of the commission and other costs paid to an intermediary for long-term savings contracts. The consumer should always be advised of the amount of any commission and other expenses paid on any single premium investment contract.** **d. An intermediary should be prohibited from identically filling brokering and agency roles for a given general class of insurance (i.e. life and disability, health, general insurance, credit insurance).** **e. When a bank is the intermediary, the sales process should ensure that the consumer understands at all times that he or she is not purchasing a bank product or a product guaranteed by the bank.** **f. Sanctions, including meaningful fines and, in the case of intermediaries, loss of license, should apply for breach of any of the above provisions.**
Description	***Paragraph (a)*** There is no law which explicitly states that insurers are responsible for product related information provided to consumers by their agents. ***Paragraphs (b) and (c)*** There is no requirement for disclosures to be made about the status of insurance intermediaries or commissions or, indeed, relating to potential conflicts of interest. As the insurance market diversifies (including through the sale of insurance products through mobile phones), insurance advisers and intermediaries are likely to increase in range and number and it will become even more important that consumers understand their status and any relevant conflicts of interest. ***Paragraph (d)*** There does not appear to be a specific requirement relating to the simultaneous holding of positions as both an agent and broker. The Insurance Act in Section 3, defines an agent as: "*a person who, on behalf of a registered insurer or registered insurers (a) initiates insurance business; or (b) does any act in relation the receiving of proposals for insurance, the issue of policies or the collection of premiums*".

	The same section defines *"insurance broker"* as: a *"person who, on behalf of any other person, negotiates insurance business with insurers*". In a strict sense, the respective definitions of "*agent*" and "*broker*" clearly contemplate that a person could not simultaneously hold both roles. ***Paragraph (e)*** There is no specific provision in the Insurance Act, or elsewhere, requiring disclosure of the fact that an insurance product sold by a bank is not a product of the bank or guaranteed by the bank. ***Paragraph (f)*** Not applicable, as there are no relevant provisions prohibiting the practices covered by this Good Practice.
Recommendation	Insurance intermediaries should be required to disclose commissions which may be paid to them by insurers, especially as the market develops. This should include disclosure of either the amount of the commission or, if the amount is not ascertainable at the moment of communication, of the method for calculation with clear examples of how to apply it in particular cases. Insurance intermediaries should also be required to disclose their status to consumers. Requirements should also be developed for banks to disclose the insurance products they sell are not their products and not guaranteed by them.
Good Practice B.2	***Advertising and Sales Materials*** **a. Insurers should ensure their advertising and sales materials and procedures do not mislead customers. Regulatory limits should be placed on investment returns used in life insurance value projections.** **b. Insurers should be legally responsible for all statements made in marketing and sales materials they produce related to their products.** **c. All marketing and sales materials should be easily readable and understandable by the general public.**
Description	***Paragraphs (a)-(c)*** Section 83 of the Insurance Act is to the effect that policy contracts should be printed clearly in legible letters. There is however no overarching legal framework for advertising in Zimbabwe. Limited advertising provisions can be found in the following laws: • The Competition Act lists misleading advertising as an unfair trade practice that is punishable by a fine (Section 50). • The Advertisements Regulation Act provides for control of advertisements on structures or apparatus erected or intended for display along railways or roads declared to be a main district or branch road.
Recommendation	Existing rules should be amended in order to provide for the requirement that all marketing and sales materials should be easily readable and understandable by the general public. Regulatory limits should be placed on investment returns used in life insurance value projections. Due to the increasing importance of sales through mobile phones and computers, consideration should be given to how to offer (always) the option to the customer to get a permanently printed copy of the advertising and promotional material that has been used in the sales process (*see section on Digital Financial Services*).
Good Practice B.3	***Understanding Customers' Needs*** **The sales intermediary or officer should be required to obtain sufficient information about the consumer to ensure an appropriate product is offered. Formal —fact finds|| should be specified for long-term savings and investment products and they should be retained and be available for inspection for a reasonable number of years.**
Description	In relation to insurance contracts, the present legal provisions do not include a positive obligation to conduct a needs assessment, details of how the assessment should be

	conducted, nor any obligation to provide the insured with a copy of the assessment or any provision for the consequences of not complying with those requirements. However the code of conduct and practice of ZIBA (insurance brokers) establishes that brokers should place the interests of their clients before any other consideration.
Recommendation	Insurance regulations should explicitly include provisions relating to the obligation of insurers and brokers to understand the customer's needs, to properly document the assessment and deliver a copy of the assessment to the costumer.
Good Practice B.4	***Cooling-off Period*** **There should be a reasonable cooling-off period associated with any traditional investment or long-term life savings contract, after the policy information is delivered, to deal with possible high pressure selling and mis-selling.**
Description	There is no requirement for a cooling-off period for insurance contracts under Zimbabwean law.
Recommendation	It is desirable that there are clear regulations requiring reasonable cooling-off periods for life insurance savings and investment type products.
Good Practice B.5	***Key Facts Statement*** **A Key Facts Statement should be attached to all sales and contractual documents, disclosing the key factors of the insurance product or service in large print.**
Description	There is no requirement for a KFS of the type contemplated by this Good Practice, attached to all sales and contractual documents.
Recommendation	Insurers should be required to provide a KFS for common retail insurance products (such as motor vehicle or home contents policies) to assist consumers to better understand and compare the relevant insurance products (sucha s for motor and home contents policies and commonly sold life policies). The prescribed format of a KFS should assist consumers to better understand and compare insurance products, and what they specific content and key features statements should be. A KFS should have a particular format (*see Good Practice B.8, Banking* Sector) and contain information as to the monetary limit of coverage, the premium, risks covered, any excess, the main exclusions and, when applicable, information of any cooling off period. It should be required to be provided whenever a consumer makes an enquiry about a particular insurance policy as well as to a consumer in advance of taking up a particular policy.
Good Practice B.6	***Professional Competence*** **a. Sales personnel and intermediaries selling and advising on insurance contracts should have sufficient qualifications, depending on the complexities of the products they sell.** **b. Educational requirements for intermediaries selling long-term savings and investment insurance products should be specified, or at least approved, by the regulator or supervisor.**
Description	***Paragraph (a) and (b)*** Insurance agents and brokers must be registered to IPEC and, to be included on the Register for the first time, the individual must demonstrate the required level of knowledge about insurance. In this regard, the Insurance Institute of Zimbabwe offers a variety of courses on different subjects related to insurance and holds examinations that give access to a Certificate of Proficiency in two different fields: short term or non-life, and life insurance. However there is no requirement for "continuous professional development" imposed on insurance intermediaries.
Recommendation	The proposed financial consumer protection law should address the need for continuous professional development for insurance intermediaries. The Insurance Institute of Zimbabwe in the shorter term should consider making available professional development courses for brokers and agents, in order to make sure they are up to date with new developments and issues affecting the industry.

Good Practice B.7	***Regulatory Status Disclosure*** **a. In all of its advertising, whether by print, television, radio or otherwise, an insurer should disclose: (i) that it is regulated, and (ii) the name and address of the regulator.** **b. All insurance intermediaries should be licensed and proof of licensing should be readily available to the general public, including through the internet.**
Description	***Paragraph (a)*** Presently, there is no obligation to disclose the regulatory status of insurers. ***Paragraph (b)*** All insurance intermediaries must be licensed/registered by IPEC, but there is no specific regulation on how this license must be displayed to be seen by the general public.
Recommendation	It is desirable that insurers be required to disclose in their advertising that they are regulated by IPEC. Given that both agents and brokers need to be licensed, consideration should be given to making their information available, including through IPEC.
Good Practice B.8	***Disclosure of Financial Situation*** **a. The regulator or supervisor should publish annual public reports on the development, health, strength and penetration of the insurance sector either as a special report or as part of the disclosure and accountability requirements under the law governing it.** **b. Insurers should be required to disclose their financial information to enable the general public to form an opinion with regards to the financial viability of the institution.** **c. If credible claims paying ability ratings are not available, the regulator or supervisor should periodically publish sufficient information on each insurer for an informed commentator or intermediary to form a view of the insurer's relative financial strength.**
Description	***Paragraph (a)*** IPEC publishes annual reports on the development, health and other financial indicators of the insurance sector (one separate report for each of the three kinds of insurers that the regulation differentiates: short term or non–life, life and funeral). Even though some parts of this information are published at the company level, other parts are only provided on an aggregate basis. ***Paragraph (b)*** Financial information on individual insurers is difficult to obtain. The information shown in IPEC reports is not sufficiently granular, and generally insurers do not publish that information on their websites. ***Paragraph (c)*** No claims paying ability rating is available on regular basis, with the same criteria applied to all insurance undertakers. IPEC publishes quarterly reports but these are not oriented to define the capacity for paying claims that each insurer shows.
Recommendation	IPEC should publish on its web page, every quarter, detailed disaggregated financial information of each insurer, together with some of the key ratios that would allow the consumers to compare the level of solvency of insurers.
SECTION C	**CUSTOMER ACCOUNT HANDLING AND MAINTENANCE**
Good Practice C.1	***Customer Account Handling***

	a. Customers should receive periodic statements of the value of their policy in the case of insurance savings and investment contracts. For traditional savings contracts, this should be provided at least yearly, however more frequent statements should be produced for investment-linked contracts. **b. Customers should have a means to dispute the accuracy of the transactions recorded in the statement within a stipulated period.** **c. Insurers should be required to disclose the cash value of a traditional savings or investment contract upon demand and within a reasonable time. In addition, a table showing projected cash values should be provided at the time of delivery of the initial contract and at the time of any subsequent adjustments.** **d. Customers should be provided with renewal notices a reasonable number of days before the renewal date for non-life policies. If an insurer does not wish to renew a contract it should also provide a reasonable notice period.** **e. Claims should not be deniable or adjustable if non-disclosure is discovered at the time of the claim but is immaterial to the proximate cause of the claim. In such cases, the claim may be adjusted for any premium shortfall or inability to recover reinsurance.** **f. Insurers should have the right to cancel a policy at any time (other than after a claim has occurred – see above) if material non-disclosure can be established.**
Description	***Paragraphs (a)-(d)*** There are not enforceable rules to require compliance with any aspect of this Good Practice. However, the mission team was told that it is industry practice to provide at least annual statements in relation to insurance savings and investment style policies. ***Paragraphs (e)-(f)*** As for paragraphs a) to d) the provisions for this Good Practice appear to be met in practice although there are not enforceable rules to require compliance with any aspect of this Good Practice except for Section 52 of Insurance Act states that, in relation to a life assurance policy where there has been a misstatement of the age, the sum assured should be simply adjusted according to the correct age.
Recommendation	Detailed consideration should be given to mandating the requirements of this Good Practice. It is considered especially important that the principles relating to statements, dispute resolution, renewals and the effect of non-disclosures be implemented.
SECTION D	**PRIVACY & DATA PROTECTION**
Good Practice D.1	***Confidentiality and Security of Customers' Information*** **Customers have a right to expect that their financial transactions are kept confidential. Insurers should protect the confidentiality and security of personal data, against any anticipated threats, or hazards to the security or integrity of such information, and against unauthorized access.**
Description	*See Good Practice D.1, Banking Sector.*
Recommendation	*See Good Practice D.1, Banking Sector.*
SECTON E	**DISPUTE RESOLUTION MECHANISMS**
Good Practice E.1	***Internal Dispute Settlement*** **a. Insurers should provide an internal avenue for claim and dispute resolution to policyholders.**

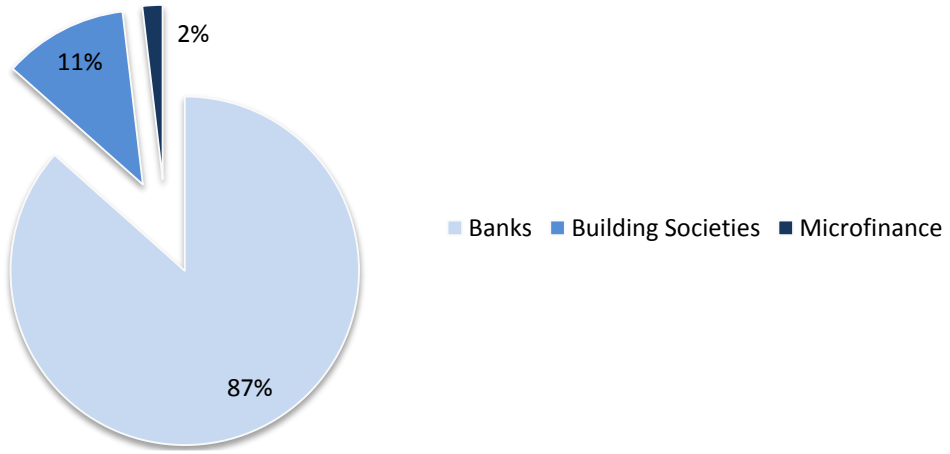
	b. Insurers should designate employees to handle retail policyholder complaints. **c. Insurers should inform their customers of the internal procedures on dispute resolution.** **d. The regulator or supervisor should investigate whether insurers comply with their internal procedures regarding consumer protection.**
Description	***Paragraph (a)*** There are currently no specific requirements for the establishment by insurers of internal procedures for dispute settlement. However, all the insurers met by the mission mentioned that they had internal procedures for dealing with complaints. There do however appear to be informal requirements from IPEC that an applicant for an insurance license provide a description of the internal processes that the applicant intends to adopt regarding the handling of complaints. IPEC does not however actively supervise compliance with these processes and does not require reporting of complaints statistics. ***Paragraph (b)*** Practices vary as to who within an insurance company is designated to handle customer complaints. Some insurers have specific staff dedicated to complaints, others have a Customer Service Center and others determine who should have that role on a case-by-case basis, depending on the nature of the complaint. Brokers are also likely to be the initial point of contact. ***Paragraph (c)*** Some insurers, when issuing an insurance policy, inform customers of relevant contact details if they want to make an enquiry or complaint, but there is no requirement for insurers to inform customers of their internal complaints handling procedures. ***Paragraph (d)*** As mentioned above, due to a lack of resources, IPEC does not actively supervise compliance with complaint resolution processes advised to IPEC and does not collect or analyze complaints statistics.
Recommendation	See Good Practice E.1, Banking Sector, which is equally applicable to the insurance industry and IPEC. In particular, IPEC should issue guidelines that set clear standards regarding the minimum requirements for insurers' internal complaints handling and dispute resolution mechanisms and include requirements that there mechanisms be widely publicized through a variety of channels (e.g. policy documents, branch posters and websites) so that consumers are aware such mechanisms exist and know how to utilize them and that insurers consolidate and report complaints data to IPEC on a regular basis and in a standardized format.
Good Practice E.2	***Formal Dispute Settlement Mechanisms*** **a. A system should be in place that allows consumers to seek affordable and efficient third-party recourse, which could be an ombudsman or tribunal, in the event the complaint with the insurer cannot be resolved to the consumer's satisfaction in accordance with internal procedures.** **b. The role of an ombudsman or equivalent institution *vis-à-vis* consumer disputes should be made known to the public.** **c. The ombudsman or equivalent institution should be impartial and act independently from the appointing authority and the industry.** **d. The decisions of the ombudsman or equivalent institution should be binding upon the insurers. The mechanisms to ensure the enforcement of these decisions should be established and publicized.**
Description	***Paragraphs (a)-(d)*** There is currently no system in place that provides an overall affordable and efficient third-party recourse mechanisms for insureds. No financial sector or insurance ombudsman currently exists. The Arbitration Act provides the only formal dispute settlement mechanism outside of the court system in Zimbabwe. Presently, many insurance policies impose compulsory arbitration as the only way to solve disputes between the insurer and the policyholder (especially in relation to claims).

	IPEC receives and facilitates resolution of some complaints directly, but it reports only receiving a few complaints per month. Regardless, it does not appear that IPEC has a system in place for systematically dealing with larger numbers of complaints and it cannot make binding decisions, and does not record or publish detailed statistics about complaints.
Recommendation	IPEC and the Government should consider the creation of an ombudsman type scheme for the resolution of insurance and other financial sector disputes (*see Good Practice E.2, Banking Sector*). This could take the place of costly arbitration, which should not be a compulsory requirement imposed on policyholders.
SECTION F	**GUARANTEE SCHEMES AND INSOLVENCY**
Good Practice F.1	***Guarantee Schemes and Insolvency*** **a. With the exception of schemes covering mandatory insurance (and possibly long-term insurance), insolvency guarantee schemes are not to be encouraged for insurance because of the opaque nature of the industry and the scope for moral hazard. Strong governance and prudential supervision are better alternatives.** **b. Nominal defendant arrangements should be in place for mandatory insurances such as motor third party liability insurance to cover situations where there is no insured guilty party.** **c. Assets covering life insurance mathematical reserves and investment contract policy liabilities should be segregated or at the very least earmarked, and long-term policyholders should have preferential access to such assets in the event of a winding-up.**
Description	***Paragraph (a)*** There is not at present any insolvency guarantee scheme. However the mission team was told that there are proposals to amend the Insurance Act which have been approved by Cabinet. Amongst other significant reforms, they provide for the establishment of a Policy Holders Protection Fund. ***Paragraph (b)*** Motor insurance (third party liability) is compulsory in Zimbabwe, providing protection in case of death or injuries caused by a car accident. However, there is no legal arrangement in place to deal with those cases where the injuries or death are provoked by an uninsured or non-identified vehicle (a nominal defendant arrangement). ICZ mentioned that in the past there was in place a pool between insurers to take care of those cases, but there is no written reference to that institution. ***Paragraph (c)*** Section 29 of the Insurance Act establishes that insurers have to keep separate accounts for different classes of insurance business and maintain insurance funds. The insurance fund of each class of insurance must be held securely for the claims of the owners of policies of the relevant class of insurance business, and cannot be applied directly or indirectly to any purpose.
Recommendation	The proposal to establish a Policy Holders Protection Fund needs to be carefully considered, given the history of the insurance industry in Zimbabwe and the moral hazard issues. However it is desirable that life policyholders have preferential access to their policyholder funds in the event of the bankruptcy of their insurer. Consideration should also be given to the establishment of a nominal defendant scheme, subject to careful consideration of international examples (such as in South Africa and Australia) and the need for any such scheme to be adequately funded. Funding can, for example, be through a surcharge on premiums or a pooling of funds by the relevant insurers (motor vehicle insurers). Any such scheme should be accompanied by a public awareness campaign.

IV. GOOD PRACTICES: NON-BANK CREDIT INSTITUTIONS

The NBCI sector in Zimbabwe is composed of three categories of non-bank credit institutions (NBCIs): (i) microfinanciers;[41] **(ii) building societies; and (iii) credit and savings cooperative societies (SACCOs).** Asset-wise, building societies dominate the NBCI sector with assets totaling USD 717.14 million in 2012 (see Graph 1 for the comparison between banks, building societies and microfinance credit providers). The building societies are also the most concentrated sector with only 4 players one of which (specifically CABS), however, accounts for almost 90 percent of the market share.[42] Building societies also accounted for 12 percent of the total bank deposits in December 2012.[43]

FIGURE 3: TOTAL ASSETS IN DECEMBER 2012 (COMPARISON)



Source: Annual Report 2012 (RBZ, 2012) and the author's calculation

The microfinance sector is highly diverse as it includes different types of financial service providers. As of 31 March 2014, there were 153 registered Microfinance Institutions (MFIs)[44] including large, incorporated lenders, individually operated moneylenders, and pawnbrokers. The number of MFIs seems to be relatively stabilized after turbulent times when in 2004 the number of MFIs (as then-defined) went from around 1600 to 200, reaching 309 in 2007 and falling near to zero in 2008.[45] The microfinance sector is also highly concentrated with ten MFIs controlling 83.76 percent of the market share in terms of total loans.[46] The largest microfinance institution "*had a total loan book of USD 54.01 million and total assets of USD 52.20 million as at 31 March 2014.*"[47]

Although relatively stabilized, MFIs still face some important challenges. Most importantly, some microfinance providers struggle with funding.[48] Further, NPL ratio remains high (17 percent) while the portfolio-at-risk indicator was 27.14 percent as of March 2014.[49] Microfinance lenders also orient themselves more on consumption lending rather than lending for productive purposes (such as microloans to MSMEs that usually constitute a substantial part of microfinance business) (see Table 4 below).

[41] The MFA uses the term microfinanciers to cover, as explained further below in this report, all types of non-bank credit institutions including moneylenders and MFIs in the traditional meaning of the word.
[42] Interview with CABS.
[43] Annual Report 2012, 48 (RBZ, 2012).
[44] Quarterly Microfinance Industry Report, 2 (RBZ, March 2014).
[45] Quarterly Microfinance Industry Report, 3 (RBZ, March 2014).
[46] Quarterly Microfinance Industry Report, 5 (RBZ, March 2014).
[47] Quarterly Microfinance Industry Report, 5 (RBZ, March 2014).
[48] Quarterly Microfinance Industry Report, 5 (RBZ, March 2014).
[49] Quarterly Microfinance Industry Report, 7 (RBZ, March 2014).

TABLE 4: STRUCTURE OF MICROFINANCE LENDING

Type of Lending	March 2014*	December 2013*
Consumption	121.08	116.40
Productive	48.92	47.80

Source: Quarterly Microfinance Industry Report (RBZ, March 2014)

*in millions USD

The building societies sector seems to be gradually converging with the banking sector. Building societies, and especially the largest one (CABS) which often presents itself as a bank, currently operate similarly to banks, are bound by the Banking Act and are usually considered to be part of the banking industry for statistical purposes. Moreover, there are initiatives to level the regulatory framework so that the same rules apply to banks and bank-like operating building societies.

The financial co-operative societies sector is more complex. All co-operatives, that is, different types of co-operatives including savings and credit cooperatives, fall under the regulatory framework established by the Co-operatives Act and supervised by the Ministry of Small and Medium Enterprises and Cooperatives (SME Ministry). No specific distinction has been made so far between SACCOs and other types of co-operatives, although the SME Ministry acknowledged to the mission team the necessity for a specific regulatory and supervisory regime regarding SACCOs. Currently, there are 6000 co-operative societies operating nationwide.[50] In 2013, there were 72 SACCOs active in Zimbabwe, associating 153,000 members with savings and shares of USD 4,250,000, loans of USD 1,200,000 and the total assets of USD 5,300,000.[51]

[50] Interview with the SME Ministry.
[51] Statistical Report 2013 (World Council of Credit Unions, 2013), available at www.woccu.org/publications/statreport (last visited on August 15, 2014). The statistical reports issued by the World Council of Credit Unions offer an interesting comparison: in 2006, which means before the economic meltdown, in Zimbabwe there were 53 SACCOs, associating 88,000 members, however, with the total deposits/shares of 5,020,856 USD, total loans of 2,915,959 and total assets of 8,110,613. In other words, as compared to 2013/2014 less SACCOs provided for higher economic performance in 2006.

SECTION A	CONSUMER PROTECTION INSTITUTIONS
Good Practice A.1	***Consumer Protection Regime*** **The law should provide clear consumer protection rules in the area of non-bank credit institutions, and there should be adequate institutional arrangements to ensure the thorough, objective, timely and fair implementation and enforcement of all such rules, as well as of sanctions that effectively deter violations of these rules.** **a. There should be specific statutory provisions, which create an effective regime for the protection of consumers of non-bank credit institutions.** **b. There should be a government authority responsible for implementing, overseeing and enforcing consumer protection in the area of non-bank credit institutions.** **c. The supervisory authority for non-bank credit institutions should have a register which lists the names of non-bank credit institutions.** **d. There should be coordination and cooperation among the various institutions mandated to implement, oversee and enforce consumer protection and financial sector regulation and supervision.** **e. The law should provide for, or at least not prohibit, a role for the private sector, including voluntary consumer associations and self-regulatory organizations, in respect of consumer protection in the area of non-bank credit institutions.**
Description	The non-bank credit institutions sector (NBCIs sector) consists of multiple categories of non-bank credit institutions operating under different regulatory and supervisory regimes. Zimbabwean NBCIs can be categorized based on different criteria such as: (i) the type of activity performed (credit-only microfinance business, deposit-taking microfinance business, moneylending business); (ii) the law primarily governing the establishment and operations of various NBCIs (microfinanciers,[52] building societies, saving and credit co-operative societies); and (iii) the supervisor responsible for regulation and supervision of a NBCI (RBZ, Ministry of Small and Medium Enterprises and Cooperatives). Besides the mentioned categories, there are also informal savings and lending groups operating in rural and urban areas and groups organized by employers. ***Paragraph (a)*** The principal sector–specific legislation for NBCIs is the Microfinance Act (MFA) adopted in 2013, which requires registration of microfinanciers; certain disclosure requirements to be met at places of business;[53] responsible lending standards to be met;[54] and, importantly, it requires compliance with a statutory code of conduct which deals with issues such as fair treatment of clients, maximum collateral values, transparency, over-indebtedness standards, debt collection practices, privacy, financial literacy, and complaint resolution (Microfinanciers' Code of Conduct). The MFA distinguishes between two types of so-called microfinanciers, specifically: (i) moneylenders who may be either individuals or companies (corporate microfinanciers or credit-only microfinance businesses); and (ii) deposit-taking MFIs. Based on the category, the MFA rules are structured along the three tiers starting from minimum requirements applicable to individual moneylenders, to more complex rules binding on corporate microfinanciers, to most restrictive requirements prescribed for deposit-taking MFIs (including prudential requirements). However there are gaps and uncertainties concerning the scope of application of the MFA and its various provisions. First, the MFA does not apply to financial co-operatives.[55] To some extent, a different regulatory regime for SACCOs is justified by the fact that they are membership-based financial institutions, which oftentimes operate on a community basis establishing interconnections between ownership, management and clients. However, although it may

[52] The category of microfinanciers further includes MFIs, corporate microfinanciers and moneylenders.
[53] Section 15 of the MFA.
[54] Section 26 of the MFA.
[55] Section 3(2) of the MFA.

	be appropriate for more formal provisions of the MFA not to apply to SACCOs (e.g. in relation to registration), other requirements such as standards of transparency or complaints handling should be binding on SACCOs as they are binding on other institutions. Second, the MFA applies to (i) microfinanciers; and (ii) subsidiaries or divisions of banking institutions, building societies and People's Own Savings Bank engaging exclusively or predominantly in any microfinance business.[56] This vaguely formulated application rule causes some practical implementation issues. For instance, it is not clear what happens if a bank decides to offer a line of products that are virtually microfinance products, while claiming that these are 'only' retail banking products and thus the MFA does not apply to the bank. Similarly, it is not entirely clear why a bank (that is a single legal entity) should be bound by two different sets of rules covering fundamentally similar products (e.g. consumer loans and microfinance loans). Third, the MFA poses challenges for implementation as well as for supervision and enforcement. Most importantly, the relatively complicated language[57] and structure of the Act, together with its broad scope covering effectively all types of moneylending activities, make the Act difficult to understand, adopt and apply particularly by small moneylending businesses and consumers. There exists confusion among moneylenders in terms of whether and to what extent the Act actually applies to their businesses. Moreover, larger MFIs, banks and building societies are puzzled as well since the MFA does not provide sufficient and simple guidance as to how specific rules should be implemented (*see e.g. Good Practice B.1* below). RBZ, as a responsible supervisor, faces similar challenges in supervising and enforcing these still unsettled rules as explained further in the text below. This is particularly difficult since the MFA provides for sanctions with a strong deterrence effect, including imprisonment, and thus any application setting a new precedent must be carefully and thoroughly considered. Besides the MFA, there are specific laws governing the operations of building societies and cooperatives. Both, the Building Society Act (BSA) and the Co-Operatives Act (COOPA) include only minimum consumer protection-related provisions as described further in this report. This presents an important gap in the regulatory framework, particularly in the case of savings and credit cooperative societies that are neither covered by the MFA nor supervised by RBZ. Further, there are pieces of legislation still in force regulating NBCIs that are not actively applied and enforced. These are primarily: (i) the Moneylending Act that has effectively become obsolete after the MFA was adopted; and (ii) the Pawnbrokers Act that applies only to loans below USD 20 in total.[58] Several other laws have potential for a limited impact on consumer protection in Zimbabwe. They include the Consumer Contracts Act, the Contractual Penalties Act, the Competition Act and the AML Act. The draft Consumer Protection Draft Bill is also relevant in this context (*see Good Practice A.1, Banking Sector* for details of these Acts and the Bill). ***Paragraph (b)*** Regulators and supervisors in the NBCI sector include: (i) RBZ responsible for supervision and enforcement of the new MFA together with (ii) the Registrar of Microfinanciers who is an RBZ officer and has various administrative responsibilities;[59] RBZ is similarly responsible for supervision of building societies under the BSA, with (iii) the Registrar of Building Societies (also an RBZ officer) having administrative responsibilities;[60] and (iv) the Ministry of Small and Medium Enterprises and Co-operatives (SME Ministry) that enforces the COOPA

[56] Section 3(1) of the MFA.
[57] Some terms used in the MFA do not have the meaning usually attributed to them in theory – e.g. the Act defines 'microfinance institution' narrowly as a deposit-taking institution only.
[58] Pawnbrokers Act is more than a century old piece of legislation that was last amended in the 1970s. The Act comprehensively regulates the pawnbroker business including general disclosure requirements, liability of pawnbrokers, their employees and agents, customers' rights and protection of the owner of the pledge. Although the Act is still in force, given the USD 20 limit (initially intended to be expressed in Zimbabwean Dollars and in then-relevant prices) it is not actively applied. Thus, currently there are no pawnbrokers formally operating in Zimbabwe, although pawnbrokers are still active. Yet, these *de facto* pawnbroker businesses are considered '*microfinanciers*' under the MFA.
[59] Section 4 of the MFA.
[60] Section 5 of the MFA.

	with the Registrar of Co-operatives having administrative responsibilities.[61] The MoF acts as an overarching supervisory agency with important regulatory powers regarding NBCIs.[62] Other authorities with more general regulatory and supervisory responsibilities include the Ministry of Industry and Commerce (in relation to the Consumer Contracts Act) and the CTC (in relation to the Competition Act). Pursuant to the MFA, RBZ is responsible for market conduct supervision of all formal NBCIs except for SACCOs.[63] Specifically, the responsibility relies on the Registrar of Microfinanciers and the Registrar of Building Societies, both operating under the RBZ's roof and being effectively a part of RBZ as mentioned previously. There are multiple challenges regarding the capacity of RBZ to supervise the MFA: (i) the number of NBCIs is relatively high; (ii) some of them operate in rural and remote areas of the country; (iii) they substantially differ one from each other in terms of size, client base, funding, products offered, mode of operation and level of compliance, thus requiring a proportional approach towards supervision and enforcement; and (iv) some operate informally or in the shadow zone. Also, given that the MFA was adopted only the last year, the implementation process is still ongoing and full compliance by microfinanciers is yet to be achieved. The SME Ministry responsible for supervision of SACCOs faces capacity challenges too. The total number of co-operative societies is also relatively high thus making it challenging for the SME Ministry to effectively oversee all of them and SACCOs in particular. In 2013, there were 72 SACCOs active in Zimbabwe, associating 153,000 members with savings and shares of USD 4,250,000, loans of USD 1,200,000 and the total assets of USD 5,300,000.[64] ***Paragraph (c)*** The Registrar of Microfinanciers and the Registrar of Building Societies maintain registers of registered entities, which are publicly available on-line and also accessible at RBZ's branches. No such a registry is available online for SACCOs. For obvious reasons, there is no registry that would list informal providers of consumer credit, that is, illegal moneylenders operating without the registration required by the MFA. ***Paragraph (d)*** Continuous efforts have been made to establish bilateral and multilateral cooperation between relevant authorities responsible for regulation and supervision of the NBCI sector (RBZ, the SME Ministry and POTRAZ), for instance in the form of memoranda of understandings or a joint commission. However, these attempts have not yet led to effective and close cooperation. ***Paragraph (e)*** Civil society associations also play a role in the NBCI sector. In particular, the Zimbabwean Association of MFIs (ZAMFI) has been active in promoting interests of the industry (e.g. by lobbying for establishment of a financial ombudsman or championing amendments to the MFA), in providing training to members, and in organizing workshops for different stakeholder groups (including consumers). Although membership in ZAMFI is not mandatory, currently it has around 70 members, including major stakeholders such as Microking and FMC. Importantly, ZAMFI adopted a mandatory Code of Ethics, which contains high-level market conduct rules, among others. With regard to SACCOs, pursuant to Section 89 and Section 90 of the COOPA, registered apex organizations may form a National Co-operative Federation to represent the industry at national and international level[65] and exercise other functions listed under Section 90(2) of the Act. Currently, there is no such federation active in Zimbabwe. However, there is no

[61] Section 4 of the MFA.
[62] See, *e.g.* Section 59(1) or Section 60 of the MFA.
[63] Section 3 and Part VII of the MFA.
[64] Statistical Report 2013 (World Council of Credit Unions, 2013), available at www.woccu.org/publications/statreport (last visited on August 15, 2014). The statistical reports issued by the World Council of Credit Unions offer an interesting comparison: in 2006, which means before the economic meltdown, in Zimbabwe there were 53 SACCOs, associating 88,000 members, however, with the total deposits/shares of 5,020,856 USD, total loans of 2,915,959 and total assets of 8,110,613. In other words, as compared to 2013/2014 less SACCOs provided for higher economic performance in 2006.
[65] Section 90(1) of the COOP Act.

	such federation currently active in Zimbabwe. Further, the Zimbabwe National Association of Housing Cooperatives (ZINHACO) has been established in order "*[t]o champion the provision of adequate housing solutions to the low income home seekers within and outside [Zimbabwean] borders.*"[66] Currently, there are also preparatory works underway to establish a Credit Providers Association of Zimbabwe (CPAZ), which should become a part of the international project aiming to establish a network for sharing of credit data in the region of south Africa. According to the information shared with the mission by the Steering Committee, CPAZ should be in place no later than by end of December, 2014. CPAZ intends to have as its objective the promotion and expansion of cross-border credit information sharing in order to: • Increase access to finance for households and SMEs; • Improve risk management for credit providers; • Curb increasing over-indebtedness; • Contribute to improved bank supervision and compliance with international best practice; and • Ensure that information sharing takes place within a regulated environment which provides for appropriate protection of consumer rights.[67] The role of other industry associations – the National Association of Cooperative Savings and Credit Unions, and the Building Societies Association – remains unclear, as their activities appear to be very limited. CCZ is the main consumer association in Zimbabwe and is active in consumer education. However, it does not focus much work on the financial sector due to limited capacity and resources (*see Good Practice A.4, Banking Sector*).
Recommendation	It is strongly recommended that a comprehensive financial consumer protection law be developed over the long-term (*see Good Practice A.1, Banking Sector*). In the interim, consideration should be given to applying the consumer protection provisions of the MFA to financial cooperatives and other retail credit providers. Further, the uncertainty concerning the scope of application of the MFA (especially to SACCOs and certain aspects of bank and building society operations) should be addressed and the continued application of the Moneylending Act as well as the Pawnbrokers Act needs to be clarified. A formal cooperation arrangement should be established between RBZ and the SME Ministry. The aim would be to ensure a coordinated approach towards regulation, supervision and enforcement of market conduct rules and development of related policy priorities. RBZ should focus on capacity building (including developing internal licensing and supervision manuals) in order to ensure supervision and enforcement of market conduct rules, particularly as prescribed by the MFA. Further, RBZ should apply risk-based supervision of NBCIs, that is, the primary focus should be on issues and types of NBCIs potentially most detrimental to consumers and ultimately the financial market as a whole (e.g. loan sharks, abusive debt collection). The responsibility for supervision of SACCOs should be clarified. The law should prescribe for a clear regulatory and supervisory mandate regarding prudential and market conduct regulation of SACCOs. The current responsibility of the SME Ministry should be reviewed and in the mid- to long-term RBZ should be considered for supervision of SACCOs as compared to other co-operatives that should remain under the jurisdiction of the SME Ministry. In the meantime, a close cooperation arrangement between RBZ and the SME Ministry should be established to ensure a level playing field and harmonized approach towards SACCOs and other types of NBCIs. RBZ should consider initiatives where consumer organizations could support RBZ's work on consumer protection and financial education, such as by frequently reporting on consumer complaints in financial services, conducting mystery shopping, distributing financial education materials, organizing consumer roundtables or focus groups, etc.

[66] See ZINHACO's official website available at: zinahco.co.zw/index.php?option=com_content&view=article&id=71&Itemid=66 (last visited on August 1, 2014).
[67] Information provided by CCZ.

	It is also recommended that, in the near to medium-term, consideration be given to increase state funding to CCZ on a sustainable annual basis so that CCZ can expand its activities to cover financial services.
Good Practice A.2	***Code of Conduct for Non-Bank Credit Institutions*** **a. There should be a principles-based code of conduct for non-bank credit institutions that is devised in consultation with the non-bank credit industry and with relevant consumer associations, and that is monitored by a statutory agency or an effective self-regulatory agency.** **b. If a principles-based code of conduct exists, it should be publicized and disseminated to the general public.** **c. The principles-based code should be augmented by voluntary codes on matters specific to the industry (credit unions, credit cooperatives, other non-bank credit institutions).** **d. Every such voluntary code should likewise be publicized and disseminated.**
Description	***Paragraph (a)*** All microfinanciers (as described in the previous section), building societies and banks to the extent to which they provide microfinance products and services are bound by a principles-based code of conduct that is prescribed by Schedule 1 of the MFA.[68] The Code is binding and compliance with the Code is allegedly supervised and enforced by RBZ. SACCOs that are excluded from the application of the MFA are currently not bound by any industry-wide and principles-based code of conduct. ***Paragraph (b)*** As part of the MFA, the Microfinanciers' Code of Conduct has been gazetted and thus made available to the public to this limited extent. The MFA (including the Code) is also available on RBZ's website. However, the Code is not actively promoted to the general public. ***Paragraphs (c)*** ZAMFI has adopted a ZAMFI Members Code of Ethics – a code of conduct binding on all of its 70 members. Although the ZAMFI code touches upon different aspects of consumer protection (e.g. members are required to "*[m]eet clients' needs in an efficient prompt manner by continuously striving to improve delivery of service*"), in the light of the statutory Code it seems to be redundant as it does not increase levels of consumer protection. Besides the ZAMFI code, there are no other voluntary codes of conduct specific to the industry. ***Paragraph (d)*** The ZAMFI code of conduct is currently considered to be an internal document, thus not being disclosed and disseminated to the public.
Recommendation	Industry associations should be encouraged to adopt codes of conducts on consumer protection matters, which could build on the general principles already included in the MFA, but accommodate differences that exist between different types of providers. Similarly, NBCIs should be encouraged to broaden consumer protection in their business operations and adopt voluntary codes of conduct. All codes of conduct should be published and consumers should be actively made aware of their existence. An industry Code can be helpful to spell out voluntary industry standards agreed upon by all banks which can enhance existing law. However they are not a substitute for a binding law. Further, it needs to be noted that non-binding codes of conduct will work only in the environment where any violation of a code has a significant impact on the violator's reputation and, consequently, its business. Such impact is possible only in highly developed markets with strong competition and well-educated consumers, where non-compliance with codes of conduct is sensitively perceived as a sign of poor quality and doubtful credibility of the violator and of services it provides. Where such conditions are not present, strict enforceability standards (often backed by a law) must always be established.

[68] Section 17 of the MFA.

NON-BANK CREDIT INSTITUTIONS

Good Practice A.3	***Other Institutional Arrangements*** **a. Whether non-bank credit institutions are supervised by a financial supervisory agency, the allocation of resources between financial supervision and consumer protection should be adequate to enable their effective implementation.** **b. The judicial system should ensure that the ultimate resolution of any dispute regarding a consumer protection matter with a non-bank credit institution is affordable, timely and professionally delivered.** **c. The supervisory authority for non-bank credit institutions should encourage media and consumer associations to play an active role in promoting consumer protection regarding non-bank credit institutions.**
Description	***Paragraph (a)*** Although RBZ clearly recognizes the importance of financial consumer protection and market conduct supervision, currently market conduct supervision is exercised as an integral part of prudential supervision, which is to say that resources are not channeled specifically to cover market conduct supervision activities within RBZ's supervisory department (*see Good Practice A.3, Banking Sector*). ***Paragraph (b)*** *See Good Practice A.4, Banking Sector.* ***Paragraph (c)*** *See Good Practice A.4, Banking Sector.*
Recommendation	Prospectively, considerations should be given to establishment of a separate department or unit that would deal exclusively with market conduct supervision. That is, in order to prevent conflicts between prudential and market conduct supervision, as they may arise particularly in turbulent times, market conduct supervision should be made independent from prudential supervision including independent staffing and funding. RBZ, perhaps with the support of financial industry associations, should cooperate to develop financial education training for judges that cover consumer disputes in financial services. RBZ should strengthen its cooperation with media in the area of CPFL, for example, by coordinating financial education activities targeted to journalists or dissemination of information about regulatory framework and consumer rights through media.
Good Practice A.4	***Registration of Non-Bank Credit Institutions*** **All financial institutions that extend any type of credit to households should be registered with a financial supervisory authority.**
Description	All NBCIs are required to be registered: • Microfinanciers with the Registrar of Microfinanciers (RBZ) pursuant to Section 8 and 9 of the MFA; • Building societies with the Registrar of Building Societies (RBZ) pursuant to Section 5(1) and Part II of the BSA; and • SACCOs with the Registrar of Co-operative Societies (SME Ministry) pursuant to Part III of the COOPA.
Recommendation	A comprehensive list of all registered NBCIs should be made publicly available and accessible free of charge. Market conduct aspects of a registrant's operations should be examined as an integral part of the licensing process, for instance: • Complaints handling policy and procedures; • Mechanisms to ensure proper and timely disclosures; • Compliance monitoring and management reporting; and • Competency requirements and training of sales staff.

SECTION B	DISCLOSURE AND SALES PRACTICES
Good Practice B.1	***Information on Customers*** **a. When making a recommendation to a consumer, a non-bank credit institution should gather, file and record sufficient information from the consumer to enable the institution to render an appropriate product or service to that consumer.** **b. The extent of information the non-bank credit institution gathers regarding a consumer should:** **(i) be commensurate with the nature and complexity of the product or service either being proposed to or sought by the consumer; and** **(ii) enable the institution to provide a professional service to the consumer in accordance with that consumer's capacity.**
Description	***Paragraph (a) and (b)*** Detailed rules for deposit-taking MFIs with harsh sanctions in the form of unrecoverable interest and principal have been prescribed by the MFA when an MFI fails to take reasonable steps to prevent over-indebtedness of its customers (see below). However, the rules do not require deposit-taking MFIs to collect and assess specific information about the borrower. Further, all microfinanciers are required to "*diligently investigate and consider the client's creditworthiness, debt history, sources of income…*."[69] However, no requirements exist regarding the form in which the information should be collected and kept. In order to ensure a professional service to the consumer in accordance with that consumer's capacity, corporate microfinanciers are required to have credit control advisors to give credit advice to clients where needed, and the advisor must be independent of the sales process.[70] No requirements exist regarding the information that needs to be collected by SACCOs for the purposes of the credit assessment process.
Recommendation	In order to facilitate implementation of statutory requirements set in the MFA (particularly the requirements regarding prevention of over-indebtedness as formulated by the Microfinanciers' Code of Conduct), RBZ should consider issuing more detailed guidelines that would cover: (i) what information should be collected regarding the borrower and his/her household; (ii) in what form the information should be collected; (iii) how should the information be verified; (iv) for how long the information should be maintained; and (v) how should consumers be informed about results of the credit assessment. SACCOs should be bound by the same product suitability rules as are applicable to other NBCIs.
Good Practice B.2	***Affordability*** **a. When a non-bank credit institution makes a recommendation regarding a product or service to a consumer, the product or service it offers to that consumer should be in line with the need of the consumer.** **b. Sufficient information on the product or service should be provided to the consumer to enable him or her to select the most suitable and affordable product or service.** **c. When a non-bank credit institution offers a new credit product or service that significantly increases the amount of debt assumed by the consumer, the consumer's credit worthiness should be properly assessed.**
Description	***Paragraph (a)-(c)***

[69] Section 5(2) of the Microfinanciers' Code of Conduct.
[70] Section 8(2) of the Microfinanciers' Code of Conduct.

	All microfinanciers must take reasonable steps so that the offered credit meets the consumer's needs and repayment capacity, without putting the consumer at significant risk of over-indebtedness.[71] Thus, before advancing a loan, a microfinance institution must diligently investigate and consider the consumer's creditworthiness and financial situation.[72] Deposit-taking MFIs are required to take reasonable steps to ensure that the borrower will be able to repay a loan and still be able to meet the necessary living expenses.[73] Moreover, as noted above, corporate microfinanciers (including deposit-taking MFIs) must have a credit advisor available to customers, who is independent from sales and who, in the case of deposit-taking MFIs, provides the borrower with the necessary information and advice to enable him or her to manage the credit.[74] In practice, there are different approaches depending on type of the credit offered and clientele concerned. In general there are 3 groups of clients usually targeted by NBCIs: (i) salaried employees[75] (primarily civil servants, but also private sector employees); (ii) micro and small entrepreneurs (such as farmers); and (iii) informal sector (either it be individuals or entrepreneurs). In the case of salaried employees, usually a national ID is required together with a payroll slip and proof of residence as the main focus is on the amount of monthly salary. Also the borrower-employee is required to consent to direct deductions from his/her monthly wage. Further, creditors frequently consult one of the three credit bureaus operating nation-wide to check the borrower's credit history. In the case of micro and small entrepreneurs, a more thorough assessment of their business is conducted, including an onsite visit and review of accounting books. MFIs also organize training for their prospective customers so that they can self-evaluate their need for a loan and require necessary skills to use the borrowed money in order to grow their business.[76] It is not rare that a close, professional relationship is established between the loan officer, the borrower or the group and a representative of the local government responsible for agricultural development. When a group loan is provided, the credit assessment covers the financial background of group members (e.g. credit history), as well as the type of income, time in business (if any), cohesiveness of the group and the group credit history. In the case of informal sector borrowers, an onsite visit (in a parlor or at home) would be part of the procedure. Moreover, previous or current financial obligations, credit history, living standards, size of the household, the number of dependents, and "business" performance (if applicable) are checked. Collateral is frequently required, most frequently in the form of a motor vehicle. When collateral is not available, NBCIs typically require a guarantor who is then jointly and severally responsible for the whole amount of the loan and potentially all of the borrower's current and future debts. NBCIs also require that the applicant provide references to "*next of kin*" or "*a relative not living in the same household*". Such a person is then approached by the loan officer in order to verify information provided by the borrower. All the information is usually collected and maintained in written form in the loan file together with the loan agreement and other communication between the borrower and the creditor. A specific situation exists with respect to pawnbrokers that currently operate under the MFA rather than the Pawnbrokers Act. Pawnbrokers usually do not engage in a thorough assessment of creditworthiness and concentrate on evaluation of the collateral (a pledge) instead. Loans are usually provided up to 50 percent of the discounted value of the collateral. No requirements regarding affordability apply to SACCOs. While in the case of loans disbursed to members a potential risk of over-indebtedness for at least very small SACCOs may be minimized by the fact that members may participate in the management of the SACCO and thus know each other, loans provided to non-members and by larger SACCOs remain of concern.

[71] Section 5(1) of the Microfinanciers' Code of Conduct.
[72] Section 5(2) of the Microfinanciers' Code of Conduct.
[73] Section 26(1)(a) of the MFA.
[74] Section 26(1)(c) of the MFA and Section 8(2) of the Microfinanciers' Code of Conduct.
[75] In practice, creditors distinguish between civil servants and private employees and they may attach different risk profiles to these two categories depending on their internal policies.
[76] The mission team was told that less than 50% of the training participants should be granted a loan at the end.

Recommendation	Guarantors should be thoroughly informed about the extent of their liability and consequences in the case a borrower defaults on his/her credit (*see the Good Practice B.2*). All NBCIs should be subject to the same responsible lending standards.
Good Practice B.3	***Cooling-off Period*** **a. Unless explicitly waived by the consumer in writing, a non-bank credit institutions should provide the consumer a cooling-off period of a reasonable number of days immediately following the signing of an agreement between the institution and the consumer.** **b. On his or her written notice to the non-bank credit institution during the cooling- off period, the consumer should be permitted to cancel or treat the agreement as null and void without penalty to the consumer of any kind.**
Description	***Paragraph (a) and (b)*** Currently there are no requirements regarding a cooling-off period with respect to financial products and services offered by NBCIs. NBCIs do not incorporate cooling-off periods in their consumer contracts either. Regarding consumer loans, borrowers are allowed to prepay the whole loan earlier. While prepayment sanctions are not a market-wide practice, if a fee is paid for administration or disbursement of the loan, such a fee would not be refunded to the borrower. Moreover, some NBCIs require in the credit contract that specific consent has to be given by the creditor to the entire or partial prepayment without specifying under which circumstances the consent should be given, thus giving absolute discretion to the creditor.
Recommendation	Introduction of a cooling off period at this point might increase the cost of credit and provide only a limited service to consumers (particularly given the fact that the majority of loans are for short-terms). Nevertheless, in the longer term consideration should be given, after a thorough assessment of the market practice, regarding the introduction of a mandatory cooling off period. Based on that consideration, the regulatory framework could be amended in order to clearly provide a cooling-off period for consumer credit (e.g. 14 days), including an explicit provision banning NBCIs from charging unreasonable termination fees. Consumers should be duly informed about the cooling-off period and how their rights may be exercised.
Good Practice B.4	***Bundling and Tying Clauses*** **a. As much as possible, non-bank credit institutions should avoid the use of tying sections in contracts that restrict the choice of consumers.** **b. In particular, whenever a borrower is required by a non-bank credit institution to purchase any product, including an insurance policy, as a pre-condition for receiving a loan, the borrower should be free to choose the provider of the product and this information should be made known to the borrower.** **c. Also, whenever a non-bank credit institution contracts with a merchant as a distribution channel for its credit contracts, no exclusionary dealings should be permitted.**
Description	***Paragraph (a) and (b)*** *See Good Practice A.5, Insurance Sector*. ***Paragraph (c)*** Exclusionary dealing is not prohibited, but it is not common either, since NBCIs only rarely use agents for the purpose of distribution of their products.
Recommendation	*See Good Practice A.5, Insurance Sector*.
Good Practice B.5	***Key Facts Statement***

	a. Non-bank credit institutions should have a Key Facts Statement for each type of account, loan or other products or services. **b. The Key Facts Statement should be written in plain language, summarizing in a page or two the key terms and conditions of the specific financial product or service, and allowing consumers the possibility of easily comparing products offered by different institutions.**
Description	***Paragraph (a) and (b)*** Although there are no requirements that would prescribe for a mandatory and harmonized KFS, in practice there is some convergence regarding pre-contractual disclosure of product features when information such as principal, interest rate, term of the loan or installments is disclosed either in a facility letter (in practice an offer which, when accepted, becomes a contract) or directly in a contract proposal. This practice corresponds to the requirements that microfinanciers must provide to all consumers documents clearly indicating the interest rate, terms of repayment, collateral required and details of all charges other than interest.[77] The extent of information disclosed varies depending on the credit offered, thus, for instance pawnbrokers disclose a daily storage fee, whereas moneylenders offering group loans specify installments schedule reflecting the number of members in the group. Disclosure requirements regarding deposit products offered by NBCIs are not covered by the current regulatory framework. In theory, a deposit-taking MFI can be established pursuant to the MFA, however, no such an institution has been established yet. Besides, there are currently no specific requirements regarding disclosure of information regarding financial products and services other than those that are described above.
Recommendation	In the short-term, RBZ should consider issuing guidelines in order to facilitate implementation of the current disclosure requirements set in the MFA. In the mid-term to long-term perspective, RBZ should require all NBCIs to issue KFSs which comply with all aspects of this Good Practice. A standardized KFS for each type of a standard retail financial service would help consumers understand the key conditions of their contracts. For financial services, consumers need a short standardized description written in plain language that is comparable across products provided by different institutions. The format for key facts disclosure should allow consumers easily and quickly to identify the key terms and conditions of financial contracts. Requiring that all financial institutions prepare their offers for commonly-used retail financial services in a standardized format will further facilitate the ability of consumers to shop around and compare offers—and, thus, ultimately increase transparency and competition in the financial sector. For example, for a standard consumer credit product, the KFS could summarize in a page or two the following key information: • the APR; • the effective interest rate; • the total amount of the credit; • the amounts of monthly payments; • the final maturity of the credit; • the total amount of payments to be made; • all fees—particularly prepayment and overdue penalty fees—and any other charges that could be incurred; • any required deposits or advance payments; • if the interest rate is variable, the basis on which the calculation is made and a published source (such as a newspaper) where the consumer can verify the base rate; • if any insurance (such as car insurance) is required to maintain the credit and, if so, the nature and extent of necessary coverage; and • the name of the department (with telephone number, fax number and email address) where inquiries, complaints and disputes can be submitted and an alternative dispute resolution mechanism to which an unsatisfied complainant may turn. If the credit is being provided by a retailer to finance a consumer product, such as a television or washing machine, the consumer should also be advised of the cash price of the

[77] Section 4(a) of the Microfinanciers' Code of Conduct.

	product without financing charges. Special attention should also be paid to credit card disclosures, where consumers need to be clearly informed of the financial impact on them of paying only the minimum amount due. For the credit reporting system, a brochure could explain to consumers the procedures for correcting inaccurate information in the credit registers. Although a KFS obviously does not replace a contract for legal purposes, each credit institution should be obliged to ensure that it's KFS include no incorrect or materially misleading information. KFS should also include information on risks and responsibilities such as legal obligations and sanctions the consumer may face in case of breach of the contract. A similar warning should be included for guarantors when a guarantor is required. *See also Good Practice B5, Banking Sector*.
Good Practice B.6	***Advertising and Sales Materials*** **a. Non-bank credit institutions should ensure that their advertising and sales materials and procedures do not mislead customers.** **b. All advertising and sales materials should be easily readable and understandable by the general public.** **c. Non-bank credit institutions should be legally responsible for all statements made in advertising and sales materials (i.e. be subject to the penalties under the law for making any false or misleading statements).**
Description	***Paragraph (a)*** The general regulatory framework covering marketing practices is fragmented and scattered in multiple laws (*see Good Practice B.9, Banking Sector*). A specific regulatory framework exists for building societies. Section 72 of the BSA provides for rules on misleading advertisements. Besides the general prohibition of misleading advertisement, building societies (and their agents) are required to clearly state the name of the society in all advertisements propagating the affairs of such a society. In the case of failure to comply with the requirements of Section 72, the offender may be liable to a fine or to imprisonment.[78] ***Paragraph (b)*** N/A ***Paragraph (c)*** N/A
Recommendation	*See Good Practice B.9, Banking Sector*.
Good Practice B.7	***General Practices*** **Specific rules on disclosure and sales practices should be included in the non-bank credit institutions' code of conduct and monitored by the relevant supervisory authority.**
Description	The regulatory framework is in compliance with this Good Practice in the case of microfinanciers and building societies covered by the MFA, which in Schedule I provide for requirements regarding this good practice. As long as SACCOs are concerned, no requirements have been prescribed.
Recommendation	The uncertainty concerning the scope of application of the MFA (especially to SACCOs and certain aspects of bank and building society operations) should be addressed (*see Good Practice, A.1*).
Good Practice B.8	***Disclosure of Financial Situation*** **a. The relevant supervisory authority should publish annual public reports on the development, health, strength and penetration of the non-bank**

[78] Section 72(6) of the BSA.

	credit institutions, either as a special report or as part of the disclosure and accountability requirements under the law that governs these. **b. Non-bank credit institutions should be required to disclose their financial information to enable the general public to form an opinion regarding the financial viability of the institution.**
Description	***Paragraph (a)*** Although no specific requirements have been prescribed regarding publication of information as recommended in this good practice, RBZ publishes on a quarterly basis a summary report concerning MFIs and building societies. Moreover, both the Registrar of Microfinanciers as well as the Registrar of Building Societies are required to report on their sector to the MoF (see Section 56 of the MFA and Section 67 of the BSA respectively). In practice, reports regarding the microfinance sector are published on a quarterly basis. RBZ also prepares and publishes on its website overall annual reports that cover all segments of the financial market under RBZ's jurisdiction, thus including microfinanciers and building societies. The last annual report available online, however, concerns financial statements in 2012.[79] RBZ is also required to supply statistics regarding microfinanciers to the Zimbabwe National Statistics Agency[80] that may be further used and disseminated. No report is being published on a regular basis regarding SACCOs. ***Paragraph (b)*** Within 90 days after the end of its fiscal year, every microfinancier must submit to the Registrar a copy of the financial statement.[81] Further, the Registrar may set requirements for all micofinanciers regarding financial statements. Such detailed requirements are to be found in the Guideline on Minimum Disclosure Requirements for Financial Institutions issued in 2007 (that is, before the MFA). The Guidelines, primarily applicable to banks, prescribe for mandatory preparation and disclosure of information regarding financial situation of banks and non-bank financial institutions under RBZ's jurisdiction. Similarly, building societies must report yearly to the Registrar their accounts, balance sheet and statements signed by at least one director and chief executive officer.[82] Annual reports must be published in a newspaper, kept at the registered office of the society and available to members of the society[83] and the general public.[84] Besides, building societies must regularly report on compliance with prudential requirements (capital reserves,[85] restriction on borrowings,[86] minimum liquid assets[87]). SACCOs must prepare audited annual reports, including accounts and financial statements, and submit them to the Registrar no later than 6 months after the close of the financial year.[88] No requirements regarding publication of the reports have been set yet.
Recommendation	All NBCIs should be required to disclose at least on annual basis information regarding financial situation in order to promote transparency, thus increasing confidence of the general public and investors. RBZ should issue its annual reports on a regular basis so that information about the previous year is readily available to the general public in a reasonable time after the end of the year. Further, the Registrars should issue annual reports for their respective markets (or contribute to overall annual reports issued by their supervising authority either it be RBZ, the MoF or the SME Ministry).

[79] See www.rbz.co.zw/publications/annual.asp.
[80] Section 55 of the MFA.
[81] Section 42(2) of the MFA and Section 23(2) of the MFA.
[82] Section 38(3) of the BSA.
[83] Section 38(4) of the BSA.
[84] Section 66 of the BSA.
[85] Section 32 of the BSA.
[86] Section 33 of the BSA.
[87] Section 34 of the BSA.
[88] Section 3 of the COOPA.

SECTION C	CUSTOMER ACCOUNT HANDLING AND MAINTENANCE
Good Practice C.1	***Statements*** **a. Unless a non-bank credit institution receives a customer's prior signed authorization to the contrary, the non-bank credit institution should issue, and provide the customer with, a monthly statement regarding every account the non-bank credit institution operates for the customer.** **b. Each such statement should: (i) set out all transactions concerning the account during the period covered by the statement; and (ii) provide details of the interest rate(s) applied to the account during the period covered by the statement.** **c. Each credit card statement should set out the minimum payment required and the total interest cost that will accrue, if the cardholder makes only the required minimum payment.** **d. Each mortgage or other loan account statement should clearly indicate the amount paid during the period covered by the statement, the total outstanding amount still owing, the allocation of payment to the principal and interest and, if applicable, the up-to-date accrual of taxes paid.** **e. A non-bank credit institution should notify a customer of long periods of inactivity of any account of the customer and provide reasonable final notice in writing to the customer if the funds are to be transferred to the government.** **f. When a customer signs up for paperless statements, such statements should be in an easy-to-read and readily understandable format.**
Description	***Paragraph (a)*** Provision of regular statements (e.g. on monthly basis) is not a common practice in Zimbabwe. Microfinanciers are required to provide, free of charge, periodical statements regarding a loan at a customer's request only.[89] Where a NBCI cooperates with one of the mobile carriers, statements may be available through a cell phone. ***Paragraph (b)*** Under the MFA, statements provided at request must include all the charges levied upon the customer, all the payments made, and the outstanding balance.[90] ***Paragraph (c)*** N/A ***Paragraphs (d)*** See paragraph (a) and (b) above. ***Paragraph (e) and (f)*** N/A
Recommendation	*See Good Practice C.1, Banking Sector.*
Good Practice C.2	***Notification of Changes in Interest Rates and Non-Interest Charges*** **a. A customer of a non-bank credit institution should be notified in writing by the non-bank credit institution of any change in:** **(i) the interest rate to be paid or charged on any account of the customer as soon as possible; and** **(ii) a non-interest charge on any account of the customer a reasonable period in advance of the effective date of the change.** **b. If the revised terms are not acceptable to the customer, he or she should have the right to exit the contract without penalty, provided such right is exercised within a reasonable period.**

[89] Section 4(a) of the Microfinanciers' Code of Conduct.
[90] Section 4(b) of the Microfinanciers' Code of Conduct.

	c. The non-bank credit institution should inform the customer of the foregoing right whenever a notice of change under paragraph a. is made by the institution.
Description	***Paragraph (a) to (c)*** Given the fact that NBCIs currently provide mostly short-term loans (typically 3-month loans), fixed rate loans are a common practice and the right to unilateral change of interest rates is not part of consumer contracts. Most importantly, under the MFA "*[a]ny provision of a loan agreement which purports to allow the microfinancier unilaterally to alter the rate of interest payable by the borrower, the repayment period, or any other obligation of the borrower, shall be void.*"[91]
Recommendation	No recommendation.
Good Practice C.3	***Customer Records*** **a. A non-bank credit institution should maintain up-to-date records in respect of each customer of the non-bank credit institution that contain the following:** **(i) a copy of all documents required to identify the customer and provide the customer's profile;** **(ii) the customer's address, telephone number and all other customer contact details;** **(iii) any information or document in connection with the customer that has been prepared in compliance with any statute, regulation or code of conduct;** **(iv) details of all products and services provided by the non-bank credit institution to the customer;** **(v) a copy of all correspondence from the customer to the non-bank credit institution and vice-versa and details of any other information provided to the customer in relation to any product or service offered or provided to the customer;** **(vi) all documents and applications of the non-bank credit institution completed, signed and submitted to the non-bank credit institution by the customer;** **(vii) a copy of all original documents submitted by the customer in support of an application by the customer for the provision of a product or service by the non-bank credit institution; and** **(viii) any other relevant information concerning the customer.** **b. A law or regulation should provide the minimum permissible period for retaining all such records and, throughout this period, the customer should be provided ready free access to all such records.**

[91] Section 16(2) of the MFA.

NON-BANK CREDIT INSTITUTIONS

Description	***Paragraph (a) and (b)*** There are multiple provisions regarding customer records in the current regulatory framework. For more details regarding information to be collected and recorded for the purpose of providing advice or assessing affordability of the offered product refer to the good practices B.1 and B.2 above. Further, corporate microfinanciers (that is institutionalized moneylenders) must maintain records that are necessary to explain and scrutinize their transactions. The Registrar may prescribe a period for which records should be maintained. Financial institutions, moneylenders and providers of transmission services, among others, are bound by the AML Act, which requires that the bound institutions must register and keep for a period of at least five years from the date the business or transaction was completed: • the name, address and occupation or, where appropriate, the business or principal activity of each person conducting a transaction; • the nature and date of the transaction; • the type and amount of currency involved; • the type and identifying number of any account opened with the designated institution; • if the transaction involves a negotiable instrument, the name of the drawer of the instrument, the name of the institution on which it was drawn, the name of the payee, if any, the amount and date of the instrument and, if any, details of any endorsements appearing on the instrument; and • the name and address of the designated institution, and of the officer, employee or agent of the designated institution who prepared the report of the transaction.[92] In practice, consumer files are usually created and kept in a hard copy at branches, while only limited information is available electronically in a central database. However, particularly with larger institutions, there is a trend towards digitalization and establishment of more sophisticated Consumer Relationship Management (CRM) systems.
Recommendation	*See Good Practice C.3, Banking Sector.*
Good Practice C.4	***Credit Cards*** **a. There should be clear rules on the issuance of credit cards and related customer disclosure requirements.** **b. Non-bank credit institutions, as credit card issuers, should ensure that personalized disclosure requirements are made in all credit card offers, including fees and charges (including finance charges), credit limit, penalty interest rates and method of calculating the minimum monthly payment.** **c. Non-bank credit institutions should not be permitted to impose charges or fees on pre-approved credit cards that have not been accepted by the customer.** **d. Consumers should be given personalized minimum payment warnings on each monthly statement and the total interest costs that will accrue if the cardholder makes only the requested minimum payment.** **e. Among other things, the rules should also:** **(i) restrict or impose conditions on the issuance and marketing of credit cards to young adults (below age of 21) who have no independent means of income;** **(ii) require reasonable notice of changes in fees and interest rates increase;** **(iii) prevent the application of new higher penalty interest rates to the entire existing balance, including past purchases made at a lower interest rate;** **(iv) limit fees that can be imposed, such as those charged when consumers exceed their credit limits;** **(v) prohibit a practice called —double-cycle billing|| by which card issuers charge interest over two billing cycles rather than one;**

[92] Section 25 of the AML Act.

	(vi) prevent credit card issuers from allocating monthly payments in ways that maximize interest charges to consumers; and **(vii) limit up-front fees charged on sub-prime credit cards issued to individuals with bad credit.** **f. There should be clear rules on error resolution, reporting of unauthorized transactions and of stolen cards, with the ensuing liability of the customer being made clear to the customer prior to his or her acceptance of the credit card.** **g. Non-bank credit institutions and issuers should conduct consumer awareness programs on the misuse of credit cards, credit card over-indebtedness and prevention of fraud.**
Description	Currently, credit cards are not being commonly issued by NBCIs.
Recommendation	*See Good Practice C.5, Banking Sector.*
Good Practice C.5	***Debt Recovery*** **a. All non-bank credit institutions, agents of a non-bank credit institutions and third parties should be prohibited from employing any abusive debt collection practice against any customer of the non-bank credit institution, including the use of any false statement, any unfair practice or the giving of false credit information to others.** **b. The type of debt that can be collected on behalf of a non-bank credit institution, the person who can collect any such debt and the manner in which that debt can be collected should be indicated to the customer of the non-bank credit institution when the credit agreement giving rise to the debt is entered into between the non-bank credit institution and the customer.** **c. A debt collector should not contact any third party about a non-bank credit institution customer's debt without informing that party of the debt collector's right to do so; and (ii) the type of information that the debt collector is seeking.** **d. Where sale or transfer of debt without borrower consent is allowed by law, the borrower should be:** **(i) notified of the sale or transfer within a reasonable number of days;** **(ii) informed that the borrower remains obligated on the debt; and** **(iii) provided with information as to where to make payment, as well as the purchaser's or transferee's contact information.**
Description	***Paragraph (a)*** Abusive debt collection practices are prohibited by Section 6 of the Microfinanciers' Code of Conduct. However, abusive debt collection practices including harassment, threatening and physical violence remain of a concern as indicated by many interviewed institutions as well as mentioned by RBZ in the annual report for 2012.[93] However, it is not clear to what extent these practices concern the formal sector and to what extent they are rather an issue characteristic for informal lenders and loan sharks. Given the high demand for loans, and still substantial role played by the informal sector in meeting the demand, together with relatively low standards of law enforcement it is plausible to assume that debt collection practices will remain an issue. ***Paragraph (b) and (c)*** Although debt-collection agencies are used by NBCIs, no indication whatsoever is made in advance regarding debt-collection by a third party. ***Paragraph (d)*** N/A

[93] Annual Report 2012, 26 (RBZ, 2012).

Recommendation	Close cooperation should be established between RBZ and law enforcement authorities such as police in order to address the issue of unfair and abusive debt-collection practices. The mission team was told that some cooperation already exists between RBZ and police regarding the prosecution of illegal moneylenders. Such cooperation presumably should cover also debt-collection practices.
SECTION D	**PRIVACY AND DATA PROTECTION**
Good Practice D.1	***Confidentiality and Security of Customers' Information*** **a. The financial transactions of any customer of a non-bank credit institution should be kept confidential by the institution.** **b. The law should require non-bank credit institutions to ensure that they protect the confidentiality and security of personal data of their customers against any anticipated threats or hazards to the security or integrity of such information, and against unauthorized access.**
Description	***Paragraph (a)*** The MFA includes a simple requirement that microfinanciers must keep "*personal client information strictly confidential unless required to disclose it by a court order or for the purpose of legal proceedings*."[94] Beside the MFA there is no other law concerned with privacy and data protection of NBCIs' clients.[95] The issue of data privacy is becoming highly important as new types of cooperation emerge between different stakeholders such as banks and MFIs or MFIs and MNOs. ***Paragraph (b)*** No requirements have been prescribed regarding this Good Practice. While large creditors and building societies use bank-like systems to process and protect clients' data, in the case of small moneylenders, the data is often kept in hard copies. However, leaks of client data do not appear to have been an issue so far.
Recommendation	*See Good Practice D.1, Banking Sector*.
Good Practice D.2	***Credit Reporting*** **a. Credit reporting should be subject to appropriate oversight, with sufficient enforcement authority.** **b. The credit reporting system should have accurate, timely and sufficient data. The system should also maintain rigorous standards of security and reliability.** **c. The overall legal and regulatory framework for the credit reporting system should be: (i) clear, predictable, non-discriminatory, proportionate and supportive of consumer rights; and (ii) supported by effective judicial or extrajudicial dispute resolution mechanisms.** **d. Proportionate and supportive consumer rights should include the right of the consumer** **(i) to consent to information-sharing based upon the knowledge of the institution's information-sharing practices;** **(ii) to access his or her credit report free of charge (at least once a year), subject to proper identification;** **(iii) to know about adverse action in credit decisions or less-than-optimal conditions/prices due to credit report information;** **(iv) to be informed about all inquiries within a period of time, such as six months;**

[94] Section 7 of the Microfinanciers' Code of Conduct.
[95] The Access to Information and Protection of Privacy Act regulates only specific instances regarding operations of media and processing of personal data by public authorities.

	(v) to correct factually incorrect information or to have it deleted and to mark (flag) information that is in dispute; **(vi) to reasonable retention periods of credit history; and** **(vii) to have information kept confidential and with sufficient security measures in place to prevent unauthorized access, misuse of data, or loss or destruction of data.** **e. The credit registers, regulator and associations of non-bank credit institutions should undertake campaigns to inform and educate the public on the rights of consumers in the above respects, as well as the consequences of a negative personal credit history.**
Description	***Paragraphs (a) and (b)*** Currently, there are around 5 credit bureaus operating in Zimbabwe, from which only 3 have somehow relevant size and coverage. In order to establish a credit bureau only a general registration of a company is required. That is, there are neither specific requirements regarding the business of credit data collection nor oversight of the activities of credit bureaus. Besides a lack of an adequate regulatory framework and sufficient oversight the existing credit bureaus collect very fragmented (and mostly negative) data. As pointed out by many stakeholders, a significant hindrance to access to credit and responsible lending practices is the lack of a nation-wide credit bureau which could cover different types of obligations, associate the majority of financial institutions (and other service providers) and provide reliable information. If this hindrance were overcome, it would help to curb the still-high NPL ratio. Credit bureaus also struggle with proper identification of customers as forged, stolen, lost or fake national IDs are sometimes used for the purpose of identification. Moreover, the national ID does include only limited information about the holder (for instance not including a precise address of permanent residence). ***Paragraph (c)*** N/A ***Paragraph (d)*** In absence of a comprehensive regulatory framework, credit bureaus are free to set up their own internal rules. The rules vary in practice, however, in the case of the largest bureaus the rules include standard requirements such as: • Consumers may dispute records, which are immediately flagged in the database; • Dispute is resolved in less than 3 days, but ideally immediately; and • If a member of the bureau repeatedly reports incorrect data, cooperation with the member is terminated. ***Paragraph (e)*** N/A
Recommendation	*See Good Practice D.4, Banking Sector.* Further, access to a central database of registered national IDs would help credit bureaus to avoid frauds committed with use of invalid IDs. Credit bureaus may not necessarily view detailed information in the database, but confirmation whether the ID presented is or is not a valid ID should be helpful.
SECTION E	**DISPUTE RESOLUTION MECHANISM**
Good Practice E.1	***Internal Complaints Procedure*** **Complaint resolution procedures should be included in the non-bank credit institutions' code of conduct and monitored by the supervisory authority.**

Description	The Microfinanciers' Code of Conduct requires all microfinanciers to institute internal complaints handling procedures in order to ensure that each complaint is addressed within a reasonable time. Microfinanciers must keep a record of all complaints and avail such record to the Registrar when requested. Further, complainants must be informed about their right to file a complaint with the Registrar in the case of dissatisfaction.[96] The regulatory framework for resolution of disputes between SACCOs and their (past or present) members, as established by Part XVI of the COOPA, only provides for the investigation and decision-making powers of the Registrar in the case when no settlement has been reached between the disputing parties.[97] In practice, based on the mission findings: • Consumers complain only rarely, most frequently when their application for a credit has not been approved or when the underwriting process takes longer than expected;[98] • Information about complaints handling (the right to file a complaint, contact information or time limits) is not included in loan agreements; • On the other hand, it is quite common to display information about complaints handling in branches and include general contact information in contractual documentation; • Multiple means of communication are available to consumers who intend to file a complaint, including complaint boxes, phone lines, e-mails or in person complaints; • Time for resolution of complaints varies significantly from 24 hours to more than 1 month; and • Complaints are recorded, monitored by internal audit (if established) and reported to the management as an important source of information about business practice.
Recommendation	All NBCIs should be required: • To have and to publicize a common, consistent process for their handling of any compliant of a retail customer; • To have a unit (or, in the case of smaller institutions, a designated officer) in charge of receiving and handling all such complaints; • To disclose the name, telephone number and street and email address of this unit/officer; • To provide in all agreements between a credit institution and any of its retail customers a synopsis of the procedures to be followed by the credit institution and its retail customers with a view of resolving any dispute; • To publicize for all actual and potential retail customers the procedures to be followed in dealing with any complaint of a retail customer; and • To deliver regularly to RBZ all data compiled consistently across all credit institutions regarding all complaints. Given that for all microfinanciers the regulatory framework already exists, however the framework is rather general, considerations should be given as whether to issue guidelines that would help explain the requirements and provide some guidance to microfinanciers in the process of implementation of the requirements (*see also Good Practice E.1, Banking Sector*).
Good Practice E.2	***Formal Dispute Settlement Mechanisms*** **a. A system should be in place that allows consumers to seek affordable and efficient third-party recourse, such as an ombudsman, in the event the complaint with the non-bank credit institution is not resolved to the consumer's satisfaction in accordance with internal procedures.** **b. The role of an ombudsman or equivalent institution in dealing with consumer disputes should be made known to the public.** **c. The ombudsman or equivalent institution should be impartial and act independently from the appointing authority, the industry and the parties to the dispute.**

[96] Section 9 of the Microfinanciers' Code of Conduct.
[97] Section 115(1)(b) of the COOPA.
[98] RBZ deals most frequently with the issue of disclosure including not-explained terms and conditions.

	d. The decisions of the ombudsman or equivalent institution should be binding upon non-bank credit institutions. The mechanisms to ensure the enforcement of these decisions should be established and publicized.
Description	***Paragraph (a)*** Currently there is no alternative dispute resolution scheme that would have features of the financial ombudsman. A consumer with a complaint against a NBCI under the jurisdiction of RBZ (the Registrar of Microfinanciers or the Registrar of Building Societies) may file his or her complaint with RBZ. In the case when a complaint has been filed against a microfinancier claiming that the microfinancier engaged in "*any undesirable method of conducting business,*"[99] the procedure established by Part VIII of the MFA must be followed. What is meant by "*undesirable method of conducting business*" is not expressly defined. However, given that the heading of Part VIII is "*Enforcement of Microfinanciers' Code of Conduct*" it is plausible to conclude that undesirable method of business conduct means non-compliance with any of the requirements as prescribed for by the Code. Section 45 of the MFA establishes a disciplinary committee, whose members should be (i) the Registrar (or an authorized delegate), (ii) a representative appointed by the Minister of Finance to represent an industry association, and (iii) a representative of RBZ appointed by the Governor. The Committee leads investigation of the complaints for which purpose it has been given multiple powers, including the power to visit and inspect premises of the microfinacier concerned, or require the microfinancier to provide the committee with such information as the committee deems necessary, or arrange for hearings for instance to hear witnesses. When the microfinancier is found guilty of misconduct, the Committee may: • Caution or reprimand the microfinancier; • Impose a fine to be paid to RBZ; and • Vary or cancel the registration of the microfinancier. The Committee, however, does not have any formal power to order the NBCI concerned to compensate the complainant or act in her favor otherwise. Unsatisfied members of SACCOs may address with their complaints the Registrar (the SME Ministry) that, after investigation when necessary, may (i) settle the dispute; (ii) refer the dispute for settlement to an arbitrator or arbitrators appointed by the Registrar;[100] or (iii) refer the dispute to the SME Minister.[101] The Minister may also decide on appeals against the Registrar's or the arbitrator's decisions. Ultimately, ministerial decisions may be reversed by the Administrative Court.[102] There are also other options available to consumers who suffered a grievance: as Small Claims Courts serve for resolution of disputes between individuals (natural persons), consumers may access civil courts and the High Court, however these are not commonly used by customers to enforce their rights against NBCIs. Consumers may also have their disputes decided pursuant to the Arbitration Act, although the Act primarily prohibits arbitration in disputes regarding consumer contracts as defined by the Consumer Contracts Act with the only exception when a consumer, by a separate agreement, agrees with the arbitration.[103] Thus, arbitration sections in consumer contracts seem to be effectively banned. Cost and time considerations would also make this an unattractive option. Further, consumers may address CCZ with all complains regarding consumer protection issues. Nevertheless, CCZ does not have the power to investigate the case and make binding decisions. As the mission team was told, when CCZ receives a complaint regarding a member of ZAMFI, the association is informed and the complaint is submitted to it. However, ZAMFI does not have the power to make binding decisions either. Thus, only mediation would be provided. Consumers may also send their complaints to the Competition Authority of Zimbabwe (CAZ) whenever a NBCI appears to act in violation with the Competition Act. CAZ would investigate the complaint and send it eventually to the attorney general for further prosecution or to other competent authority.

[99] Section 44(1) of the MFA.
[100] In such a case, the Arbitration Act applies proportionally.
[101] Section 115(3) of the COOPA.
[102] Section 116 of the COOPA.
[103] Section 4(2)(f) of the Arbitration Act.

	Paragraph (b) Microfinanciers are required to inform complainants that in the case of dissatisfaction with resolution proposed by the microfinancier, they may address the Registrar.[104] ***Paragraph (c)*** The disciplinary Committee described under the paragraph (a) above and its composition should ensure independent investigation and decision-making. However, given that its members represent the supervisory authorities (the Registrar/RBZ) and the industry, its truly independence may be questioned (see the recommendations below). ***Paragraph (d)*** See the description under the paragraph (a) above.
Recommendation	A disciplinary committee established under the MFA should always include at least one representative of consumers (e.g. a representative of CCZ). A financial ombudsman or similar scheme should be established (*see Good Practice E.2, Banking Sector*).

[104] Section 9(1)(a)(ii) of the Microfinanciers' Code of Conduct.

V. GOOD PRACTICES: PRIVATE PENSIONS SECTOR

TABLE 5: PENSION SECTOR DATA

Scheme	Membership	Nature of fund	Assets Under management USD billion
Mandatory Schemes			
Public Service Pension Fund	245,000	DB	N/A (PAYG government budget[105] -
National Pension Fund	All private formal sector workers (1.2 million – compliance rate 20 percent tbc)	DB	0.369 (12/2010)[106]
Voluntary Funds	700,000		1.8
Self-administered funds	360,000 (largest 150 funds)	DB	
Insurance administered funds	30,000 (largest 150 funds)	defined contribution	
Pension Administrator managed funds	81,000 (largest 150 funds)	defined contribution	
Total	945,000 (10 percent population)		2.2 (20 percent GDP)

About one in ten elderly Zimbabweans aged 60 years and above (the normal retirement age in the country) receive a monthly pension.[107] Coverage of pension schemes is limited to formal sector workers in the private and public sectors and excludes informal sector workers. An estimated 5.4 million workers are in informal employment and without access to work-based, social protection. As a consequence, households headed by elderly persons are more likely to be poor.

Zimbabwe operates three main pension schemes to provide old-age income protection.[108] The National Pension Fund (NPF), for formal, private sector workers and the Public Service Pension Fund (PSPF) are defined benefit schemes financed on a pay-as-you-go basis where contributions from current workers are used to pay for pensions (the NPF having some surplus assets due to the young demographics of the membership).

As these schemes are mandatory, they are not strictly speaking 'consumer' products – but their weak financial position poses a major challenge to members. There is no choice for individuals in terms of whether to join a pension scheme, which provider to use or of investment products etc. The main challenge for the pension system in Zimbabwe is to reform these schemes which are in a precarious financial position.[109] The government is facing fiscal pressure from the increasing costs of PSPF, which account for 4.0 percent of GDP. Expanding pension coverage to a large segment of the population will continue to be a serious challenge in Zimbabwe given the high informality in labor markets. One option could be a voluntary savings arrangement for informal workers.

[105] In 2012, expenditures were estimated at USD395.4 million (4.0 percent of GDP or around one-quarter of the government's budget).
[106] Actuarial Study of National Pension Scheme – ILO 2012
[107] ZIMSTAT (2012) 2012 Labor Force Survey, Harare.
[108] ZIMSTAT (2012) 2011 Labor Force Survey, Harare.
[109] For a full description of the social security funds in Zimbabwe see World Bank (2014) draft report 'Zimbabwe: Crafting a Coherent Social Protection System.' See also International Labour Organization (2012), 'Zimbabwe – Report to the Government: Actuarial Study on the National Pension Scheme'.

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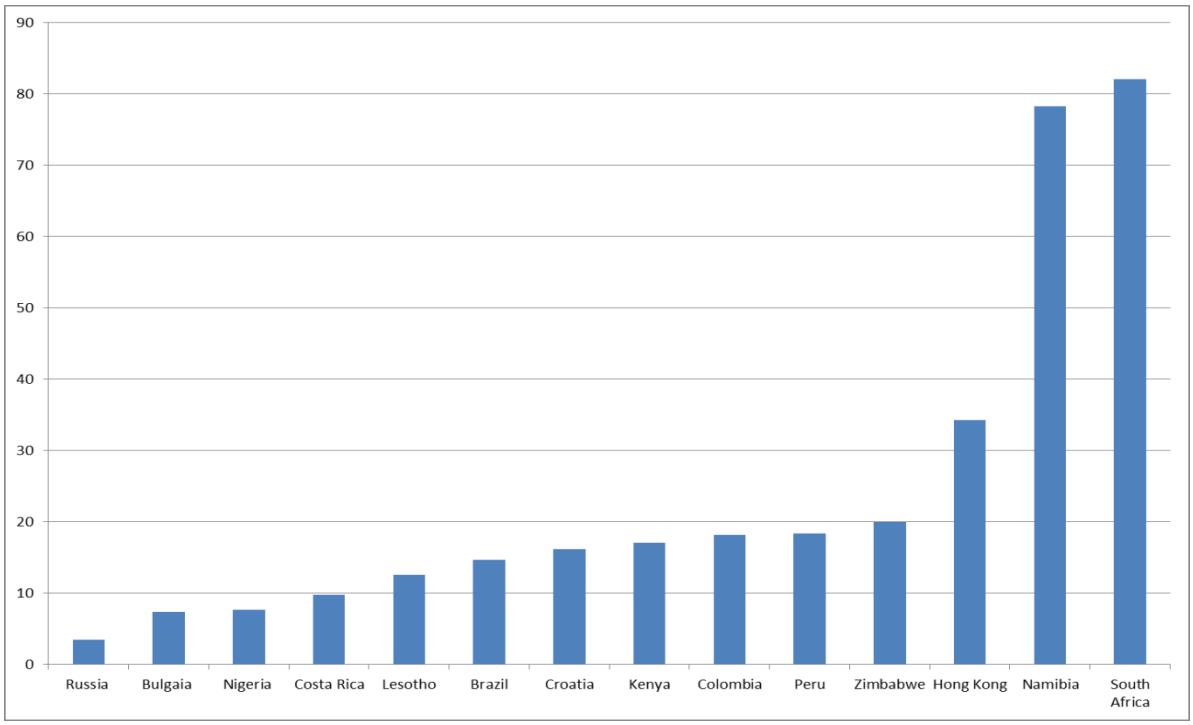
This report will focus on the voluntary occupational schemes which exist in the country. These are privately managed, either defined benefit (DB) or defined contribution (defined contribution) schemes sponsored by employers. They are organized on trust basis and are managed by a Board of Trustees (half employer half employee appointed). There are around 15 'standalone', mostly industry pension funds managing their fund in-house, which are still largely DB funds. The rest are company funds managed by pension fund administrators or insurance companies (on an individual or pooled basis), almost all of which are defined contribution funds (many funds switch from DB to defined contribution around dollarization).[110] Contributions (established in the fund rules) are around 7.5 percent of salary from employees, and 10 percent from employers. One-third of benefits can be taken as a lump sum, whilst two-thirds must be taken as a retirement income stream (generally in the form of a variable rate, programmed withdrawal, provided by the fund itself of the life insurance arm of the administrator group).[111] Around 1250 funds are still licensed by IPEC, down from around 2800 pre dollarization in 2008. However, many of these funds are effectively non-operational (and non-reporting), and the Pension and Insurance Commission (IPEC) effectively supervises the main 150 funds. [112] Total membership of these funds is estimated at around 700,000 (470,000 coming from the main 150 funds which IPEC actively supervises), with total assets under management of USD 2.3 billion (USD 1.8 billion held by the main 150 funds - 60 percent standalone funds and 40 percent externally administered).[113] This is large compared with the African region – with only South Africa and Namibia having significantly larger pension assets as a percentage of GDP.

FIGURE 4: PENSION FUND ASSETS AS PERCENTAGE OF GDP SELECTED NON-OECD COUNTRIES



Source: OECD Pension Statistics

[110] The main pension providers include: Old Mutual, First Mutual, ZB and Fidelity Life. Large industry funds include the Communications and Allied Industries Pension Fund (CPAIPF) and those covering the mining, motor, construction and catering industries and the national railways.

[111] For more detailed information on the schemes and their rules see (OPM 2010).

[112] It should be noted that where information is given on pension plans in this report it is the main 150 largest funds which are generally alluded to. Given there is no information available (even to the regulator) on many of the long tail of 1000 or so funds, it is not possible to comment on the practices of them. However, it would be natural to assume that these funds do not necessarily operate at a similar standard level of the larger players in the industry. In order to protect the members of these funds, the regulator will eventually have to require that they are shut down and / or merged with an umbrella fund provider.

[113] Figures for the 150 main funds as of December 2013, taken from IPEC quarterly report on self-administered pension funds. Figures for full industry as of December 2012 – see IPEC Annual Report: Pensions 2012. As many of the smaller funds do not submit reports, it is estimated (by IPEC and ZCTU amongst others) that the full membership number could be above 1 million.

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All pension schemes in the country were severely, adversely affected during the hyperinflation period and the switch to the multi-currency economy. Inflation rose from an annual rate of 32 percent in 1998, to an official estimated high of 11,200,000 percent in August 2008. In April 2009 the Zimbabwean Dollar was suspended indefinitely and Zimbabwe now allows trade in the USD and various other currencies such as the South African rand, Euro, Sterling, and Botswana pula. 'Dollarization' rendered values in local currency virtually worthless, and saw pension fund liabilities being drastically reduced (there is no automatic indexation for pension benefit in the country) – some members ending up with no pensions at all. On the asset side, monetary assets and the required holdings in government bonds were wiped out, with other categories such as equities and real estate being severely marked down. This has been much criticism (by activist groups representing pensioners and trade unions, amongst others) over how the conversion from Zimbabwe to US dollars was handled.[114] For example, no central guidance was given, no mandatory conversion formula was used or date for conversion given,[115] or indeed any requirements to make public the basis of the conversion, which has been criticized as being not 'inter-generationally' fair. The MoF commissioned an independent actuarial report on the conversion issue in 2012, which is yet to be published. However, a Government Inquiry on Pension and Insurance Conversions has just been a launched. The terms of reference, currently under discussion with industry, are proposed to include an investigation into the conversion process from Zimbabwe to US dollars, whether any pension fund members or insurance policy holders were prejudiced during the conversion and any compensation due, as well as any regulatory failures, the financial soundness of the pension and insurance industry and potential impacts on the rest of the financial sector and the economy as a whole. As the Inquiry will touch on consumer protection issues, the World Bank team will endeavor to follow its progress and provide information on international good practice and experience as required.

A comprehensive assessment of the previous problems will be needed before the pension system can be rebuilt and the confidence, which is needed for long-term savings, restored. Longer-term, a comprehensive, holistic review of the pension system is required, covering not only occupational pensions, but also the social security funds.

SECTION A	CONSUMER PROTECTION INSTITUTIONS
Good Practice A.1	***Consumer Protection Regime*** **The law should recognize and provide for clear rules on consumer protection in the area of private pensions and there should be adequate supporting institutional arrangements:** **a. There should be specific provisions in the law, which create an effective regime for the protection of consumers who deal directly with pension management companies and members/ affiliates of occupational plans.** **b. There should be a general consumer protection agency or a specialized agency, responsible for the implementation, oversight and enforcement of pension consumer protection, as well as data collection and analysis (including inquiries, complaints and disputes).** **c. The law should provide, or at least not prohibit, a role for the private sector, including voluntary consumer organizations and self-regulatory organizations, in respect of consumer protection regarding private pensions.**
Description	***Paragraph (a)*** General consumer protection laws apply to the pension sector (*see Good Practice A.1, Banking Sector*). All pension funds have to be licensed by IPEC, though the documents required as part of the application cover the financial soundness of the firm and the sponsoring employer rather than any consumer protection related issues. In practice IPEC has turned down applications where the trustees were not thought to be suitable and sufficiently able to represent fund members as opposed to the interests of the sponsoring employer. The current pension legislation also provides little by way of direct guidance in terms of consumer protection. For example, there is no specific function articulated in relation to

[114] See (Mazviona 2013), (Tarusenga 2014) and other articles listed in references.
[115] Circular No. 5 of 2010 issue by IPEC simply states the deadline for the conversion exercise.

	IPEC having to protect the rights of members of pension funds in the IPEC Act. Likewise, the fiduciary duty of trustees is not explicitly outlined in the PPF Act and the PPF Regulations are silent on issues such as member disclosure, selling and advertising procedures. The new Pensions and Provident Bill (2014) should specifically cover aspects of consumer protection. For example, the draft Bill[116] contains some such sections (communication with stakeholders), which will need to be reviewed in light of the World Bank Good Practices and other international pension related standards.[117] In addition to such consumer protection legislation, the main mechanism for ensuring the protection of members of pension funds is via the Trustee Board which is required to manage the fund in the interest of the members and beneficiaries (which will be laid out in the individual fund rules). The Pension and Provident Fund (PPF) Regulations (II.6) requires a fund to appoint trustees, at least half of whom should be appointed or elected by the members of the fund with the other half appointed by the employer (with umbrella funds with multiple employers as members requiring equal member representation on its management group). It is notable that the PPF Regulations do not require representation of retired members on the Trustee Board which is good practice in some other countries (as is the case in the Netherlands). Given issues around intergenerational fairness have been raised around the handling of the conversion process (from the Zimbabwe dollar to the multicurrency), requiring retiree representation on trustee boards could be helpful in terms or ensuring intergenerational fairness.[118] Circular No. 11 of 2007 issued by IPEC lays out Minimum Qualifications for Trustees of Pension Funds as follows: • 5 'O' Levels; • A certificate in business or a related field; and • Must be holding or has held a supervisory position at his/ her work place for a minimum of 3 years. Rather than qualifications for individual trustees (which may exclude some potential worker representatives), international good practice suggests requiring knowledge levels for the Board as a whole, and training for all members. For example, the OECD Guidelines for Pension Fund Governance recommend the following: ***4. Suitability*** *"Membership in the governing body should be subject to minimum suitability (or non-suitability) standards in order to ensure a high level of integrity, competence, experience and professionalism in the governance of the pension fund. The governing body should collectively have the necessary skills and knowledge to oversee all the functions performed by a pension fund, and to monitor those delegates and advisors to who such functions have been delegated. It should also seek to enhance its knowledge, where relevant, via appropriate training. Any criteria that may disqualify an individual from appointment to the governing body should be clearly laid out in the regulation."*[119] Training for trustees is also increasingly standard in many other countries, and is sometimes offered by the pension supervisory authority. For example, the Pension Regulator in the UK has an on-line Trustee Toolkit which new trustees complete.[120] Such standardized training could be helpful in Zimbabwe, given the criticism that many trustees were not suitably qualified and member rights not always fully protected during the conversion problems.[121] This training should cover broad pension issues, including investments, the nature of trust law, the role of trustees, what questions to ask service providers etc.

116 Version consulted July 2014

[117] International Good Practices in these recommendations refer to the World Bank Good Practices for Financial Consumer Protection, which this diagnostic is based upon, and also more detailed, pension specific standards which have been issued by the OECD as part of the Core Principles of Occupational Pension Regulation.

[118] For a discussion of international good practice see, Stewart, F. and J. Yermo (2008), "Pension Fund Governance: Challenges and Potential Solutions", *OECD Working Papers on Insurance and Private Pensions*, No. 18, OECD Publishing, available at http://dx.doi.org/10.1787/241402256531 (last visited on December 29, 2014).

[119] See http://www.oecd.org/daf/fin/private-pensions/34799965.pdf (last visited on December 29, 2014).

[120] See https://trusteetoolkit.thepensionsregulator.gov.uk/ (last visited on December 29, 2014).

[121] Mazviona (2013) quotes various surveys on the lack of trustee knowledge and understanding.

	Paragraph (b) IPEC is in practice the main consumer protection agency, with ultimate responsibility for the members of pension funds, and the channel for complaints against the funds and their providers. In addition to the legislative limitations, IPEC currently has limited capacity particularly in relation to specialist staff (there is no in-house actuary or legal experts). This internal capacity will have to be built over the medium term (*see Good Practice A.4, Insurance Sector*). ***Paragraph (c)*** The CCZ covers general consumer protection issues in the country.[122] Though not specializing in financial or pension issues, they have passed complaints onto IPEC and a pension and insurance expert was previously a member of their Board. Pension fund member rights are represented by NGOs and Unions. For example the organization Zimbabwe Pension and Insurance Rights was formed in 2010 to represent pensioners who believe their rights had been violated around the time of the currency conversion from Zimbabwe dollars. In addition, the Zimbabwe Congress of Trade Unions (ZTUC) represents pension fund members who are also their members – an important role given pension fund membership is compulsory based on employment. The Zimbabwe Pension Fund Association also exists but mainly represents the pension fund providers more than the members of the funds (though trustees are also members). In order to ensure that these member representatives have their voices fully heard, they could be invited to be part of the Advisory Commission with whom IPEC is required to consult (PPF Regulations V).
Recommendation	The new Pensions and Provident Bill (2014) should specifically cover aspects of consumer protection. Among other provisions the Bill should require retiree representation on trustee boards. Additionally trustee's minimum qualifications / fit and proper requirements should be reviewed and standardized trustee training should be introduced. Further, mandatory custodian requirements are urgently needed for all funds as this is a key protection mechanism for the assets owned by pension fund members. The requirement for pension fund assets to be held by a custodian should be included in the revised Pension and Provident Fund Bill (2014) and the regulator should require that custodian functions are introduced for all funds urgently in new rules reflecting the World Bank's *Good Practices for Financial Consumer Protection* and OECD pension standards.123 On the institutional aspect, the Bill should increase capacity of the pension regulator and increase pension member representation on IPEC Advisory Committee. Joining and involvement in regional and international supervisory organization (CISNA and IOPS)124 could help build knowledge of international, supervision related good practice. In the longer-term, particularly training and capacity building on consumer protection issues will be needed if a retail market for pension products develops.
Good Practice A.2	***Other Institutional Arrangements*** **a. The judicial system should provide credibility to the enforcement of the rules on pension consumer protection.** **b. The media and consumer associations should play an active role in promoting pension consumer protection.**
Description	***Paragraph (a)*** Pension related cases have been brought to the Courts (mainly the High Court as the financial amounts involved are too large for the Small Claims Court). These have involved IPEC challenging employers for not paying contributions to pension funds - though most employers have claimed the economic environment means that they do not have the funds to make such payments. Where employee contributions have not been remitted, IPEC

[122] See http://www.ccz.org.zw/ (last visited on December 29, 2014).
[123] OECD Guidelines on Pension Fund Governance No. 8 Custodian.
[124] CISNA – Committee of Insurance, Securities and Non-bank Financial Authorities – is part of the Southern Africa Development Community (SADC). IOPS stands for the International Organization of Pension Supervisors.

	should consider launching cases specifically to recover these funds (*see also section B.1 (f)*). Some individual pensioners have attempted to launch cases against their pension fund administrators around their treatment during the period of conversion – but these have not successfully come to Court. The Zimbabwe Pension and Insurance Rights NGO is attempting to bring a class action lawsuit related to these issues. ***Paragraph (b)*** The media has been highly active in covering the grievances of pension fund members and retirees relating to the conversion issue. These are complex issues, and therefore an information providing workshop for key journalists to provide neutral background on the topic could be helpful. The Government Inquiry on Pension and Insurance Conversions can also be an important source of information, and it is hoped that grievances will be address in a clear and transparent manner, so that good practice can be reestablished for the industry and trust rebuilt (*see also Good Practice A.4, Banking Sector*).
Recommendation	IPEC should launch court cases to recover non-remitted, employee contributions from plan sponsors. Additionally, IPEC could organize a workshop to provide background information on pension conversion issue for key financial journalists. The Government Inquiry on Pension and Insurance Conversion should be run in transparent manner, with clear conclusions and recommendations made and acted upon in a reasonable timeframe (*see also Good Practice A.4, Banking Sector*).
SECTION B	**DISCLOSURE AND SALES PRACTICES**
Good Practice B.1	**General Practices** **a. The judicial system should provide credibility to the enforcement of the rules on pension consumer protection.** **b. The media and consumer associations should play an active role in promoting pension consumer protection.** **c. The information available and provided to the consumer should clearly inform the consumer of the choice of accounts, products and services, as well as the risks associated with each of the options or choices.** **d. Employers should be responsible for ensuring that new plan members are made fully aware of their rights and obligations under any occupational pension arrangements.** **e. Employers should be required to vest benefits with employees relatively quickly so as to avoid undesirable personnel practices (such as terminating employment just as employer contributions are about to vest).** **f. Employers should be obliged to ensure that contributions are properly collected, accounted for and passed on to the pension fund's managers.**
Description	***Paragraph (a) and (b)*** *See Good Practice A.2, for role of the media and consumer association.* ***Paragraph (c)*** The vast majority of pension fund members currently have no choice as to whether to join the fund, or of pension fund provider or investment options as membership is compulsory upon employment. However, the current pension legislation provides little by way of direct guidance in terms of member disclosure. Some individuals do arrange for personal pension provisions, mainly when they receive a payout from a fund when leaving/ moving employment (most then transferring their assets into a Preservation Fund). The main decision which members of defined contribution pension funds have to make is at retirement when they have to transfer two-thirds of their accumulated fund balance into a retirement income stream (PPF Regulations III 24. (1)(b)) allows for a commutation of one-third of the balance to be taken as a lump sum. The main retirement benefit product in Zimbabwe is a program withdrawal with a variable element

	as the payout can be adjusted for both longevity and the investment return which is earned on the existing assets of the fund. As pure life annuities do not exist (and therefore the longevity risk is born by the individual rather than the annuity provider), a pension fund itself may continue to act as the provider of benefits to defined contribution fund members. For externally administered funds, the pension administrator will pass on the member to the life insurance division to handle the payout phase. Pension fund trustees normally commission a consultant to provide advice on the range and choice of providers of these retirement income products, and pass on this advice to trustees. As in many other countries, most individuals remain with the pension provider which managed their account during the accumulation phase. There are no legal or regulatory requirements around providing specific information on the types of pension product available, although most of the pension administrators come from regional or international financial service groups and follow internal good practice in this regard. This may not currently be a major issue in Zimbabwe (as it is not pure life annuities which are being offered and there are limited investment opportunities to differentiate the variable / bonus element of the payout). However, the issue should be considered in future as international studies have shown that individuals can lock in significantly lower retirement income levels from not shopping around. Developing international good practice suggests a role for the regulator or industry body in providing a central, easily comparable source of information on products and pricing (as is the case in Chile, for example). The charging of these annuity products should also be carefully examined and they are not always transparent and easily comparable.[125] ***Paragraph (d)*** Employers and /or pension plan administrators do provide information to new members of the plan when they join upon starting employment. This contains the expected information on the nature of the plan, required contributions, nature of benefits etc. Some pension funds (notable those with an industry membership) will also reach out to new members via seminars etc. Though good practice does seem to be generally followed, regulations could clarify and standardize precisely what should be provided – including who to contact if a member has queries or complaints, and the charges of the fund. ***Paragraph (e)*** PPF Act (Section 18(1)(a)) states that in all plans, employee contributions vest immediately: *"A person who ceases to be a member (of a contributory fund) before becoming entitled to a pension or other benefit shall be entitled to receive an amount no less than the sum of his own contributions, together with simple interest, at the rate of not less than four per centum, per annum."*[126] The vesting of employer contributions is set as part of the individual plan rules. In generally this is gradual and starts with 25 per cent of employer contributions after five years of membership; 50 per cent after 10 years and 100 per cent after 15 years of membership. Upon termination of employment before employer contributions vest, members are entitled to a refund of their own contributions plus interest equal to the rate of return on the fund.[127] ***Paragraph (f)*** Contribution arrears are one of the major problems with pension funds in Zimbabwe - not only of employer contributions, but also where employers collect but do not remit employee contributions. This contravenes fundamental principles of pension fund member protection. Section 13 of the PPF Regulations require these contributions to be transferred within 21 days of the end of the calendar month, and non-payment of member contributions has to be reported to the regulator by the Principle Officer, chairman of trustees or management committee. For funds managed by Pension Administrators, the PPF Regulations require that administrators provide a certification every four months that contributions are up to date and indicate the names of participating employers where this is not the case (36 (2)). Similar provisions exist in countries such as the UK, USA, and the OECD Core Principle

[125] See IOPS Working Paper No. 7 (2008), 'Transparency and Competition in the Choice of Pension Products: The Chilean and UK Experience'.
[126] Provisions for funds where members do not make contributions are included in PPF Regulations Section 19.
[127] Taken from International Social Security Association (ISSA) Zimbabwe Country Profile – Complementary and Private Pensions www.issa.int (last visited on December 29, 2014).

	Occupational Pension Fund Regulation No. 5 states that: *"(Regulation) should also promote the protection of vested rights and proper entitlement, as regard to contributions from both employees and employers."*[128] As discussed in Good Practice A.2 – non-remitted employee contributions should be a key focus for IPEC.
Recommendation	Disclosure requirements for pension fund members during both the accumulation phase of their pension fund, and upon retirement when choosing a retirement income product, should be improved. Information and disclosure requirements around selling / advertising pension products should be put in place (*see also Good Practice B.2*). Additionally IPEC could conduct a review on the payout phase of pension provision (provider of annuity products, nature of products, transparency and pricing, costs and charging); and specific information provision required for new members should be in regulations. IPEC should launch court cases to recover non-remitted, employee contributions from plan sponsors (*see Good Practice A.2*).
Good Practice B.2	***Advertising and Sales Materials*** **a. Pension management companies should ensure their advertising and sales materials and procedures do not mislead the customers.** **b. All marketing and sales materials of pension management companies should be easily readable and understandable by the average public.** **c. The pension management company should be legally responsible for all statements made in marketing and sales materials related to its products, and for all statements made by any person acting as an agent for the company.**
Description	***Paragraphs (a)-(c)*** As pension provisioning in Zimbabwe is currently predominantly though occupations funds, there is limited direct selling or advertising of pension products to the public. There are no general regulations on advertising financial products and no specific requirements regarding pensions in particular. Limited advertising provisions of general application can be found in the following laws: • The Competition Act lists misleading advertising as an unfair trade practice that is punishable by a fine. • The Advertisements Regulation Act provides for control of advertisements on structures or apparatus erected or intended for display along railways or roads declared to be a main district or branch road. As the main pension providers are members of regional and international financial service providers, they generally follow internal and international good practice in this regard. However, now the economy has stabilized, the pension administrators are intending to offer more direct pension products to individuals (such as Deposit Administration (DA) Funds – which are effectively unit-linked investment products). Clearer rules on selling and advertising will therefore be needed. Examples of good practice in the sales and marketing of pension products include the guidance prepared by the European Commission amongst others.[129]
Recommendation	Rules guiding the advertising and selling of pension products should be included in the revised draft Pension and Provident Fund Bill (2014) or drafted as separate, secondary regulations (*see also Good Practice B.9, Banking Sector*).
Good Practice B.3	***Key Facts Statement***

[128] The OECD Guidelines for the Protection of Rights of Members and Beneficiaries of Occupational Pension Plans also note that: 4.3 Members and beneficiaries should be notified in timely fashion if required employer and member contributions have not been made to the pension plan.

[129] For examples of international experience, see IOPS Working Paper No. 17 'Supervision of Pension Intermediaries' http://www.oecd.org/site/iops/WpNo17Web.pdf (last visited on December 29, 2014).

	A Key Facts Statement disclosing the key factors of the pension scheme and its services should be presented by the pension management company before the consumer signs a contract.
Description	These could be introduced as part of advertising and selling regulations. Detailed international good practice on the topic in relation to pensions has been drafted by the European Commission and could be followed.[130]
Recommendation	Requirements on KFSs should be included in rules guiding the advertising and selling of pension products, which should be included in the revised draft Pension and Provident Fund Bill (2014) or drafted as separate, secondary regulations (*see Good Practice B.2*).
Good Practice B.4	***Special Disclosures*** **a. Pension management companies should disclose information relating to the products they offer, including investment options, risk and benefits, fees and charges, any restrictions or penalties on transfer, fraud protection over accounts, and fee on closure of account.** **b. Customers should be notified of any planned change in fees or charges a reasonable period in advance of the effective date of the change.** **c. Pension management companies should inform consumers upfront of the nature of any guarantee arrangements covering their pension products.** **d. Customers should be informed upfront regarding the time, manner and process of disputing information on statements and in respect of transactions.** **e. Customers should be informed in writing, at the time of sale or when joining an occupational plan, of the options available to them if they decide to change employer, move or retire.**
Description	***Paragraph (a)*** As discussed in Good Practice B.1, pension administrators do not generally sell pension products on a retail basis, and investment options are not offered to members of occupational funds. The nature of the pension fund (DB or DC), the investment strategy and fees and charges are decided and disclosed in the pension scheme document and in the service contract between the fund trustees and the administrator.[131] ***Paragraph (b)*** Pension fund trustees should be notified of changes in fees and charges as part of the service level agreement signed with administrators. Total expenses may be relayed to pension fund members as part of their annual benefit statements, but examples provided by funds did not always include even this high level information. Clearer, more stringent disclosure requirements should be required. ***Paragraph (c)*** Pension administrators do provide information on the return profile of the Deposit Administration Schemes which they manage, and which many of their pension fund clients invest in.[132] They also provide an explanation of the nature of the return offered by the retirement income products when members convert their accumulated defined contribution pension assets at retirement (noting the return which can be expected and the possible variation in retirement income). How well this is understood by members, most of whom can be expected to have low levels of financial literacy is, however, questionable, and therefore minimum disclosure standards could be set (*see Annex I Financial Literacy*).

[130] Key Information Documents form part of various Directives which the European Union is currently and has been working on (including the IORP, UCITS and MiFID Directives). For details on the background to these developments and a good summary of the information suggested to be included in pre-contractual and on-going defined contribution pension statements, see EIOPA Occupational Pension Stakeholders Group statement on the topic (EIOPA-OPSG-12-10 6 March 22013), 'OPSG Statement on Information for Members of Occupational Pension Plans', available at *https://eiopa.europa.eu/fileadmin/tx_dam/files/Stakeholder_groups/opinions-feedback/EIOPA-OPSG-12-10_Statement_on_Information_members_occupational_pension_plans.pdf* (last visited on December 29, 2014).

[131] The pension administrators met were not able to provide examples of service level agreements to verify the contents.

[132] Examples of product descriptions and annual bonus awards can be found on providers' websites (such as Old Mutual and First Mutual).

	Paragraph (d) Customers should be informed upfront regarding the time, manner and process of disputing information on statements and in respect of transactions. There is no regulatory requirement for pension funds to notify members of dispute processes. Practice on this varies between funds – some providing on a general contact point, others more clearly outlining the chain of complaints (from a designated pension manager, to the Principal Officer of the fund to the Chairman of the Board of Trustees to the Pension Commissioner). Revised disclosure requirements could include the necessity to provide such information.
	Paragraph (e) The PPF Regulations outline the treatment of pension benefits on retrenchment or redundancy (Section 22), and the power of trustees regarding transfer of benefits (Section 23). Information is generally provided to members when they join the fund in terms of 'What happens if I leave service/ am dismissed/ am retrenched/ leave service due to ill health etc.)". An example was provided by one fund in the form of an easy to read, general information note provided to all members when they join the fund. Though good practice does appear to be generally followed, this could be standardized in revised disclosure requirements.
Recommendation	Revised disclosure requirements should be included in the revised draft Pension and Provident Fund Bill (2014) or drafted as separate, secondary regulations. These should include provisions relating to: • Fees and charges; • Nature, charging etc. of retirement income products; • Dispute channels; and • Information regarding transfer, redundancy etc. from fund.
Good Practice B.5	***Professional Competence*** **a. Marketing personnel, officers selling and approving transactions, and agents, should have sufficient qualifications and competence, depending on the complexities of the products they sell.** **b. The law should require agents to be licensed, or at least be authorized to operate, by the regulator or supervisor.** **c. Personnel departments with responsibility for occupational arrangements should have at least one suitably qualified individual who can explain the plan to members and deal with third-party providers such as asset management companies.**
Description	***Paragraph (a)*** Though limited selling of pension products is done to the public, where this is done, it is handled by licensed life insurance brokers (*see Good Practice B.6, Insurance Sector*). Pension consultants are the main point of contact between administrators and trustee boards who are responsible for choosing occupational pension providers. These consultants are generally employees of the administrators (some insurance brokers also play this role). They are not required to have specific qualifications – though in practice are often members of the IIZ and / or normally hold financial qualifications of some form (in line with the general standards and hiring practices of the regional/ international financial firms which provide pension administration services in Zimbabwe). Qualification requirements for pension consultants interacting with pension fund trustees could be introduced. ***Paragraph (b)*** Life insurance brokers are licensed to also handle pension products. Pension consultants employed by pension administrators are not licensed (*For licensing requirements, see Good Practice B.6, Insurance Sector*). ***Paragraph (c)*** Though not required by regulation, most pension funds (at least the larger standalone funds interviewed) do appear to have an HR person who specializes in pension issues. Training for these staff members is provided by some of the standalone pension funds, or by the

	pension administrators (e.g. via Pension Fund Association run training courses). Internationally, pension supervisors sometimes also provide support for HR staff of employer sponsored firms. For example, the Pension Regulator recommends firms to nominate a specific HR contact with whom the regulator then interacts and provides information and support.[133]
Recommendation	Qualification requirements for pension consultants interacting with pension fund trustees could be introduced. Moreover, IPEC could recommend training for HR staff at pension plan sponsors (requiring such training depending on the size of employer, size and nature of the pension fund).
Good Practice B.6	***Know Your Customer*** **The sales officer should examine important characteristics of any potential customer, such as age, employment prospects and financial position, and be aware of the customer's risk appetite and his or her long-term objectives for retirement, and recommend relevant financial products accordingly.**
Description	Know your customer rules do not generally apply to pension products as membership is compulsory via employment. However, this requirement would become important should a retail market for individual pension products start to develop. Some checks in terms of AML regulations apply when individuals transfer pension payouts from occupation to individual products (i.e. the source of funds paid into Deposit Administration accounts has to be known). Pension administrators are compelled to comply also with the AML regulations of the RBZ – and were knowledgeable and cognizant of these requirements given their stringent penalties. However these requirements are more applicable to customer identification rather than the suitability of a particular product for a customer, having regard to their financial objectives and capacity.
Recommendation	As the retail market for pensions develops it will be important to develop Know Your Customer requirements specifically applicable to determining the suitability of particular pension products for consumers.
Good Practice B.7	***Disclosure of Financial Situation*** **a. The regulator or supervisor should publish annual public reports on the development, health and strength of the pensions industry either as a special report or as part of its disclosure and accountability requirements under the law that governs these.** **b. All pension management companies should disclose information regarding their financial position and profit performance.** **c. Actuarial reports on funding levels should be required annually for defined benefit plans and members and affiliates should be advised of the condition of the plan in a short and clear written report.** **d. Investment reports for defined contribution plans should at least match best practice mutual fund reporting.**
Description	***Paragraph (a)*** IPEC produces annual and quarterly reports on the status and development of the pension industry.[134] For example, this is the conclusion from the Q4 2013 report: "*The report highlights the major challenges for the industry as arrear contributions, high expense ratios not matched neither by favorable investment returns nor viable investment avenues, low benefits among others. In light of these challenges, pension funds should always seek to meet fund objectives such as income replacement through better investment decisions and adhering to good practices of corporate governance. Most importantly,*

[133] See www.thepensionsregulator.gov.uk (last visited on December 29, 2014).
[134] For examples of Q4 2013 and 2012 Annual Report see IPEC website – www.ipec.co.zw (last visited on December 29, 2014).

	pension funds are encouraged to have clear and transparent service level agreements with their service providers which are not prejudicial to the Fund."[135] One aspect which is not covered is the investment returns earned by the funds, and this could be added to future reports. The information is provided on an aggregate basis. If the retail selling of pension products becomes more common in future, IPEC could consider becoming a central source of comparative information between administrators (e.g. providing a table of returns earned by different providers' funds and costs charged on a standardized basis) – as is increasing international practice in countries such as Hong Kong, Chile, Mexico. As IOPS Working Paper No. 15 states: "*The fact that information comes directly from the supervisor may contribute to maintaining public confidence in the functioning of the pension system - a goal which has risen in prominence following the global financial and economic crisis of recent years.*" [136] ***Paragraph (b)*** PPF Regulation (Part IV Financial Provisions and Statements) provides detailed information on the annual statements which must be provided by standalone pension funds, insurance companies and pension administrators. Template reports are also provided as an annex to the report. Provisions include that administrators provide a certification every four months that contributions are up to date and indicate the names of participating employers where this is not the case (Section 36 (2)). Annual financial statements must include the following: *41. (1) (a) Financial Statements by Self-administered funds:* • *Income and expenditure account;* • *Balance sheet;* • *Membership return form;* • *Statement of assets;* • *List of participating employers;* • *Annual report presented to members; and* • *Any other reports produced.* Similar requirements apply to the financial statements of insurers (PPF Regulations Section 42). ***Paragraph (c)*** An actuarial report is required for a fund every three years (PPF Section 37 Investigation and Report of the Valuator), which is in line with international good practice.[137] Copies of these reports must be given to employers. Section 38 covers "*Consideration of measures to make fund financially sound' but does not provide details on recovery plans*".[138] Circular No. 6 of 2011 does require a minimum funding level of 75 percent for all funds (No. 7 of 2010 covering application for contribution holiday for funds in surplus). More detailed funding rules could be included in the revised draft Pension and Provident Fund Bill (2014).[139]

[135] See http://www.ipec.co.zw/images/stories/reports2/2013%20Fourth%20Quarter-Self%20Administered%20Pension%20Funds.pdf.

[136] For further details and international examples (including links to individual country websites) see IOPS (2011), 'Comparative Information Provided by Pension Supervisory Authorities', IOPS Working Papers on Effective Pension Supervision No. 15, available at http://www.oecd.org/site/iops/principlesandguidelines/49354396.pdf (last visited on December 29, 2014).

[137] See OECD Guidelines Pension Fund Governance No. 7 Actuary, available at http://www.oecd.org/daf/fin/private-pensions/34799965.pdf (last visited on December 29, 2014).

[138] The ISSA Country Profile notes that: An actuarial examination must be conducted at least once in every three years and each fund must keep such records as are necessary to enable an actuary to carry out an examination at any time. If the actuary concludes after the examination that the fund is in an unsound financial position, the actuary and the board of trustees must jointly consider methods by which a sound financial position can be restored. Generally, the sponsoring employer(s) must finance the unfunded liability immediately or according to a funding plan recommended by the actuary and approved by the RPPF. Rules regarding the appointment of auditors and actuaries and the settling of disputes are sound. See www.issa.int (last visited on December 29, 2014).

[139] For a discussion of different pension funding rules in different countries see Severinson, C. and Yermo, J., (2012), "The Effect of Solvency Regulations and Accounting Standards on Long- Term Investing: Implications for Insurers and Pension Funds", OECD Working Papers on Finance, Insurance and Private Pensions, No. 30, available at *http://www.oecdilibrary.org/docserver/download/5k8xd1nm3d9n.pdf?expires=1407263715&id=id&accname=guest&checksum=9E5C863C2CCBA790807A0292F02686E4* (last visited on December 29, 2014).

	Actuarial reports are also becoming more standard for defined contribution funds (given some of these also pay out programed withdrawals, and to report on issues such a contribution arrears). Conditions for making actuarial reports were clearly difficult during the hyperinflation period, and questions have been raised around the consistency of actuarial reports and valuations undertaken on funds during the conversion period.[140] The valuation of non-listed assets was also raised as an issue as there are currently no laws/ regulations / guidelines on how this should be done and the policy is decided on a fund by fund basis. For example, one pension fund visited Fund have a policy of using a 50/50 blend of the cost and income method of valuation (based on international accounting standards), with their real estate valuations checked annually by a professional third party firm. It is recommended that the Government Inquiry on Pensions and Insurance Conversions address these issues clearly and transparently, with any recommendations made implemented fully in a timely manner. ***Paragraph (d)*** Investment reports for defined contribution plans currently contain basic information (contributions, balance, returns earned). Revised reporting requirements could specific other elements (costs, longer term returns, projected benefits) which could be included in future (*see Good Practice C.2*). The OECD Guidelines on the Protection of Rights of Members and Beneficiaries in Occupational Pension Plans out line International good practice around disclosure of information to members of defined contribution pension funds. *4.4 "Timely, individualized benefit statements should be provided to each plan member (and to beneficiaries where relevant). The information included on the benefit statement and the frequency of its delivery will depend on the type of pension plan. The information included should enable the plan member to identify current benefit accruals or account balances and the extent to which the accruals or account balances are vested. For pension plans with individual accounts, the information should include the date and value of contributions made to the account, investment performance and earnings and/or losses. For member-directed accounts, a record of all transactions (purchases and sales) occurring in the member's account during the relevant reporting period should be provided. This information and other similarly personal data should be maintained and delivered in a manner that takes full account of its confidential nature."*[141]
Recommendation	IPEC could in future become a central source of comparative information between pension fund providers. In the short term, more detailed funding guidelines should be provided either as part of Draft Pension and Provident Fund Act (2014) or drafted as separate regulations. The Government Inquiry on the conversion issue should be held in a transparent manner, and recommendations made regarding actuarial valuations and other issues should be implemented in full in a timely manner.
Good Practice B.8	***Contracts*** **There should be consistent contracts or membership forms for pension products and the contents of a contract should be read by the customer or explained to the customer before it is signed.**
Description	Pensions in Zimbabwe are arranged on an occupational rather than an individual basis and therefore customer contracts do not apply.[142] Contracts exist between the sponsor and the pension fund and / or the trustee board and the external pension administrator.[143]
Recommendation	No recommendation.
Good Practice B.9	***Cooling-off Period***

[140] See articles quoted in reference section.
[141] See http://www.oecd.org/daf/fin/private-pensions/34018295.pdf (last visited on December 29, 2014).
[142] Individual retirement annuity products do still exist, but this market is effectively non-operational post dollarization. Old Mutual is the only provider, with a small number of clients transferring lump sums from receiving a payout from a previous occupational arrangement into these individual pension arrangements.
[143] Pension administrators were not able to provide examples of standard service level agreements.

	There should be a reasonable cooling-off period associated with any individual pension product.
Description	Where individual pension products are provided, a standard 30 day cooling off period is applied by pension fund administrators, as with other financial products.
Recommendation	Standard cooling off periods should form part of revised advertising and selling requirements, which should be included in the revised Pension and Provident Fund Act (2014) or drafted as separate regulations.
SECTION C	**CUSTOMER ACCOUNT HANDLING AND MAINTENANCE**
Good Practice C.1	***Statements*** **a. Members and affiliates of a defined contribution pension plan should not be locked into a specified investment profile (and shares in their employer in particular) for more than a short period (e.g. one week) after providing notification of a desire to switch investment profiles.** **b. Customers or occupational plan members should receive a regular streamlined statement of their account that provides the complete details of account activity (including investment performance on a standardized basis) in an easy-to-read format, making reconciliation easy.** **c. Customers should have a means to dispute the accuracy of any transaction recorded in the statement within a reasonable, stipulated period.** **d. When customers sign up for paperless statements, such statements should be in an easy-to-read and readily understandable format.**
Description	***Paragraph (a)*** Pension fund members are currently not offered a choice of investment portfolio. The investment strategy is determined by the pension fund trustees. Such requirements could, however, be included in the revised PPF Bill anticipating such choice in future. There should also be requirements for pension fund trustees to publish the investment strategy of the fund, in line with international good practice.[144] One investment practice which does restrict pension funds in Zimbabwe is the requirement for investments in 'prescribed assets' (basically government securities). The PPF Act (Section 18) requires a minimum holding of 35 percent, and this was lowered to 10 percent by IPEC Circular 1 of 2013 (effective 2016). The draft Pension and Provident Fund Act (2014) proposes a minimum of 10 percent. In reality, funds are not complying even with the lower 10 percent level. International good practice does not generally support the requirement for minimum holdings in assets.[145] In addition, only domestic investments are currently allowed (PPF Law Section 18) and indeed this restriction is proposed to be continued in the draft Pension and Provident Fund Act (2014). Again, international practice would recommend allowing for some international diversification of assets.146 The limits proposed in the new 2014 Act should be reviewed. ***Paragraph (b)*** Standalone pension funds and administrators provide annual benefit statements for plan members. The example provided by one fund was presented in a simple format, with explanatory notes for each section given on the back of the statement. The draft Pension and Provident Fund Act (2014) proposes more detailed, standardized reporting to pension fund members (including information on returns and costs). These proposals should be reviewed in line with international good practice. For example, information on longer-term

[144] See OECD Guidelines on Pension Fund Asset Management, available at http://www.oecd.org/daf/fin/private-pensions/36316399.pdf (last visited on December 29, 2014).
[145] See OECD Guidelines on Pension Fund Asset Management (4.1 Investment Limits), available at http://www.oecd.org/daf/fin/private-pensions/36316399.pdf (last visited on December 29, 2014).
[146] See (Chowa and Mhlanga 2014).

	returns, costs and projections for what the fund can be expected to deliver could be required in these statements, in line with developing international good practice in countries such as Chile and Sweden.[147] ***Paragraph (c)*** As discussed in Good Practice B.4.d., there is no regulatory requirement for pension funds to notify members of dispute processes, including in relation to information in their annual statement. Practice on this varies between funds – some providing on a general contact point, others more clearly outlining the chain of complaints (from a designated pension manager, to the Principle Officer of the fund to the Chairman of the Board of Trustees to the Pension Commissioner). Revised disclosure requirements could include the necessity to provide such information. ***Paragraph (d)*** Paperless statements are still not widely available for pension fund members, though are being developed by some fund administrators. Standards and requirements for this format could also be included in revised disclosure regulations.
Recommendation	Guidance on choice of investment portfolio for members of defined contribution pension fund could be added to the draft Pensions and Provident Fund Bill (2014). Additionally trustee boards should be required to devise and publish an investment strategy for the fund. Guidance on the content and format of annual benefit statements could be provided by IPEC, either within the draft Pensions and Provident Fund Bill (2014), or drafted as separate regulations. Revised disclosure requirements could include information provided on annual benefit statements regarding how to dispute the information provided. This should be included either within the draft Pensions and Provident Fund Bill (2014), or drafted as separate regulations. As well as standards and requirements for paperless statements could be included in revised disclosure requirements.
SECTION D	**PRIVACY AND DATA PROTECTION**
Good Practice D.1	***Confidentiality and Security of Customers' Information*** **a. The financial activities of any customer of a pension management company should be kept confidential and protected from unwarranted private and governmental scrutiny.** **b. The law should require pension management companies to ensure that they protect the confidentiality and security of personal information of their customers against any anticipated threats or hazards to the security or integrity of such information, and against unauthorized access to, or use of, customer information that could result in substantial harm or inconvenience to any customer.**
Description	***Paragraph (a)*** There are currently no specific regulations requiring pension fund members' information to be kept confidential (*This is common throughout the sectors; see Good Practice D.1, Banking Sector*). This is, however, good practice by pension funds – one fund which was consulted noting that this would be part of the trustee and management code of conduct. No major problems with confidential information leaks were raised in discussions. Staff at IPEC have to sign the Official Secrets Act and cannot make pension fund member records public. ***Paragraph (b)***

[147] See Antolín, P. and D. Harrison (2012), "Annual defined contribution Pension Statements and the Communications Challenge", *OECD Working Papers on Finance, Insurance and Private Pensions*, No. 19, OECD Publishing, available at http://www.oecd-ilibrary.org/finance-and-investment/annual-dc-pension-statements-and-the-communications-challenge_5k97gkd06kth-en (last visited on December 29, 2014).

	Although a detailed assessment could not be made, pension fund record keeping appears to be robust if basic in some cases (pension administrator funds have on-line records, whilst standalone funds still use a mixture of digital and paper records). One fund consulted is in the process of updating their systems. Basic minimum requirements could be outlined in the new Pensions and Provident Fund Bill (2014). There is no evidence of widespread data mismanagement by funds or providers (such as ghost members), though issues around the conversion period need to be examined.
Recommendation	Requirements on confidentiality of member information could be included in revised Pension and Provident Fund Bill (2014) or drafted as separate regulations. Basic standards on the protection of member data could also be included in the Bill. Finally, consideration should be given to the development of an overall data protection law that is applicable to the entire financial sector (*see Good Practice D.1, Banking Sector*).
Good Practice D.2	***Sharing Customer's Information*** **a. Pension management companies should inform the consumer of third-party dealings for which the pension management company intends to share information regarding the consumer's account.** **b. Pension management companies should explain to customers how they use and share customers' personal information.** **c. Pension management companies should be prohibited from selling (or sharing) account or personal information to (or with) any outside company not affiliated with the pension management company for the purpose of telemarketing or direct mail marketing.** **d. The law should allow a customer to stop or —opt out|| of the sharing by the pension management company of certain information regarding the customer, and the pension management company should inform its customers of their opt-out right.** **e. The law should prohibit the disclosure of information of customers by third parties.**
Description	***Paragraph (a)*** Although there is no specific legal guidance on the topic, pension administrators say they do not share member information with third parties. ***Paragraph (b)*** Pension administrators consider members of pension funds which they manage to be 'clients' of the group as a whole. They do therefore offer them other financial products – though stressed that basic principles such as non-inducement (conditional) selling etc. apply. Given the nature of the broad financial sector groups which are the main pension provider in Zimbabwe, this issue of cross selling within the group should be clearly addressed in the new Pension and Provident Fund Bill (2014). ***Paragraph (c)*** Though not prohibited by law, pension fund managers do not sell information on pension fund members to third parties. ***Paragraph (d)*** Information on pension fund members is not released to third parties. ***Paragraph (e)*** Information on pension fund members is not released to third parties.
Recommendation	The Draft Pension and Provident Fund (2014) should clarify confidentiality of pension fund member information – particularly in relation to how this information can be used within financial service provider groups.
Good Practice D.3	***Permitted Disclosures*** **a. The law should state specific procedures and exceptions concerning the release of customer financial records to government authorities.**

	b. The law should provide for penalties for breach of confidentiality laws.
Description	***Paragraph (a)*** An MOU between RBZ and IPEC covers cooperation issues, including the sharing of information. ***Paragraph (b)*** Confidentiality of member information, including penalties for abuse, should be included in the new Pension and Provident Fund Bill (2014).
Recommendation	Confidentiality of member information, including penalties for abuse, should be included in the Draft Pension and Provident Fund (2014).
SECTON E	**DISPUTE RESOLUTION MECHANISMS**
Good Practice E.1	***Internal Dispute Settlement*** **a. An internal avenue for claim and dispute resolution practices within the pension management company should be required by the supervisory agency.** **b. Pension management companies should provide designated employees available to consumers for inquiries and complaints.** **c. The pension management company should inform its customers of the internal procedures on dispute resolution.** **d. The regulator or supervisor should investigate whether pension management companies comply with their internal procedures regarding dispute resolution.**
Description	***Paragraph (a)*** The PPF Regulations (Section 8) state that settlements of disputes should be decided by the fund rules which must set out how member claims are to be dealt with. All must have right to transfer dispute to arbitrary body or court. The Principal Officer must inform the Registrar if any dispute relating to the nature of the fund rules is transferred to arbitration or court. In practice, for standalone funds, internal disputes would be the responsibility of the Board of Trustees, though no formal mechanism exists. Likewise for administrators, their Board is ultimately responsible if an issue between the fund and the provider cannot be solved by the consultants who act as relationship managers. ***Paragraph (b)*** As these are occupational schemes, the point of contact for pension fund members with issues is usual the human resources department. Some pension funds offer training for such staff at their sponsoring companies in order to be able to deal with such issues (*see Good Practices B.5*). In addition, pension fund members are informed of the member elected trustees who represent them on the pension fund board. ***Paragraph (c)*** Some pension funds do advise their members on where to go if they have a dispute, whilst others provide a general contact (*see Good Practice B.4.c*). ***Paragraph (d)*** IPEC do check dispute mechanisms as part of their on-site inspections - though it should be noted that, due to capacity constraints, these on-site inspections are rare.
Recommendation	The new Pension and Provident Fund Bill (2014) should provide further clarify the dispute resolution mechanism for pension fund members (*see also Good Practice E.2, Banking Sector*).
Good Practice E.2	***Formal Dispute Settlement Mechanisms*** **A system should be in place that allows consumers to seek third-party recourse in the event they cannot resolve a pensions-related issue with their employer or a pension management company.**

Description	There is no pension or financial sector ombudsman in Zimbabwe. Disputes between pension members and their fund or pension fund trustees and their administrators are normally handled by IPEC. Where no resolution can be found, these would be handed on to the Courts. As discussed in Good Practice A.2, cases relating to the conversion of pension benefits from Zimbabwe to US dollars have been launched, including a proposed class action law suit. Though no formal plans exist, the issue of whether to establish an independent pension ombudsman for pensions or to include this role in a general financial sector body have been informally considered by IPEC. In the interim, IPEC should continue to fulfill the arbitration rule, and build the necessary capacity to do so in a more formal and transparent way (including publicizing the number and nature of the disputes handled each year).
Recommendation	IPEC should formally monitor and publish complaints received and how these have been dealt with. Additionally pensions should be included in any discussions/ considerations for a financial sector ombudsman (*see Good Practice E.2, Banking Sector*).
SECTION F	**GUARANTEE SCHEMES AND SAFETY PROVISIONS**
Good Practice F.1	***Guarantee Schemes and Safety Provisions*** **Guarantee and compensation schemes are less common in the pensions sector than in banking and insurance. There are more likely to be fiduciary duties and custodian arrangements to ensure the safety of assets.** **a. There needs to be a basic requirement in the law to the effect that pension management companies should seek to safeguard pension fund assets.** **b. There should also be adequate depository or custodian arrangements in place to ensure that assets are safeguarded.**
Description	***Paragraph (a)*** Pension funds in Zimbabwe operate on a trust basis and therefore there is a high duty of care which must be exercised in relation to pension fund assets. For example, Section 9 of the PPF Regulations address 'Protection against dishonesty', stating that: *"Funds have to have a guarantee against fraudulent activities by officers (either from sponsor or external insurance)."* Given there are so few DB funds in Zimbabwe a guarantee fund would not be feasible or recommended.[148] ***Paragraph (b)*** A fundamental aspect of protection of pension fund assets is that they should be help separately by a licensed custodian. For example, this is a recommendation in the OECD Guidelines on Pension Fund Governance: ***8. Custodian*** *"Custody of the pension fund assets may be carried out by the pension entity, the financial institution that manages the pension fund, or by an independent custodian. If an independent custodian is appointed by the governing body to hold the pension fund assets and to ensure their safekeeping, the pension fund assets should be legally separated from those of the custodian. The custodian should not be able to absolve itself of its responsibility by entrusting to a third party all or some of the assets in its safekeeping".* [149]

[148] For a discussion on the international practice relating to these funds see Stewart, F. (2007), "Benefit Security Pension Fund Guarantee Schemes", *OECD Working Papers on Insurance and Private Pensions*, No. 5, available at http://www.oecdilibrary.org/docserver/download/5l4s5xktk0vc.pdf?expires=1407274460&id=id&accname=guest&checksum=9A84D8872554A2B829436AAD15351704 (last visited on December 29, 2014).
[149] See http://www.oecd.org/daf/fin/private-pensions/34799965.pdf.

	The use of a custodian is not, however, required by the PPF – though Section 16 (1) (a) requires life insurers carrying out pension and provident fund business to maintain: "*a separate and distinct fund, to be entitle 'The Pension Fund', representing the liabilities of that insurer in respect of its pension and provident fund business".* This use of a custodian was not widespread practice pre dollarization, though is slowly becoming more adopted. Given this is a fundamental mechanism for protecting pension fund members' assets, all funds should urgently be required to follow this good practice.
Recommendation	The requirement for pension fund assets to be held by a custodian should be included in revised Pension and Provident Fund Act (2014) and the regulator should require that custodian functions are introduced for all funds urgently in a circular.

ANNEX I: DIGITAL FINANCIAL SERVICES

This section of the report relates to financial services delivered through digital means, with a particular focus on the rapidly developing market for financial services where a mobile phone is used for transaction purposes, to provide account information and, in some cases, can be used for the initial application for the service. The term "*digital financial services*" can be interpreted broadly to mean, in summary, situations where digital services are used to access an existing account with a financial institution (the additive model) and where they are used to enable the unbanked to access financial services such as e-payment and value storage services (the transformative model). However the focus of this section of the report is on transformative mobile phone based financial services provided by an MNO either alone or in association with a bank or other financial institution (such as an insurance company). Relevant services include e-wallets, saving accounts, micro – credit facilities and micro – insurance. That said, the issues discussed are relevant to all types of financial services which are provided, and transactions which are conducted, digitally – i.e. electronically - without face to face contact.

These suggested Good Practices reflect the Banking Sector Good Practices, adapted for the digital environment. They reflect: (i) Banking Sector Good Practices C.6 (Internet Banking and Mobile Phone Banking) and C.7 (Electronic Funds Transfers and Remittances); (ii) other relevant aspects of the Banking Sector Good Practices, adapted for the consumer protection issues which are considered to be specific to the digital environment; (iii) consideration of general legal and institutional issues applicable to digital financial services and are complemented with guidance from sources such as deliberations at the Responsible Finance Forum V held in August 2014;[150] the Alliance for Financial Inclusion's 2014 *Consumer Protection in Mobile Financial Services*;[151] the GSMA 2014 *Code of Conduct for Mobile Money Providers*[152]; the 2012 GSMA *Mobile Privacy Principles*: *Promoting a User-Centric Privacy Framework for the Mobile Ecosystem*[153]; and the CGAP 2010 Focus Note *on Protecting Branchless Banking Consumers: Policy Objectives and Regulatory Options.*[154] The suggested Good Practices also draw on experience from multiple countries in conducting 30+ financial consumer protection diagnostic reviews in accordance with the World Bank's *Good Practices for Financial Consumer Protection.*[155] They will be further monitored, discussed with relevant stakeholders and revised as part of the current review of these Good Practices.

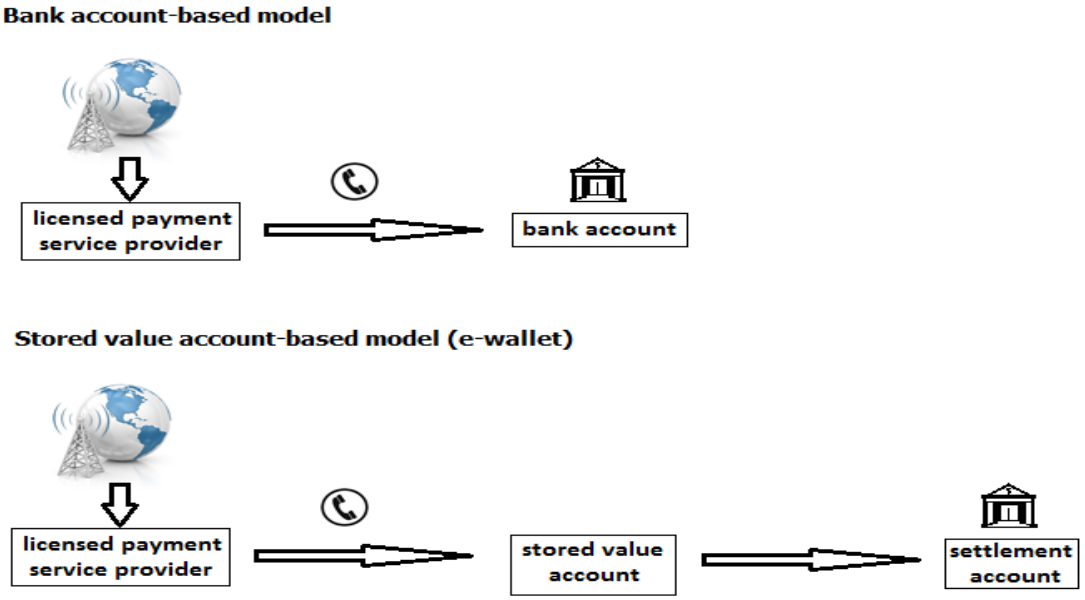
It is, however, stressed that current thinking as to the relevant issues in the World Bank Group, amongst other international public and private sector stakeholders and at the national level is very fluid, reflecting rapid innovations in the market. Views as to the key consumer protection issues for digital financial services are accordingly likely to change.

In Zimbabwe, development and innovations in digital financial services have been driven by both banks and MNOs, although MNOs appear to be taking the lead. RBZ recognizes three main mobile payment system models, whilst keeping the option to recognize other models:[156]

- The electronic/card account based model where an electronic payment instrument is linked to a account for the purpose of initiating and concluding electronic payment transactions;[157]
- The bank account based model where a mobile payment system drives transactions through bank accounts of users or participants (see the graphic below);[158] and
- The stored value account based model where a mobile payment system drives transactions through a system-based account such as a re-loadable stored value account or prepaid account or any such stored value account based (see the graphic below).[159]

[150] https://responsiblefinanceforum.org/event/rffv/
[151] http://www.afi-global.org/library/publications/mobile-financial-services-consumer-protection-mfs-2014
[152] Code of Conduct for Mobile Money Provider (GSMA, 2014), available at http://www.gsma.com/mobilefordevelopment/wp-content/uploads/2014/11/Code-of-Conduct-for-Mobile-Money-Providers.pdf (last visited on January 14, 2015).
[153] Mobile Privacy Principles (GSMA, 2011), available at http://www.ftc.gov/sites/default/files/documents/public_comments/preliminary-ftc-staff-report-protecting-consumer-privacy-era-rapid-change-proposed-framework/00336-57841.pdf (last visited on January 14, 2015).
[154] http://www.cgap.org/sites/default/files/CGAP-Focus-Note-Protecting-Branchless-Banking-Consumers-Policy-Objectives-and-Regulatory-Options-Sep-2010.pdf
[155] http://siteresources.worldbank.org/EXTFINANCIALSECTOR/Resources/Good_Practices_for_Financial_CP.pdf
[156] Section 8.18.1. of the RBZ Electronic Payment Systems Guideline.
[157] Section 8.19. of the RBZ Electronic Payment Systems Guideline.
[158] Section 8.20. of the RBZ Electronic Payment Systems Guideline.
[159] Section 8.21. of the RBZ Electronic Payment Systems Guideline.

GRAPH 1: BANK ACCOUNT-BASED MODEL VS. E-WALLET



RBZ requires MNO–led payments services to be offered through a subsidiary of the MNO which is licensed by RBZ as a payment system provider and that applications to operate an electronic payments system be submitted though a bank or a financial institution[160]**.** Further, each MNO is required to have an arrangement with one or more commercial banks (the number depends on the amount involved) under which the MNO must ensure an amount equivalent to the outstanding e-wallet balances at any time is held in one or more trust accounts in the relevant bank(s)[161]. Therefore, although many recent innovations have been driven by MNOs, mobile banking services are always provided through a partnership type arrangement between a MNO, its subsidiary and a licensed financial institution, which, in some cases (e.g. Steward Bank), may be fully owned by the MNO (Econet). The arrangements between MNOs and financial institutions (specifically banks) may have different forms and shapes:

- MNOs may provide a platform for mobile banking that can be linked to an user's account with a participating bank (e.g. Econet provides a platform currently used by seven banks: Steward Bank; ZB Bank; CBZ; Stanbic; NMB; Agribank; and Banc ABC[162]);
- MNOs may provide their own e-wallets that are not linked to an individual bank account, but all the money (e-money) in the e-wallet is backed up by balance in a trust account as described above; or
- Banks may provide their own mobile banking platforms that need to be designed to work within the existing mobile networks.

Similar modes of cooperation are to be found in the insurance sector, although there is not a specific regulatory framework applicable in this context. In order to be able to provide a mobile insurance service, a licensed insurer would typically partner with a MNO and/or a technology company that is able to provide a mobile platform for distribution and service of the insurance policy over the mobile phone. The complexity of such partnerships and their potential risks are well illustrated by the case of EcoLife – a life policy offered in the form of freemium, which ceased to be provided due to disputes between partnering parties (Econet, FML and Trustco).[163]

As pointed out above in Volume I of this report the sector of digital financial services, particularly the mobile phone based payments market in Zimbabwe, is extremely dynamic and appears to be growing rapidly. There are 3 mobile network operators (MNOs) offering mobile banking services under a bank-based model, with the EcoCash payment service being dominant. At the time of the mission, EcoCash, which was launched in September 2011, had around 3.5 million customers and around 90 percent of the market by number of subscribers

[160] Section 4.1.4 of the RBZ Electronic Payment Systems Guideline.
[161] Section 8 of the RBZ Electronic Payment Systems Guideline.
[162] See the Econet's website: https://www.econet.co.zw/ecocash/banks-linked-ecocash (last visited on December 15, 2014).
[163] *See, e.g.* Regulating m-insurance in Zimbabwe: managing risk while facilitating innovation (Finmark Trust, 2014), available at www.finmark.org.za/wp-content/uploads/pubs/Rep_M_insurance_Zimbabwe_2014.pdf (last visited on December 15, 2014).

and 98 percent by value and number of transactions.[164] The average amount held on an EcoCash wallet is USD20, although this amount is likely to vary substantially between customers in urban areas and those in rural areas. EcoCash is serviced by around 14,000 agents, which number is increasing by around 100 per week (the mission team was advised that there were around 18,000 agents in Zimbabwe). EcoCash can be used throughout Zimbabwe to make and receive payments, pay bills, pay merchants and receive a salary. It can also be used overseas to remit funds to Zimbabwe. Other relatively new e-wallet services are TeleCash (provided by TeleCel Zimbabwe and launched in February 2014) with around 600,000 customers and OneWallet (provided by NetOne, a 100 percent Government owned organization, from November 2013 with around 70,000 customers).

TABLE 6: SUMMARY OF DIGITAL FINANCIAL SERVICES DATA

MNO	SERVICES	E-VALUE as at 30 June 2014*	NUMBER OF CUSTOMERS as at 30 June 2014*	SERVICE FEATURES
EcoNet[165]	EcoCash e-wallet	USD 45.17m [166]	3.5 million as at 30 June 2014	Funds transfer to other EcoNet customers, bill payment (e.g. utilities, school fees, DSTV), cash deposits and withdrawals, pay merchants for goods and services, receive salary, receive remittances from diaspora, online payments, link e-wallet to bank accounts and purchase airtime.
	MasterCard linked EcoCash Debit Card	N/A	N/A	MasterCard linked to EcoCash e-wallet which can be used locally and internationally to pay for goods and services (including on line payments) wherever a MasterCard can be used.
	EcoSave	N/A although it is understood that around USD 20,000 per day is being deposited	1,180,000 around July 23rd 2014 (total bank deposit accounts estimated at around 824,000)	Savings account with Steward Bank which is made available to EcoCash users and which is applied for and operated via the customer's mobile phone ("*Your phone is like your bank*").
	EcoCash Loan	N/A	N/A	EcoCash $ave customers for over 3 months are also eligible for the relatively new EcoCash Loan product from Steward Bank of between USD 5 to USD 500 for up to 30 days. The average amount lent at the time of the mission was USD 80. There is not a specific interest rate although there is a 5 percent handling fee which is deducted when the loan is provided. There is also a default interest rate of 8 percent. The amount lent is based on activity on EcoCash $ave, EcoCash usage and airtime usage.
	EcoFarmer	N/A	N/A	A micro insurance product available to EcoCash users designed to insure inputs and

[164] As advised to mission team. See also https://www.econet.co.zw/ecocash/ (last visited on December 29, 2014).
[165] See https://www.econet.co.zw/ecocash/ and https://www.econet.co.zw/ecofarmer for further details of EcoNet / EcoCash services.
[166] Total deposits in bank accounts at 30 June, 2014 were USD 659 million

				crops against drought or excessive rainfall.
Telecel	Telecash e-wallet[167]	USD 1.89m	0.6 million	Funds transfers to recipient on any mobile phone network, bill payments (e.g. DSTV and local councils), cash deposits and withdrawals, pay merchants for goods and services and purchase airtime. The card is also linked to ZimSwitch so that funds can be transferred between any ZIPIT certified bank account and the e-wallet.
	Telecash Gold Card (debit card)[168]	N/A	1,300 within 7 days of launch on 16 July 2014	Available to Telecash customers and can be used to pay for goods and services at any of the more than 5,000 ZimSwitch points of Sale (POS) and to withdraw cash at ZimSwitch branded ATMs.
NetOne[169]	Onewallet	USD 0.22m	0.4 million	Funds transfers to recipient on any mobile phone network, limited bill payments (e.g. electricity), cash deposits and withdrawals, and purchase airtime.

*Source: RBZ and MNOs * unless otherwise indicated*

Various new digital financial services were launched around the time of the CPFL Review. They include:

- **MasterCard linked EcoCash Debit Card.** This card was launched on 31 July 2014[170] and will enable EcoCash customers to access their EcoCash e-wallet funds wherever a MasterCard can be used anywhere in the world.[171]

- **Telecel Gold Card.** This card, which was launched on 18 July 2014, is linked to the customer's e-wallet and can also be used as a debit card to send and receive money from any bank account where the relevant bank is linked to ZimSwitch (21 banks and building societies and 5000 points of sale are linked).[172]

- **EcoCash has also recently launched a mobile phone linked savings product (EcoCash Save), an EcoCash Loan facility and an EcoFarmer crop insurance product and are also considering a life insurance product.** Applications and transactions can be made via a mobile phone (with no face to face contact), with prices, terms and conditions being available on-line, from agents, from Steward Bank branches and, to a limited extent, on the phone itself. For example, for the EcoCashSave product a customer is deemed to have accepted the 4 page terms and conditions by clicking on the "Accept" option on the phone menu.[173]

- **Services allowing remittances to be sent directly to e-wallets have also been launched.** They include the Telecel – Mukuru arrangement for remittances from South Africa[174] and the recently announced EcoCash arrangements with WorldRemit and Western Union.[175]

[167] http://www.telecel.co.zw/telecash
[168] For further details see http://www.techzim.co.zw/wp-content/uploads/2014/07/Telecash-Gold-Card-Press-Release.pdf
[169] For further details see http://www.netone.co.zw/onewallet/
[170] This is the first time that MasterCard debit cards have been linked to a mobile money service in Africa
[171] There are, however, apparently limitations to using the card for online payments: see http://www.techzim.co.zw/2014/08/ecocash-mastercard-online-payments/ (last visited on December 29, 2014).
[172] See http://www.techzim.co.zw/wp-content/uploads/2014/07/Telecash-Gold-Card-Press-Release.pdf (last visited on December 29, 2014).
[173] See https://www.econet.co.zw/save/terms-and-conditions.pdf (last visited on December 29, 2014).
[174] See http://www.techzim.co.zw/wp-content/uploads/2014/09/Telecash-and-Mukuru-partner-in-remittances.pdf (last visited on December 30, 2014).
[175] See http://www.bh24.co.zw/ecocash-taps-into-diaspora-remittances/ and http://www.techzim.co.zw/2014/10/ecocash-introducing-service-western-union-can-expect/ (last visited on December 30, 2014).

ANNEX I: DIGITAL FINANCIAL SERVICES

The mobile insurance market also seems to be developing, notwithstanding the failure of the EcoLife product (*see the section on Insurance*).

SECTION A	REGULATORY FRAMEWORK
Proposed Good Practice A.1.	***Consumer Protection Regime*** **a. There should be a regulatory framework that addresses consumer protection issues specific to the digital environment, such as:** **(i) safeguarding client funds held in e-wallets;** **(ii) allocation of liability for unauthorized and mistaken payments, fraud, system malfunctions, and lost or stolen devices;** **(iii) the need for effective security arrangements;** **(iv) the legal efficacy of electronic contracts, signatures and disclosures;** **(v) supervision and training of agents and the liability of product issuers for their agents; and** **(vi) electronic storage and retrieval of customer records.** **b. The regulatory framework should provide for a level playing field so that providers of digital financial services are subject to the same consumer protection rules as providers of similar services provided through conventional means. For example, there should not be any difference between the rules applicable to a financial institution providing Internet banking services and a mobile network operator (MNO) providing e-wallet linked financial services.** **c. The regulatory regime should be flexible enough to be able to deal with features specific to digital financial services, such as:** **(i) the involvement of service providers such as MNOs and agent network operators who are not regulated financial institutions;** **(ii) the important role of intermediaries and the relationship between principals (digital finance providers) and agents;** **(iii) the rapidity of innovation and capacity of consumers to keep up with new trends;** **(iv) the significant scale and volume of the offered services; and** **(v) the high speed of transactions and information exchange;** **(vi) emerging risks stemming out from or related to the all of above.**
Description	***Paragraph (a)*** RBZ is able to regulate digital financial services (specifically mobile phone based payments services) in reliance on its functions in relation to payments systems and its powers under the Payments Act and having regard to the RBZ Electronic Payments Guidelines. Specifically, the RBZ's functions under the RBZ Act include "*to supervise banking institutions and to promote the smooth operation of the payment system*"[176] and, under the Payments System Act, RBZ has broad powers in relation to payment systems. The latter powers extend to institutions other than financial institutions which provide services in relation to deposits, money transmission services and issuing and administering means of payment.[177] The RBZ Electronic Payments Guidelines "*seeks to provide for the operation, regulation, oversight, supervision and monitoring of payment systems in Zimbabwe.*" The Guidelines apply to different types of entities, some of which may play multiple roles, including those of providing financial market infrastructures, pament systems providers, e-money services and mobile network operations. The Guidelines cover multiple areas including: (i) approval (registration) requirements; (ii) disclosure requirements; (iii) data security and confidentiality; (iv) consumer protection; (v) risk management; (vi) responsibility for agents; and (vii) regulatory reporting. The RBZ Electronic Payments Guidelines cover important consumer issues such as the need for approval of new electronic payments systems and requirements for: risk management systems, security measures, capacity for

[176] Section 6(1) (e) of the RBZ Act.
[177] Sections 2 and 3 of the National Payments System Act.

	interoperability, finality of payments, ongoing availability of services, full disclosures, audit trails, transaction authentication, dispute resolution procedures and the requirement to hold an amount equivalent to e-money balances in a trust account. They also have general obligations for comprehensive policies on complaints handling, disclosure, transparency, displays of fees and charges and an obligation "*to continuously adopt international best practices as guided by Central Bank*".[178] The RBZ Electronic Payments Guidelines requirements relating to trustees and trust accounts provide that: "*approved electronic payment service providers and participants have a direct responsibility to ensure that electronic wallet or money (e-money) balances are ring fenced through the establishment of Trust Accounts.*"[179] If the money is held in a single bank, the MNO must appoint a board of trustees to manage and oversee the transactions of the issuer. The issuer must lodge a deed of trust with RBZ, including the names of the trustees that meet the fit and proper test set out by RBZ. The Guidelines, however, apply only to payment systems and payment system participants, that is "*systems that enable the transfer, payment and cash withdrawal of funds between a payer and payee, utilizing instruments and procedures that relate to such payment systems like auto teller machine and point of sale cards, mobile phones, and computers among other electronic instruments.*"[180] Thus, the Guidelines do not cover specifically other types of financial products and services offered through digital means. RBZ exerts further influence over payment system participants by requiring that each MNO partner with a bank and enter into a Service Level Agreement which covers various matters relevant to market conduct, as well as more general obligations. Relevant areas covered include the applicable tariff schedule, customer terms and conditions and confidentiality and dispute resolution. Although the abovementioned requirements are important, they lack detail and, importantly, they do not have the force of law, are not transparent to the general public, are uncertain as they can be changed at any time and do not provide consumers with any rights. It is, however, noted that RBZ does have wide powers in relation to payment systems and regulated banks including, for example, in relation to undesirable conduct concerning payment systems[181] as well as broad powers in relation to the supervision of banking institutions under the RBZ Act. Further, regulation of digital financial services other than those involving (mobile) payment systems is missing. For example, there is no equivalent to the Electronic Payments Regulations concerning insurance services which are made available through digital means (such as the new EcoFarmer product or the now withdrawn EcoLife product). ***Paragraph (b)*** The abovementioned regulatory system does not make any distinction between different types of digital finance service providers. ***Paragraph (c)*** The current regulatory system does not currently appear to provide any impediments to the flexibility contemplated by this Good Practice.
Recommendation	There is a need to clarify the consumer protection rules relating to digital financial services, and to actively supervise those rules. In particular, there is a need for binding laws or regulations relating to: (i) safeguarding client's funds (and especially a requirement to hold an amount equivalent to outstanding e-money wallets in a trust account which cannot be used for operational purposes); (ii) customer – specific disclosures relating to product features and limitations, relevant interest rates, fees and terms and conditions, the identity of the service provider, complaints handling procedures, and deposit insurance coverage; (iii) the confidentiality of client data and appropriate limits on its use and disclosure for marketing purposes; (iv) the ability to form electronic contracts and make electronic disclosures; (v) liability for unauthorized and mistaken payments, system malfunctions, and lost or stolen devices; and (vi) complaint resolution.

[178] RBZ Electronic Payment Guidelines, Section 10.
[179] RBZ Electronic Payment Guidelines, Section 8.1.1.
[180] RBZ Electronic Payment Guidelines, Purpose.
[181] Section 10 of the National Payments System Act.

	There is also a need for binding rules covering similar issues in relation to the provision of insurance products through digital means. These issues are dealt with in more detail in the remainder of these Good Practices.
Proposed Good Practice A.2	***Code of Conduct for Digital Finance Providers*** **a. Regulators should encourage the development of an industry code of conduct that promotes consumer protection in relation to digital financial services and which provides for industry standards which elaborate on, exceed or clarify the law.** **b. An industry code should have the following features:** **(i) be developed and reviewed in a transparent manner to address a broad range of issues of real concern to consumers, including consumer representatives;** **(ii) set standards that elaborate on, exceed or clarify the law;** **(iii) compliance with these standards should be monitored by a statutory agency or an effective self-regulatory agency;** **(iv) the code should be binding on, and enforceable against, subscribers through contractual arrangements; and** **(v) remedies and sanctions should be available for breaches of the code.** **c. All codes of conduct should be widely publicized and disseminated to the public (e.g. on digital finance providers' websites, at their branches and agent outlets and/or through other means of communication widely used in communication with consumers).**
Description	There is no Code of Conduct for digital financial service providers as contemplated by this Good Practice.
Recommendation	In the longer term, RBZ and IPEC in cooperation with POTRAZ could encourage the development of a Code of Conduct as contemplated by this Good Practice. However the more urgent need is to develop binding rules relating to consumer protection issues concerning digital financial services.
Proposed Good Practice A.3	***Regulatory and Supervisory Institutional Arrangements*** **a. There should be adequate institutional arrangements to ensure the thorough, objective, timely and fair implementation and enforcement of the regulatory framework for consumer protection in digital finance (i.e. there should be a clearly identified regulatory/supervisory body responsible for implementing, overseeing and enforcing the consumer protection regulatory framework).** **b. The regulatory and supervisory institutions responsible for consumer protection in relation to digital financial services should have the capacity, skills, experience and resources to be able to carry out this function effectively and efficiently, especially having regard to the rapid innovation in the market.** **c. There should be a clear coordination and cooperation arrangement, ideally supported by a Memorandum of Understanding, among the various stakeholders mandated to implement, oversee and enforce consumer protection in the area of digital finance (including financial and telecommunications regulators and any relevant SROs).**
Description	***Paragraph (a)*** RBZ has functions and powers in relation to the payments system but does not have direct regulatory or supervisory powers in relation to MNOs (this is the responsibility of POTRAZ). Specifically, the RBZ's functions include *"to supervise banking institutions and to promote the smooth operation of the payment system"*[182] and, under the NPS Act, RBZ has broad powers in relation to payment systems. The latter powers extend to institutions other than financial institutions which provide services in relation to deposits, money transmission services and issuing and administering means of payment.[183] However, RBZ does not have

[182] Section 6(1) (e) of the RBZ Act.
[183] Sections 2(b) and 3 of the National Payments System Act.

	express power to regulate consumer protection issues relevant to digital financial services, including payments services. IPEC similarly does not have a clear and comprehensive mandate to regulate financial consumer protection issues in relation to insurance products that are sold, serviced or made available via mobile phones (or other digital means) and at the time of the mission did not have specific rules relating to the provision of such services. ***Paragraph (b)*** *See the Banking and Insurance Good Practices* in relation to the capacity generally of RBZ and IPEC to supervise consumer protection issues and the need for separation of prudential and consumer protection functions. ***Paragraph (c)*** MoU between RBZ and POTRAZ. The MoU is based on 3 principles (clear accountability, transparency and regular information exchange) and is designed to facilitate cooperation between the parties in relation to their respective regulatory and supervisory roles. It sets out the details of their respective regulatory roles and makes provision for the establishment of the Coordination Committee.
Recommendation	The power of RBZ and IPEC to regulate financial consumer protection issues in relation to digital financial services should be made express. There should be no doubt as to the powers of RBZ and IPEC in this regard. Consideration should also be given to developing the capacity of RBZ and IPEC to regulate and supervise the consumer protection issues which are specific to this context. The proposed MoU between RBZ and POTRAZ should be finalized and extended so that IPEC and the Competition and Tariffs Commission are also a party. In particular the MoU should cover consultation and coordination arrangements between the regulators in relation to matters such as new policy initiatives, approvals of new products and service providers and investigations, the establishment of a Coordination Committee and confidentiality. It is understood that many of these issues are proposed to be covered in the draft MoU.
Proposed Good Practice A.4	***Other institutional arrangements*** **a. The judicial system should ensure that the ultimate resolution of any dispute regarding a consumer protection matter in respect of a digital finance product or service is affordable, timely and professionally delivered.** **b. The private sector, media and civil society (including voluntary consumer associations and self-regulatory organizations) should play an active role in promoting consumer protection in the digital finance environment.**
Description	*See Good Practice A.4, Banking Sector.*
Recommendation	*See Good Practice A.4, Banking Sector.*
Proposed Good Practice A.5	***Licensing*** **a. The principal providers of consumer digital financial services should be subject to a licensing or other approval regime that promotes their financial safety and soundness, effective delivery of financial services and compliance with consumer protection rules.** **b. Similar licensing requirements should apply to providers of similar *financial* products and services regardless of whether digital or conventional.** **c. The licensing authority should be given the power to decline any application for license if it has established that the applicant does not comply with market conduct rules or the applicant cannot demonstrate that they meet the licensing criteria.** **d. Information about licensed entities should be publicly available (e.g. the licensing authority should maintain a register, which lists the names of providers of digital financial services).**
Description	***Paragraph (a)*** The NPS Act makes provision for the recognition of payment and settlement systems, provides offences for financial institutions operating or participating in unrecognized

	payments systems and also contains a prohibition on payment intermediation activities carried out by a person other than a participant in a recognized system or a person introduced by such a participant.[184] Although these rules appear to be primarily focused on systems which have as their object the clearing and settlement of payment instructions between financial institutions,[185] RBZ clearly considers MNOs to be covered by the law as demonstrated in the National Payment Systems Directive NPS 01/2014. The Directive was issued pursuant to Article 10 of the NPS Act and regulates exclusive agent agreements signed between MNOs and their agents. Yet, the NPS Act does not expressly apply to the providers of digital financial services as contemplated by this Good Practice (*See Good Practice A.5, Banking Sector,* concerning the licensing of banks). ***Paragraph (b)*** There is no distinction in the regulatory requirements as contemplated by this Good Practice. ***Paragraph (c)*** Not applicable. ***Paragraph (d)*** No such information is publicly available.
Recommendation	In the longer term consideration should be given to enacting specific laws dealing with the licensing of the principal providers of digital financial services as contemplated by this Good Practice and to making provision for public availability of details of licensees. The licensing requirements should, among others, concern market conduct rules. Countries which have such rules include: Australia, Kenya, Peru and the Philippines.
Proposed Good Practice A.6	***Staff, agents and other customer facing intermediaries*** **A digital finance provider should be required, ideally as a licensing condition, to ensure all its representatives (including all staff members and agents) who deal with consumers and related sales and distribution activities are adequately trained and are competent on an ongoing basis to lawfully and appropriately provide the relevant services, including to:** **(i) Understand, and explain to consumers, the legal obligations of the relevant product or service provider;** **(ii) clearly explain current information about products, their features, risks and prices to consumers;** **(iii) appropriately assess a consumer's requirements, objectives and capacity;** **(iv) identify and verify a customer's identity in compliance with applicable laws;** **(v) keep the required electronic and other records of contracts, disclosures and transactions; and** **(vi) have adequate knowledge of internal procedures (especially concerning complaint resolution).**
Description	There are no specific provisions of the type contemplated by this Good Practice for digital financial services providers other than the RBZ Electronic Payment Guidelines and contains an obligation *"to continuously adopt international best practices as guided by Central Bank"*[186] (*see also the provisions described in Good Practice A.5 (c) above*). Further, under the AML Act, financial institutions are required to verify a customer's identity and to establish and maintain specified customer records.[187] Subject to the above mentioned provisions there are no laws relating to the conduct, skills or training of MNO agents advising on or distributing digital financial services products, requiring that they be registered or identifiable to the public or making it clear that MNOs are liable to consumers for the actions of their agents (for example in relation to fraud or misleading or deceptive conduct). RBZ leaves these matters up to the relevant MNO. This regulatory vacuum exists in an environment where there were, at the time of the mission,

[184] Parts II and IV of the National Payment System Act.
[185] Section 3 of the National Payments System Act.
[186] Paragraph 1.10.14
[187] Sections 24 and 25

	around 18,000 agents (as advised to the mission team). The RBZ Electronic Payments Guidelines do, however, make it clear that agents have to be recruited on a non – exclusive basis so that they can offer services to multiple payment system providers.[188] There are also no laws dealing specifically with professional competence standards applicable to staff and other intermediaries advising on or distributing insurance products through digital means.
Recommendation	As recommended elsewhere in this report, financial services providers should be required to periodically train all staff and other intermediaries that deal with consumers (including marketing, compliance, complaints or sales). The training should, in particular, ensure that staff and other intermediaries dealing with consumers: (i) understand the legal obligations of the relevant product or service provider; (ii) have updated information about products and can clearly explain their features, risks and prices to consumers; (iii) appropriately assess customer's financial needs, objectives and understanding; and (iv) have adequate knowledge of internal procedures (especially concerning complaint resolution). Similar obligations should apply to MNOs and other providers of digital financial services providers. In particular: • Provisions concerning the registration, training and liability of agents should be introduced, coupled with intermediary record keeping requirements. • There should be express legal provisions to the effect that digital finance providers are liable for the acts of their intermediaries, notwithstanding any agreement to the contrary. • There should be a mandatory requirement that intermediaries disclose any relevant identification information, display any registration certificate and disclose contact details for the provider of the relevant service.
SECTION B	**DISCLOSURE AND SALES PRACTICES**
Proposed Good Practice B.1	***Disclosures of Digital Product Information*** **a. Standardized information about a digital financial service should be widely available to consumers on the provider's website, in relevant branches and at agent's premises and should be provided on request.** **b. The standardized information referred to in paragraph (a) should be required to be provided to the relevant financial sector regulator.** **c. A copy of the agreed terms of any digital financial service should be provided to the consumer before any digital finance transaction is carried out under the relevant contract. This information should be provided in writing or electronically (in the latter case with the express consent of the consumer) in a form that the consumer can keep.** **d. The information provided for the purposes of paragraphs (a), (b) and (c) should include:** **(i) the provider's identity, contact information;** **(ii) regulatory status and the name(s) and contact details of the regulator(s);** **(iii) the features and key risks of the relevant product;** **(iv) current interest rates, fees and charges and details of if, and how, they may be changed and the notice that will be given to the customer;** **(v) transaction and balance limits;** **(vi) restrictions regarding transactions (e.g. number of value of daily transactions);** **(vii) procedures and applicable time limits for dealing with unauthorized and mistaken payments, fraud, system**

[188] Paragraph 1.12 of the RBZ Electronic Payment Systems Guideline. See also the National Payments System Directive NPS 01/2014, which was issued in reaction to RBZ's findings that '*some mobile payment system operators are entering into agreements with agents in terms of which the agent is precluded from acting for any other mobile payment system operator.*'

	malfunctions, and lost or stolen devices and the related liability regime; **(viii) the customer's obligations in relation to security of access devices (such as a card) and any related access code (such as Personal Identification Numbers) and advice as to applicable security measures;** **(ix) the customer's obligations in relation to any duty to report to the institution promptly any loss, misuse, theft or unauthorized use of, an access device or code, the relevant contact details at the institution concerned and the liability regime which applies;** **(x) complaints handling processes and procedures and related contact details;** **(xi) details of any alternative dispute resolution scheme which is available and related contact details (such as an ombudsman or a scheme provided by a regulator); and** **(xii) all other terms of the contract.** **e. Any information required to be disclosed to a consumer under these Good Practices should be in a minimum of a [12 point] font, in clear, simply expressed terms and in a language that the consumer can understand.**
Description	***Paragraph (a)*** In practice, information about digital financial services is made available from various sources. Information on MNO websites includes (to different degrees) details of products and services and applicable fees and charges.[189] Copies of registration forms, customer terms and conditions and fees and charges for mobile wallet services are also available, at least in Harare, from agents' premises and branch offices on request. It is understood that information on tariffs is also available from customer call centers and via mobile phones. This information includes copies of the terms and conditions and details of fees and charges. However, there is no legal requirement to provide the abovementioned information, beyond a statement in the Electronic Payments Guidelines that: *"Payment system providers and participants should also ensure that the consumer protection and financial literacy standard operating policies and procedures are in place as follows: … Comprehensive policies on complaints handling, disclosure and transparency including education".* ***Paragraph (b)*** There is no such requirement in practice, although the mission team was advised that RBZ requires prior approval of all payments services as a matter of practice. However this is not a legal requirement. ***Paragraph (c)*** So far as payments services are concerned, it seems to be the case that a paper copy of terms and conditions is provided to the customer when they register for the service. However it does not seem to be the case that a copy of terms and conditions for the newer services such as mobile insurance products, micro loans and bank savings accounts are always provided to the consumer in advance of a transaction occurring. In any event there is no legal requirement to do this as contemplated by this Good Practice. ***Paragraph (d)*** There is no legal requirement to include information of the type described in terms and conditions. However the terms and conditions for MNO mobile wallet services reviewed by the mission team did contain some of this information. For example, there are details of the provider of the service, Customer Call Center details and how information may be obtained about tariffs. However otherwise the information contemplated by this Good Practice does not seem to be provided as a matter of course. In particular, it is noted that the sample terms and conditions reviewed make provision for unilateral changes by the MNO (including as to fees and charges), provide that statements are available on request and contain broad limitations of liability for the benefit of the MNO.

[189] See https://www.econet.co.zw/ecocash/; http://www.telecel.co.zw/telecash; and http://www.netone.co.zw/terms-and-conditions/.(last visited on December 30, 2014).

	Paragraph (e) There is no such requirement. Further, the MNO mobile wallet terms and conditions reviewed by the mission team were in a font size that was so small as to be almost unreadable.
Recommendation	In the short-term, comprehensive mandatory requirements should be issued by the relevant regulators (e.g. RBZ, IPEC) on disclosure and transparency. These requirements should include at least the following matters: • **Contractual disclosures:** Each digital account holder should receive a copy of their contract which should contain all relevant terms and conditions, interest rates, premiums, applicable fees and complaints handling mechanisms available in the case of a complaint or dispute. For example, a mobile wallet contract should include advice as all fees and charges (this information should not be disclosed separately), transaction and balance limits, restrictions regarding transactions (e.g. number of value of daily transactions), steps to be taken to protect the security of the card device and PIN and details of the steps to be taken in the case of unauthorized and mistaken transactions. For a micro – credit loan there should also be information about the applicable interest rate, repayment amounts and frequency, details of any insurance related to the contract (such as credit life insurance), details of the credit provider, as well as information on the consequences of late payment. For micro insurance products there should also be information about premiums and policy coverage and exclusions. • **Total cost of credit interest rate:** Consideration should be given to including a requirement to disclose a total cost of credit interest rate which shows as a single rate the applicable interest rate and mandatory fees (such as a loan application fee) and charges (such as for a credit- life insurance premium); • **Electronic disclosures and contracts**: There is a need for clearer rules as to the circumstances in which contractual and transaction information can be provided electronically and as to the electronic formation of contracts. At a minimum, there would be provisions to the effect that disclosures may be made electronically provided that: (i) the consumer consents; (ii) the information provided is in a minimum of a 11 point font, in clear, simply expressed terms and in a language that the consumer can understand; (iii) the consumer obtains the relevant information in a form they can keep; and (iv) written copies of contractual information are available through sources such as branches and agents premises and on request. There are a number of jurisdictions which have laws concerning electronic transactions, including Rwanda and Kenya.[190] • **Legibility:** All disclosures should be required to be simply and clearly expressed and in a minimum font size (for example, 11 point font). In the long run, it would be helpful for consumers' understanding of financial products and would assist comparability, if financial institutions were required to publish, and give to consumers, a short form (one page), clearly expressed Key Facts Statements for commonly used digital payments, credit and insurance products. By way of example, such a statement could include for a micro – credit product made available over a mobile phone: the interest rate, fees and charges, the total amount to be repaid, the term of the loan and repayment details. Examples of countries which have requirements for Key Facts Statements include Australia, Ghana, Mexico, Peru, the United States and various European countries. It would, of course, be important to ensure that such statements can be effectively provided in a digital environment. It is also proposed that there be consumer testing of proposed new disclosure requirements. The aim is to ensure the disclosed information is easily understood and useful (*see also Good Practice B.7, Banking Sector*).
Proposed Good Practice B.2	***Product Assessment and Affordability*** **a. Any recommendation or offer regarding a product or service to a consumer should be based on assessment of the financial requirements, objectives and capacity of the consumer.** **b. The assessment should be commensurate with the nature and complexity of the relevant product or service.**

[190] See Law relating to Electronic Messages, Electronic Signatures and Electronic Transactions (Nº 18/2010 of 12/05/2010) and the Kenya Information and Communications Act Chapter 411A 2011.

	c. [Except for specified low value products], before offering a credit product through digital means, or an increase in the available credit limit, the ability of the consumer to repay the funds borrowed should be assessed, which should include making reasonable enquiries about the customer's financial situation, verifying the information provided and only offering the credit if it appears the consumer would be able to repay the credit without substantial hardship.
Description	There is no law applicable to financial services offered by MNOs which meet the provisions of this Good Practice (*see also Good Practice B.2, Banking Sector*).
Recommendation	At a minimum, the recommendations in Good Practice B.9, Banking Sector concerning affordability should be adopted for mobile credit products made available through mobile phones, subject perhaps to an exception for low value loans.
Proposed Good Practice B.3	***Cooling-off Period*** **Consumers who acquire a complex financial product through digital means (such as those with a long term savings or investment component) should be provided with a reasonable cooling – off period (say 14 days) in which to withdraw from the contract, subject only to payment of a reasonable administrative fee.**
Description	There is no applicable law.
Recommendation	*See Good Practice B.3, Banking Sector.*
Proposed Good Practice B.4	***Bundling and Tying Products*** **a. There should be restrictions on requiring consumers to take up bundles of products and services, through digital means, such as requiring life insurance to be taken out as a condition of a micro loan.** **b. At a minimum, where such bundling and tying arrangements are considered appropriate, there should be clear disclosure of each provider's identity and of the terms and conditions, fees and charges, interest rates and commissions relevant to each product and the consumer should be free to choose their own provider. This information should be provided to the consumer in a form the consumer can keep.**
Description	***Paragraph (a)*** There are no legal requirements preventing bundling services and products or using tying sections, nor are there requirements setting controls or safeguards for consumers regarding bundling and tying sections. In practice, insurance tying appears to be common among banks with a requirement for the use of a pre-determined insurance provider and minimal disclosures (*see Banking Good Practice B.4*). However, it does not appear to be a common practice in the digital environment at this stage. ***Paragraph (b)*** There are no such legal requirements (*see paragraph (a)*).
Recommendation	Banking and insurance sector recommendations should also apply to any bundling and tying practices in the digital environment (*see Good Practice B.4, Banking Sector and see Good Practice A.5, Insurance Sector*). Attention should be also paid to tying and bundling of digital financial services with non-financial services (e.g. airtime).
Proposed Good Practice B.5	***Preservation of Rights*** **Except where permitted by applicable legislation, in any communication or agreement with a consumer, a digital finance provider should not seek to exclude or restrict:** **(i) any duty to act with skill, care and diligence or any related liability; or** **(ii) any liability arising from the provider's failure to comply with mandatory rules or those in any applicable Code of Conduct to which the provider has subscribed.**
Description	There is no law which expressly prohibits the practices described in Good Practice B.4.
Recommendation	The items described in Good Practice B.4 should be incorporated into the comprehensive financial consumer protection law proposed in Banking Good Practice A.1.

Proposed Good Practice B.6	***Advertising*** **All advertising and sales materials whether by print, internet, television, radio, SMS or otherwise, relating to a digital finance product or service:** **(i) should disclose the fact that the provider of the service is a regulated entity and the name(s) and contact details of the regulator(s);** **(ii) should include details of any applicable interest rates, fees and charges if any reference is made to the cost of the product; and** **(iii) should not be misleading or deceptive.**
Description	***Paragraph (i)*** Banks are required to conspicuously display the fact that they are registered as a commercial bank in easily legible letters and in English at the entrance to every place where a bank conducts banking business and in every letter, advertisement, or communication. [191] However a similar requirement does not apply to MNOs. The Electronic Payments Guidelines also require that *"An electronic payment system and the participating or partnering financial institutions shall at a minimum ensure that – Adequate information is provided on their websites to allow potential customers to make an informed conclusion about the payment system and regulatory status prior to entering into electronic payment system transaction".* [192] ***Paragraph (ii)*** There are no such legal requirements. ***Paragraph (iii)*** There is no overarching legal framework for advertising in Zimbabwe. Limited advertising provisions can be found in the following laws: • The Competition Act lists misleading advertising as an unfair trade practice that is punishable by a fine. • The Advertisements Regulation Act provides for control of advertisements on structures or apparatus erected or intended for display along railways or roads declared to be a main district or branch road.
Recommendation	MNOs should be required to disclose in advertisements and sales materials the fact that they are regulated by POTRAZ and/or RBZ and the names and contact details of both POTRAZ and RBZ should be included in such materials (*see also Good Practice B.9, Banking Sector*).
SECTION C	**CUSTOMER ACCOUNT HANDLING AND MAINTENANCE**
Proposed Good Practice C.1	***Statements*** **a. A digital finance provider should provide, free of charge, a statement of account at least every [6] months for any credit or debit product provided digitally.** **b. The statement of account should be provided in writing or electronically (in the latter case with the express consent of the consumer) in a form that the consumer can keep.** **c. Each statement of account should specify for the relevant statement period:** **(i) the opening and closing balance;** **(ii) the amount, date and nature of each transaction and any applicable receipt number;** **(iii) the amount, date and nature of each fee or interest charge debited or credited to the account;** **(iv) contact details for enquiries, complaints or reporting errors; and** **(v) a suggestion that the statement be carefully checked for errors.** **d. There should be only limited exceptions to the obligation to provide a statement of account such as for specified low value facilities, or if the account has a zero balance and there are no transactions in the relevant period. However, even where such an exception applies, a statement of account should be available on request.**

[191] Section 21 of the Banking Act.
[192] Part III, 5.3.1

Description	There are currently no legal requirements to provide statements of account. However one set of sample terms and conditions reviewed for e-wallet services made provision for statements to be provided on request, another simply stated that no printed or electronic statements would be given and the third was silent on the issue of statements. However the practice seems to be to enable a balance enquiry to be made on request via a mobile phone for these services (*see Good Practice C.1, Banking Sector*, for a discussion of the provision of statements in relation to bank accounts).
Recommendation	At a minimum, there should be a requirement to provide periodic statements of account free of charge for e-wallet services and for micro credit services made available through mobile phones (i.e. not just on request) (*see also the Good Practice C.1, Banking Sector*).
Proposed Good Practice C.2	***Receipts*** **a. The provider should be required to provide a receipt for any digital transaction, at the time of the transaction and in a form that the consumer can keep or access at later stage.** **b. The receipt should include, at a minimum:** **(i) the amount, date, time and nature of each transaction;** **(ii) the facility being debited;** **(iii) details of the relevant merchant (if any);** **(iv) identification details of the equipment used to perform the transaction; and** **(v) any other information needed to enable the transaction to be identified.** **c. Transaction receipts should not be able to be used as the sole means of identifying the account holder or user or the relevant account.** **d. There should be only limited exceptions to these requirements (for example for direct debit facilities).**
Description	There are no legal requirements in relation to the provision of receipts although it is understood, that at least for e-wallet service transactions receipts are provided electronically. However it is not clear that they are provided in a form the customer can keep (so as being able to review them at a later stage after the transaction has occurred).
Recommendation	At a minimum, there should be a requirement for the providers of e-wallet services to provide a receipt for each transaction as contemplated by this Good Practice in a form that the customer can keep or access at a later stage.
Proposed Good Practice C.3	***Unilateral Changes*** **a. A unilateral change to the terms and conditions of a digital finance product or service should not be permitted unless clearly provided for in the relevant contract, and the relevant provision is expressly drawn to the attention of the consumer.** **b. A consumer should be given at least [20 days] advance notice of any change to an interest rate, fee or charge, a transaction limit or minimum balance and of any change in the method of calculation of interest charges applicable to a digital finance product or service and at least [7] days prior notice for any other change.** **c. A notice of change should be advised to the consumer in writing or, with express consent, electronically and should also be advertised on the provider's website and at branches and agent outlets and confirmed in the next statement of account provided to the consumer.** **d. The provider should inform the customer of their right to close an account, and terminate the related contract, whenever a notice of change under this Good Practice is made.**
Description	There are no legal requirements consistent with this Good Practice. On the contrary, sample e-wallet terms and conditions reviewed provided (to varying degrees) that: • Fees and charges may be varied, with provision for notice to be given in writing, via SMS, on websites or in local newspapers; • More generally, the terms and conditions can be varied at any time by the MNO. In some cases there is a statement to the effect that reasonable notice will be given of such changes; and • The customer will be taken to have accepted any changes, regardless of whether they have received notice.

Recommendation	There should be restrictions on the circumstances in which unilateral changes to terms and conditions can be made. It is considered especially important that consideration should be given to requiring advance notice of any unilateral change in a contract's terms and conditions. At a minimum, notice of changes in interest charges, repayments and fees and charges should be given as follows: (i) notice of a change in interest rates should be given before the change takes effect, either personally or by newspaper notice (in the latter case, the notice should be also given in the next statement of account); (ii) there should be at least 20 days advance, personalized notice of a change in the amount of a repayment (but if it is a reduction, it could be notified in the next statement of account); and (iii) 20 days advance notice of a change in the amount of a fee, or a new fee should be given. In the electronic environment these notices could be given by SMS message, in agent and branch premises and on the relevant provider's website.
Proposed Good Practice C.4	***Customer and Transaction Records*** **a. A digital finance provider should maintain up-to-date records in respect of each customer of the provider including current and previous terms and conditions and details of communications between the provider and the consumer.** **b. A digital finance provider should also ensure that it can generate sufficient records to enable transactions to be traced and checked and to identify and correct errors and frauds.** **c. The records referred to in this Good Practice should be:** **(i) maintained for at least [2 years or any longer period provided by law] after the termination of the contract; and** **(ii) should be made available to the consumer on request at least once on every 6 months and otherwise on payment of a reasonable fee.**
Description	See Banking Good Practice C.3 concerning the record keeping requirements in the AML Act. The Electronic Payments Guidelines also require e-money issuers to provide proof that they can comply with this Act and to comply with various record keeping requirements and to keep records and account for their e-money activities separate from their other business activities.[193] Transaction records of mobile money transactions must also be maintained for 5 years[194] and there are obligations to maintain the data integrity of records.[195]
Recommendation	The abovementioned requirements in the Electronic Payments Guidelines should be enshrined in law. Further, they should be extended to apply to issuers of all types of digital financial services i.e. not just e-money issuers.
Proposed Good Practice C.5	***Consumer User Guidelines*** **a. A digital finance provider should give users guidelines, separate from terms and conditions, which are consistent with these Good Practices and cover at least:** **(i) the proper usage of devices and access codes;** **(ii) the security risks involved with devices and access codes e.g. malware, identity theft;** **(iii) details of the required security measures to be followed by the consumer (see Good Practice C.6);** **(iv) the circumstances in which the consumer will be liable for unauthorized and mistaken transactions (see Good Practice C.6); and** **(v) contact details to notify the provider of any lost or stolen device or access code or unauthorized transaction (e.g. a customer service hot line)** **b. The Guidelines should be included with the terms and conditions provided for in Good Practice B.1 and also be available on the provider's website, at branches and agent's outlets and on request (free of charge).**
Description	It does not appear to be the case that such Guidelines are provided. Although some of the issues covered by this Good Practice are mentioned in the sample e-wallet terms and conditions which were reviewed (such as to who to call if security is compromised), the onus

[193] Part VI, 8.3.2. and 8.3.9.
[194] Part VIII. 1.8.1
[195] Part II, 5.2.8

	is very much put on the customer to keep passwords and PINs secret and there is no guidance provided as to the security steps that might be taken or the other matters mentioned in this Good Practice. Further, the phone number of the Customer Call Center is not given and it is made clear that the customer is liable for the use of their PIN.
Recommendation	At a minimum, it is suggested that providers of digital financial services such as e wallet services should be required by RBZ to hand out guidelines on how to safeguard the security of PINs and other security information and with clear advice as to who to call in the case of a breach of security and / or loss of a card (including the precise phone number to call). For example, there could be warnings against using very simple PINs (such as "1,2,3,4"), sharing PINs with family, friends and community members, giving PINs to an agent so that the agent can make a transaction on their behalf and writing down a PIN and keeping it with an access card. Such guidelines could usefully be backed up by SMS messages from time to time and warnings on any statement which is provided.
Proposed Good Practice C.6	***Unauthorized and Mistaken Transactions*** **a. A consumer should not be liable for losses or transactions:** **(i) exceeding any applicable periodic or transaction limit or the balance on a facility;** **(ii) incurred in relation to a facility which was not linked to the relevant device;** **(iii) caused by an error or the fraudulent or negligent conduct of the provider, any institution involved in a relevant networking arrangement and any merchant involved in a transaction or any of their employees or agents;** **(iv) relating to a device that is forged, faulty, expired;** **(v) occurring before the device or access code was received by the consumer;** **(vi) resulting from a transaction being debited more than once; and** **(vii) occurring after the digital finance provider (or their employee or agent) has been informed that the relevant device has been lost or stolen, or the security of an access code has been breached; and** **(viii) in any event not directly attributable or contributed to by the customer.** **b. If Good Practice C.6 (a) does not apply, the consumer's liability should be limited to a specified reasonable amount or the balance in the account at the relevant time, whichever is the lesser.** **c. Consumers should be required to adhere to the following security measures (at a minimum): the consumer:** **(i) must not voluntarily disclose an access code to anyone (including a family member); or** **(ii) must not record an access code or keep it with or on a device or anything liable to be kept with a device or used for a transaction; and** **(iii) must be required to make a reasonable attempt to secure the code (for example, the PIN should not be the user's birth date, consecutive numbers in the 0-10 range or part of the user's name).**
Description	There are no laws enshrining this Good Practice so far as digital financial services are concerned. However the Electronic Payments Guidelines provide that: "***8.24 Limiting Liability for Unauthorized Transactions*** *8.24.1 Electronic payment service providers of card, internet, and mobile payment systems should disclose all material information regarding the liability, if any, that the user may have for unauthorized transactions or fraudulent use.* *8.24.2 In addition electronic payment service providers should create policies that cap liability for unauthorized transactions. Such policies should, at a minimum, comply with liability caps required under existing legal requirements (e.g., USD 50 or other applicable liability cap for unauthorized credit card transactions or electronic funds transfers).* *8.24.3 Electronic payment service providers should consider incorporating into the card, MFS controls that limit financial risk to the consumer, such as usage caps and spending limits.*" The sample terms and conditions reviewed by the mission team all made it clear that the customer was responsible for transactions made using their PIN, even if given by a third party. No mention is made of a cap on liability in the terms and conditions.

Recommendation	At a minimum, the provisions of the Electronic Payments Guidelines concerning limitations of liability should be actively enforced and providers should be required to reflect the terms of the required cap on liability in their customer terms and conditions. In the longer term it should also be made clear that there is no liability for unauthorized transactions that take place as set out in paragraph (a) of this Good Practice.
SECTION D	**SECURITY OF FUNDS, SYSTEMS AND DATA**
Proposed Good Practice D.1	***Security of Funds*** ***a.*** **An e-money issuer should be required to maintain in a prudentially regulated bank approved by the financial sector regulator a trust account and to hold in that account an amount equivalent to the balance in all e-wallets issued by that provider at any time (Trust Fund).** ***b.*** **The Trust Fund the Trust Fund should be maintained by a Board of Trustees in accordance with a trust deed or equivalent instrument (Trust Deed) as approved by the relevant financial sector regulator.** ***c.*** **The Trust Fund balances should only be able to be used for the express purposes set out in the Trust Deed.**
Description	The Electronic Payments Guidelines contain extensive provisions concerning security of funds held in e-wallets. Of particular relevance are the following provisions concerning trust accounts: "***8.1 Trustees and Trust Account*** *8.1.1 Approved electronic payment service providers and participants have a direct responsibility to ensure that electronic wallet or money (e-money) balances are ring fenced through the establishment of Trust Accounts.* *8.1.2 Trust accounts are established in line with the risk profile of each electronic payment system such as mobile financial payments and any other payments channels.* *8.1.3 Where the e-money is held in one financial institution it should be spread to other financial institutions when it reaches 10 percent of the issued share capital of the bank or is 10 percent of the deposit base of the institution whichever is higher.* *8.1.4 In case of e-money being held in a single bank, the issuer of such e-money shall appoint a board of trustees to manage and oversee the transactions of the issuer.* *8.1.5 The issuer shall lodge with the Reserve Bank a deed of trust indicating the names of the trustees.* *8.1.6 Trustees of the issuer shall meet the fit and proper test as set out by the Reserve Bank.* *8.1.7 Every issuer of e-money shall open and operate a trust account in which all moneys collected from customers shall be held and from which payment in accordance with customers' instructions shall be done. "*[196] *Mobile Money Trust Account – a savings account in a commercial bank established for purposes of managing electronic money in the mobile phone ecosystem*[197] *xv) Trustees – A board that controls and manages money from the electronic payment service provider on behalf of the FMI or mobile financial services provider and subscribers."*
Recommendation	The requirements in the Electronic Banking Regulations concerning trust accounts should be enshrined in law.
Proposed Good Practice D.2	***Security of Systems*** **a. Digital finance providers should be required to maintain reasonable measures (including a documented and audited business continuity plan) to maintain the safety and soundness of the personal information and funds of customers and relevant telecommunications and payment systems and so as to mitigate the risk of unauthorized transactions, loss of funds and system failure.**

[196] Paragraph 8
[197] Paragraph 1(xiii)

	b. Consumers should be given a reasonable period of advance notice of any proposed system down time. **c. Digital finance providers should be responsible for a deposit or payment received from the time the consumer makes the deposit or payment, subject to verification of the amount deposited.**
Description	There are not any express legal requirements as contemplated by this Good Practice. However the Electronic Payments Guidelines contain various provisions concerning the security of systems for electronic payments. In particular there are requirements for: • every electronic payment mechanism to have in place appropriate security measures or mechanisms, including one or more or a combination of, passwords, smart cards, biometrics, and digital certificates or any other means; [198] • every issuer to adopt an appropriate system security infrastructure and authentication mechanism; [199] • the maintenance of a document setting out security measures; [200] • financial institution and payment system providers to ensure that they review and approve key aspects of security control processes and, importantly, establish appropriate processes for issues such as authentication, non-repudiation, data and transaction integrity, segregation of duties, authorization controls, maintenance of audit trails and confidentiality information;[201] and • data and system integrity and security.[202]
Recommendation	The security requirements in the Electronic Payments Guidelines seem adequate if appropriately supervised and enforced. However, as with other aspects of the Guidelines, they should be enshrined in law.
Proposed Good Practice D.3	***Confidentiality of Personal Information*** ***a.*** **A digital finance provider must, and must ensure that their employees, agents and service providers, do not disclose or use any information relating to a consumer their digital finance product or service account, or any transaction on that account except:** **(i) for the express purposes of the relevant product or service;** **(ii) with the consent of the consumer; or** **(iii) as required by law.** **b. Digital finance providers should maintain a clear privacy policy in relation to the digital products and services it provides and make the policy available on the provider's website, at branches and agent's outlets and on request.** **c. If a provider utilizes a surveillance device at an ATM or other electronic transaction facility, they should inform a consumer before any transaction of that fact and the nature of the surveillance device.**
Description	***Paragraph (a)*** As noted in *Good Practice D.1, Banking Sector*, there does not appear to be a coordinated approach with respect to data privacy issues in Zimbabwean law. There are few laws or regulations in place on data privacy generally and the confidentiality and security of customers' information specifically. It appears that banks primarily follow their own internal guidelines with respect to data privacy and the confidentiality of customer information. There is an Access to Information and Protection of Privacy Act, but the Act concerns providing members of the public with the right of access to records held by public bodies, preventing unauthorized use or disclosure of personal information by public bodies, and protecting data held by public institutions. However the RBZ Electronic Payments Guidelines contain various provisions concerning confidentiality of information. The main provision is as follows: "***8.5 Confidentiality***

[198] Paragraph 5.2.1
[199] Paragraph 8.7.2
[200] Paragraph 4.2.2
[201] Paragraphs 5.1.5 and 5.1.6
[202] Paragraph 8.4

	8.5.1 Every issuer shall maintain confidential data in a secure manner and protected from unauthorized viewing or modification during transmission and storage. *8.5.2 An issuer of e-money shall have the duty of confidentiality towards participants of its e-money system.* *8.5.3 For the purposes of this Section, "confidentiality" means assurance that sensitive information shall remain private and shall not be viewed or used by those not authorized to do so."*[203] Other provisions include requirements for: • maintenance of confidentiality of information and audit trails;[204] • measures to preserve the confidentiality of electronic payment information to be transmitted or stored in databases;[205] and • the conditions of business of an electronic payment system to include privacy of customer information and protection of customer data.[206] ***Paragraph (b)-(d)*** There is no such requirement.
Recommendation	The provisions of the RBZ Electronic Payments Guidelines concerning confidentiality of information should be enshrined in law. Further, the Good Practices concerning privacy policies and notices about surveillance devices should be introduced in the longer term. See also the recommendations in Banking Good Practice D.1 concerning the need for the development, in the medium to long term, of an overarching data protection and privacy law.
SECTION E	**DISPUTE RESOLUTION MECHANISMS**
Proposed Good Practice E.1	***Internal Complaints Procedure*** **A digital finance provider should be required :** **(i) to have a written complaints procedure which is documented and publicly available at the provider's website, at branches and agent's outlets and on request;** **(ii) to maintain a designated contact point for complaints handling;** **(iii) to make provision for complaints to be able to be received in multiple accessible ways such as by telephone, electronically, at branches or at an agent's outlets;** **(iv) to respond to a complaint within [7] days of receipt and to seek to resolve the complaint within [45] days of receipt;** **(v) to keep the relevant consumer advised of progress in dealing with a complaint at regular intervals;** **(vi) to inform the account holder of complaints handling processes and procedures and related contact details as required by Good Practice B.1; and** **(vii) to maintain up-to-date records of complaints received and action taken, analyze them at least [annually] with a view to identifying systemic issues, take action to resolve any such issues and provide records to the relevant regulator as required.**
Description	MNOs and insurers are not formally required to have internal systems to deal with complaints about the digital financial services they provide. However the RBZ Electronic Payments Guidelines require that business conditions address, amongst other things, "*prompt response to enquiries, complaints and disputes*". Although no detail is prescribed as to how these matters should be dealt with, it is understood that RBZ requires banks participating in the provision of digital financial services to in turn require MNOs to set up arrangements for dealing with complaints. Compliance with this requirement is evidenced by the inclusion of

[203] Paragraph 8.5
[204] Paragraph 5.1.6
[205] Paragraph 5.2.9
[206] Paragraph 5.2.10

	Customer Service contact details in MNO terms and conditions which were reviewed by the mission team (albeit in very small font). It is also to be noted that RBZ Additional Payments System Requirements set out *"additional requirements that should be provided and fulfilled before conduction any operation"* and they include *"Conflict Resolution Policy" and "Customer protection issues".*[207] However no detail is prescribed as to how these matters should be dealt with.
Recommendation	See the recommendations in Good Practice E.1 Banking Sector, which should also apply to the providers of digital financial services. In summary, it is considered that standard requirements for complaints handling by all types of digital financial services providers should be developed, implemented and consistently supervised by the relevant regulator (RBZ and IPEC are specifically relevant in the digital financial services context). They should include requirements for: a single, easily accessible avenue for making a complaint (such as a hot line, via email or in writing or to an officer at any branch of a bank or MNO outlet or agent); written acknowledgement of receipt of the complaint; time limits for resolution; record keeping; management reporting and regular assessment of root causes and systemic issues. There should also be a requirement that the availability of the relevant service be widely publicized through various fora (e.g. by being highlighted in account applications, agreements and statements, in branch and agent posters, and on the websites of the relevant providers (including the websites of a financial service provider and, in the case of digital financial services, any website of an agent or agent network and the website of the provider (such as an MNO)). This will enable the consumers to be informed about the complaint resolution mechanisms and know how to utilize them.
Proposed Good Practice E.2	***Formal Dispute Resolution Mechanisms*** **a. Customers of digital finance providers who have a dispute with their provider, should have access to of a third-party alternative dispute resolution scheme (such as a financial ombudsman) which provides an independent, transparent, free dispute resolution service for consumers and which can make binding decisions.** **b. The ADR service referred to in Good Practice E.2 (a) should be required to meet international standards (such as the World Bank's 2011 publication on *Resolving Disputes between Consumers and Financial Businesses*).** **c. At a minimum, consumers of a digital finance service should have access to a dedicated unit within a financial sector regulator charged with mediating disputes with the provider and with power to make binding decisions and with a complaints hotline.** **d. Financial sector regulators should require regulated institutions to provide detailed data regarding complaints; analyze complaints statistics and publish results.**
Description	***Paragraph (a)*** None of these requirements of this Good Practice are met in relation to digital financial services. In particular, there is no independent third party to whom consumers can turn if an MNO (or indeed any other digital financial services provider) does not satisfactorily deal with a complaint. The relevant regulators have limited resources available to fulfill this important function and in any event do not appear to have any power to make a binding decision. Further, there is little evidence that consumers are aware that they might approach the relevant regulator and expect any relief. The failure of EcoLife is an example of a product in relation to which the relevant regulator (IPEC) was not able to offer any relief. Further, although regulators such as RBZ receive and facilitate complaints directly, the mission team understands that only a few complaints are received a month and it is not clear how many of them relate to digital financial services. While RBZ deals with disputes regarding the financial institutions in its jurisdiction, including MNOs (subsidiaries) licensed as payment system providers, POTRAZ is also responsible for complaints against MNOs - however, these complaints are likely to concern technical issues such as availability of the network.

[207] Items 6(b) and (c).

	The mission team was also advised that Zimbabwe's Small Claims Court does not, as a matter or practice, handle cases concerning financial services and that although the Civil Court may do so, such actions are brought by financial institutions rather than consumers. Finally, CCZ is active in many areas, it does not have the resources to deal with complaints about financial services or, indeed, the mandate to make binding decisions. The result is that retail consumers do not have access to an alternative dispute resolution mechanism such as an ombudsman or equivalent that provides timely, affordable and predictable redress from an independent third party. ***Paragraph (b)*** See paragraph (a). ***Paragraph (c)*** See paragraph (a). ***Paragraph (d)*** There are no such requirements.
Recommendation	See the recommendations in Good Practice E.2, Banking Sector which are also applicable in relation to complaints about digital financial services. In summary, the recommendations are that pending the establishment of a financial services ombudsman scheme (which is recommended), all financial sector regulators should be required to establish a dedicated unit to monitor and analyze complaints (including in relation to digital financial services). Cooperation arrangements between RBZ (or other relevant supervisor) and POTRAZ should also be established in order to deal with complaints concerning mobile banking (or other digital financial services), as well as other matters. .
SECTION H	**COMPETITION AND CONSUMER PROTECTION**
Proposed Good Practice H.1	***Regulatory Policy and Competition Policy*** **a. Financial sector regulators and competition authorities should be required to consult one another for the purpose of ensuring the establishment, application and enforcement of consistent policies regarding the regulation of digital finance.** **b. The regulatory framework in digital finance should prevent digital finance providers from engaging in anti-competitive practices, including exclusive dealing sections for agents.** **c. The regulatory framework for digital finance should ensure (technical) interoperability of the system subject only to minimal periods to cover initial investments.**
Description	There are not specific provisions or regulatory arrangements dealing with digital financial services as contemplated by this Good Practice. However, the RBZ Electronic Payments Guidelines do contain provisions designed to encourage interoperability. In particular "*FMIs should also ensure that the interoperability or links provide substantially increase of the financial services outreach to the unbanked communities.*"[208] Pursuant to the RBZ Electronic Payment Systems Guidelines "*[w]here a payment system provider requires entering into exclusive arrangements with an agent; the payment system provider shall apply to the Reserve Bank justifying why such an agreement is necessary.*"[209] RBZ certainly does not support exclusivity clauses as a common business practice; therefore it has issued the National Payment Systems Directive NPS 01/2014 (NPS Directive). The NPS Directive notes the existence of exclusive MNO – agent agreements and their possible adverse effect on completion, the smooth operation of payments systems and that "*exclusivity agreements will consequently hamper the Reserve Bank's efforts of promoting financial inclusion and the expansion of financial services in the economy*".[210] The NPS Directive goes on to make provision for agents to enter into services agreements with

[208] Paragraph 1.11.2
[209] 1.12.4. of the RBZ Electronic Payment Systems Guideline.
[210] Articles 1-3 of the NPS Directive.

	multiple payment system providers and makes it clear that express RBZ permission is needed to for exclusivity arrangements.[211] Further, at the time of the mission CTC was conducting an enquiry into mobile phone based payments services. The mission team was told their particular focus is on fees and on arrangements with agents, and that they are being supported by South African competition regulators.[212] It is also understood that CTC plans to review competition in the financial sector more generally, subject to available resources (which are very limited – at the time of the CPFL Review mission there was only one person in the Research Department of the Commission).
Recommendation	RBZ should closely monitor the current inquiry into mobile phone based payments services by CTC and consult and collaborate as required. Both RBZ and CTC (and POTRAZ) should continue to coordinate and expand their respective activities on competition in the digital financial services market, a warranted focus given limited regulatory capacity and noticeable competition concerns in this market. Publishing a comparative table of fees and charges for mobile banking would also be highly useful. In the longer-term, consideration could be given to formalizing consultation arrangements under a MoU. Consideration should also be given to expanding the research resources of CTC and their capacity to investigate financial sector issues which are likely to have an adverse effect on consumers.

[211] Article 4-6 of the NPS Directive.
[212] See also http://www.zimbabwesituation.com/news/zimsit_m_sa-experts-roped-into-econet-inquiry-the-herald/.(last visited on December 30, 2014).

ANNEX II: FINANCIAL EDUCATION

Key Findings

Cross-cutting:

To encourage participation in increasingly sophisticated financial markets, a focus on financial consumer protection measures is not sufficient and demand-side efforts to enhance financial capabilities are needed to complement a sound financial consumer protection framework. For instance, any regulations which require financial institutions to disclose, clearly and fairly, the key information on terms and conditions associated with their products and service do not affect people's behavior if they do not understand why it is important to read disclosure documents or if they fail to understand the information contained in these documents. Likewise, any legal requirements for financial service providers to put a defined procedure for consumer complaints in place are doomed to fail if consumers are not aware of their rights and available complaints mechanisms or if they prefer not taking any actions in the event of a complaint.

Existing evidence suggests low levels of financial capability in Zimbabwe, despite lack of nationally representative and comprehensive data. According to the FinScope Consumer Survey 2011, the majority of Zimbabweans (74 percent) does not know about financial market terms. However, the same survey also found that knowledge about financial market terms may be of second order, in light of the fact that only 19 percent of the population has access to basic bank services, such as for instance transaction products (19 percent), savings products (17 percent), or credit products (3 percent). These numbers were recently updated by the Ministry of Finance and Economic Development and Zimstat in cooperation with Finmark Trust (FinScope Consumer Survey 2014). Based on the survey, 78 percent of the population is now financially included, 31 percent is served by banks, 38 percent by other formal financial institution and 9 percent by an informal financial service provider.[213]

The focus groups discussions which have been conducted as a second part of this review reveal several areas for improvement and vulnerable segments of the population to be targeted with financial capability enhancing programs (for details see Annex II). As discussed in-depth in Annex II, women, rural dwellers, unemployed, low income populations, and groups with lower educational attainment answered on average less financial literacy related questions correctly than their respective counterpart groups. Results of the focus group discussions further suggest that the poor communities in the rural areas lack knowledge on the procedures of opening a bank account. As a result should they desire to borrow, they turn to family and friends and if they opt to save, they do so home. Mainly due to constrained resources, there is also no substantial evidence which indicates a long term orientation. In addition to these findings, there appears to be little or no awareness amongst respondents with regards to their rights and available redress mechanisms.

A few financial education initiatives exist in Zimbabwe; these are however fragmented across public, private, multilateral, and civil society entities. For instance, the RBZ conducted several financial education campaigns mainly through newspapers and its website. Despite news articles and press-releases, RBZ is also issuing Consumer Education and Awareness Bulletins as part of ongoing efforts to educate consumers to enable them to make informed decisions when choosing and using financial products and services. The Ministry of Tertiary Education is involved in financial literacy program for SMEs. UNICEF in partnership with the Ministry of Tertiary Education has embarked on developing materials for training Heads of Schools on Finance for Non-Finance Managers. In addition to these programs, the civil society is playing an active role in this field as well. Recently a Centre for Financial Literacy has been established which shall serve as a National Platform to enhance financial education for MSMEs, children, youth and adults. Moreover, the Boost Fellowship has launched in partnership with Barclays Bank Zimbabwe a program to increase financial literacy in the country. Although commendable, these programs are largely un-coordinated and have therefore not only achieved limited outreach but also increased the risk of unintended gaps and unnecessary overlaps.

None of the financial capability enhancing initiatives undertaken in Zimbabwe have so far been assessed for their effectiveness in sustainably altering people's financial behavior. Increased financial education efforts do not necessarily translate into desired outcomes in terms of improved financial behaviors among the targeted populations. Evaluations are therefore required to understand whether and how a program is working and to identify programs which are most effective and should receive wide support.

[213] FinScope Consumer Survey Zimbabwe 2014 (forthcoming).

ANNEX II: FINANCIAL EDUCATION

Banking:

Individual banks have not yet recognized the potential of providing financial capability enhancing programs which go beyond simple marketing efforts as part of their good governance with respect to their clients. Despite a few individual banks such as Barclays Bank Zimbabwe, banks appear to have no financial education initiatives outside of materials handed to clients to explain their products and services. The Bankers Association of Zimbabwe, however, publishes articles in newspapers every week with the main goal to raise public awareness on the importance of savings and to increase trust in the banking sector overall.

NBCIs:

Similarly, NBCIs and industry associations have also been active in developing financial education material and providing training, the division between marketing and financial education initiatives is not clear though. In addition to providing microfinance services, some individual NBCIs such as MicroKing Finance provide basic financial education training to their clients. However, these initiatives are largely fragmented and not always free from marketing. In addition to these individual initiatives, the ZAMFI organize educational activities and trainings covering financial literacy issues together with business awareness and accounting mostly in order to increase entrepreneurial skills of customers.

Securities:

Financial capability enhancing initiatives in the securities sector are mainly carried out by the SECZ and the ZSE. The ZSE focuses on particular groups of people with an immediate or potential interest in the securities market. Lately they have been emphasizing training for policy makers and conducted a general educational workshop for parliamentarians and will conduct more detailed workshops in the future for particular committees. They have also focused on training for the utility sector to emphasize the use of the ZSE for raising capital. The ZSE is also active in universities where they associate with brokers to encourage the students to consider a career in the securities sector. ZSE also works with high schools to provide career guidance and it brings in two schools every week to watch how the exchange operates. The SECZ has a statutory obligation to engage in financial education and training and generally focuses on individual investors by engaging in programs in the workplace, as well as schools.

Pensions:

There is currently no financial capability program specifically related to pension led by government - despite the great deal of coverage of the topic in the press. In terms of industry led financial capability initiatives, individual pension providers and the Zimbabwe Pension Fund Association (which mostly represents providers but also includes funds and trustees in its membership) are attempting to address some of the complaints raised around the conversion issue (note 1). However, given the sensitivity of the issues involved, information from neutral, central sources, rather than commercial providers is also required. Individual pension funds do provide education on pension issues for the employees of the companies which are part of their schemes. For example, the Mining Industry Pension Fund meets with fund members annually to in order to explain pension issues more broadly and answer questions specifically related to the fund. They also hold seminars twice annually for representatives from the HR and finance departments of their sponsor companies to ensure that there are staff within these divisions who are familiar with pension issues.

In addition to financial education and awareness on pension issue for the public and members of pension funds, training for pension fund trustees is also an important topic. Half the members of trustees' boards for pension funds in Zimbabwe are appointed by employees, few of whom have knowledge on financial let alone pension issues. For example Mazviona (2013) (Note 2) quotes a study that revealed that trustees lack investment expertise to manage pension funds, and this has impacted negatively on the pension funds (60 percent of the respondents blamed the behavior of trustees for low levels of retirement income). The Zimbabwe Association of Pension Funds do provide some training and recently decided to make such provision more formal (though details are not as yet available). ZCTU and IPEC have also expressed the desire to provide such training, particularly for member appointed trustees, but lack the resources to do so.

ANNEX II: FINANCIAL EDUCATION

Recommendations

Cross-cutting:

The MoF should be designated as national champion to develop and implement an over-arching strategy on financial education in coordination with a wide range of relevant stakeholders. In order to ensure that there is a more coordinated, sustainable and effective range of programs than is currently the case and to avoid unintended gaps and overlaps it is essential to develop and implement a national financial education strategy. To create wide consensus on the importance of financial education as well as focus and momentum in the process of developing the national strategy and to encourage the allocation of more resources at a national level, it is also important to coordinate with relevant stakeholders from the private, public and non-profit sector. In line with the OECD/INE High Level Principles214 on the development of National Strategies for Financial Education, essential steps towards establishing the foundation of a national financial education strategy include the i) mapping and review of existing financial education initiatives which may help to identify relevant stakeholders and ii) the development of appropriate consultation and communication mechanisms.

The findings of the focus group discussions should be used by MoF and relevant stakeholders to inform the design of the proposed financial education strategy and subsequent programs. The results of the focus group discussions need, however, to be further validated. To be cost-effective this should be done through the development a financial capability survey module which can be attached to regularly conducted nationally representative surveys of adults such as the earmarked Repeat Finscope Consumer survey 2014. It should be noted, however, that such a module should not only capture people's understanding of basic financial concepts and products but also measure attitudes, such as impulsiveness, farsightedness and action orientation as well as behaviors related to day-to-day money management, planning for unexpected and old age expenses, choosing and using financial products and using information and advice.[215]

Consideration should be given to the lessons learnt from evaluations of similar programs in other countries to further inform the design of financial capability enhancing programs. Relying on previous experience can help to ensure that the effectiveness of newly designed programs. Some lessons learnt from recent research on what works best are that innovation on delivery matter, and that programs that utilize mass media promise to be especially effective. It is also shown, that financial capability programs work better when the content is relevant, targeted at the right audience, and delivered at teachable moments.

Financial capability enhancing initiatives should be rigorously evaluated for their impacts, in particular if they are innovative, involve significant resource allocation, or in case of pilot programs that shall later be under consideration for expansion. When properly done, a so called Randomized Control Trial (RCT) is considered as gold standard for identifying the causal impact of a financial capability enhancing program. RCTs can, however, require substantial technical and financial resources. As guiding principle whether a program shall be evaluated or not, in particular if available resources are scarce, it is recommended to evaluate programs if they are innovative and the effectiveness of similar programs has never been tested, if the program involves substantial resource allocation, and if the program in question is a pilot program which shall later be scaled-up.

Small pilots for targeted groups should be organized to assess the effectiveness of the educational activities. Such an assessment should be conducted before more resources are allocated to specific activities. Moreover, the assessment will also help maintain momentum in the short term while a national financial literacy strategy is being developed.

[214] Online available at: http://responsiblefinance.worldbank.org/~/media/GIAWB/FL/Documents/Publications/National-Strategies-for-Financial-Education (last visited on December 30, 2014).
[215] For more information on how financial capability can be measured and how surveys can help see: http://responsiblefinance.worldbank.org/~/media/GIAWB/FL/Documents/Publications/Why-financial-capability-is-important.pdf (last visited on December 30, 2014).

Banking and NBCIs:

Financial Institutions should play a critical role in supporting the development and implementation of the strategy. The role of financial service providers, in particular banks and NBCIs, in enhancing financial capability levels of their existing and their potential future clients, must be further promoted. Their role includes the provision of financial support to secure the sustainability of the national financial education strategy, as well as the design and delivery of financial education programs.

It has to be ensured, however, that financial education provided by financial institutions is free from marketing and meets their clients' needs. Therefore, it may help to share national and international best practices and success stories in the area of financial education with executives of banks, NBCIs, and other type of providers to encourage them clearly distinguish between financial education and simple marketing exercises and to provide financial education initiatives as part of their good governance with respect to their clients. Moreover, this could be achieved through close collaboration and partnerships with civil society organizations such as the Consumer Council of Zimbabwe, who may have a better connection with consumers.

Pensions:

The government should act a source of neutral, central information pension issues, particularly in relation to the National Enquiry on Pension Conversion.

A standard, on-line training course for trustees should be provided by the IPEC (working with the ZCTU and ZPFA). This could be adapted and simplified from similar leading international courses (see for example https://trusteetoolkit.thepensionsregulator.gov.uk/).

ANNEX III FOCUS GROUPS

1. Focus group discussions

1.1 Objectives

As second part of the review, in an effort to support the government of Zimbabwe in advancing financial capability in the country, the World Bank commissioned rapid assessments on people's ability to take sound financial decisions, in particular to choose and use financial products that fit their needs best. To this end, World Bank commissioned the consulting firm Research Bureau International (RBI) to conduct a qualitative study, so called focus group discussions. The purpose of the qualitative work was mainly to understand the reality of access to finance (A2F) at the demand side level, particularly in rural areas; as well as to identify potentially existing demand-sided constraints in access and beneficial usage of financial products, such as lack of knowledge and awareness of the survey participants of fundamental financial concepts and products and services offered by different type of providers.

The assessment methodology was designed to enable rich and detailed discussions of the factors and processes shaping financial decisions, and to provide a basis for comparative analysis across rural and urban locations as well as socio-demographic criteria including gender and income. Although extensive quantitative data and analysis on the status of financial literacy/capability is needed to identify areas for improvement and target populations on a national level, the World Bank, at this point, aimed to conduct rather focused surveys to gain quick and deep insights into the financial knowledge, skills, attitudes, and behaviors of the selected respondents. It should be noted, that due to the non-random selection procedure, the results of the focus group discussions cannot be extrapolated to the overall population in Zimbabwe. They may be indicative, however, of the most pressuring needs for policy action.

1.2 Recruiters and Training

Recruitment of field researchers who participated in the recruitment of respondents for the project was done on the 12th of July 2014. Four recruiters participated in the study. They were trained by the research executive and field manager on the 14th of July and had two days of recruiting for respondents. During training, recruiters were briefed on the type of respondents required for the groups and the recruiting methodology. The recruiters were drawn from the pool of RBI's most experienced field researchers.

1.3 Sampling Methodology

To provide a basis for comparative analysis across urban and rural respondents, two different locations, Harare urban and Chiweshe rural, were identified and selected for inclusion in the focus group discussions. In order to get an indication of financial capability levels among urban residents, two focus group discussions were held in Harare urban, which is not only the biggest city but also the financial center of the country. In addition, two focus group discussions were conducted in Chiweshe rural in order to factor in the view of rural populations in Zimbabwe. To this end, 4 focus group discussions were conducted in total.

For the selection of participants within each location, the groups consisted of a mixture of those who have access to/use financial services, whether formal or informal, and those who do not. This was guided through RBI's experience on similar projects whereby they discovered that urbanites are most likely to have some form of financial service access as compared to their rural counterparts. Inversely, rural groups were skewed towards those who do not have any access or are not using any financial services, although it was ensured that some consumers with access to and usage of financial services were included.

Moreover, the survey was conducted amongst Zimbabwean residents aged 25-45 years and targeted the low-mid income market in Zimbabwe. From the Zimbabwe All Media Products Survey (ZAMPS) study that RBI has been conducting every quarter, for the past 15 years, on a national scale, it was clear that the low income market in Zimbabwe falls in Living Standards Measures (LSM) category 1 – 6, whereas the medium income segment ranges from LSM 7 - 11216. Hence, eligible respondents were screened based on their LSM score, targeting those in LSM 1 – 11 in both areas, although it was as much a challenge to get consumers in the category LSM 7-11 in rural areas as it was to identify consumers in LSM 1-6 in urban locations. Apart from age, area and LSM, the exercise did not seek to discriminate respondents on any specially predetermined criteria. Respondents were randomly selected from private households, villages and public areas.

Equipped with a short screening questionnaire to identify targeted respondents, the recruiters were given random starting points. Six starting points were randomly selected for recruitment for each group to allow for over recruitment in case some respondents failed to turn up for one reason or the other. Two respondents were recruited from each starting point i.e. one male and female of different age groups using the random walk selection method.

For the recruitment procedure in Harare, proceeding from each assigned location, participants of the focus groups were then recruited via random walk selection method. Area sampling procedures were applied. The urban sampling frames consisted of the City Engineer's Maps of the various residential areas which were divided into theoretical rectangular grids. These were randomly selected in each of the Harare suburbs, with probability proportional to population density levels. Within each grid selected, a further random selection process was applied to the street intersections so as to choose one that served as a starting point for subsequent systematic household selection procedure. Proceeding from each starting point, interviewers conducted a rigid mechanical walk procedure to affect the systematic selection process whereby every fourth household was selected in the low-density residential areas and every second in the high-density residential areas. This ensured that interviewers had no influence over sample selection. In addition, only two recruitments were conducted around each starting point to avert area bias, meaning that there were 4 starting points in the high density areas and another 4 in the low density areas. Part of the recruitment also occurred in the Central Business District of Harare where street intercepts were conducted, as well as recruitment from offices.

The sampling procedure for the rural portion also involved a random selection of numbered grids initially. Because of the unplanned pattern of homestead location in Chiweshe, identification of starting points and the systematic selection process was not so straightforward. Some homesteads were along the road, river or foothills while others were scattered over a plain. Moreover, because distances between house clusters were not necessarily uniform, it was not always possible to specify the number of households to skip before trying the next interview. In this case, RBI selected those homesteads that are axially related along the North-South or East-West direction (from the center of Kanyemba shopping center) depending on the date of the interview. On even numbered dates, interviewers considered the North-South axis while on odd numbered dates the East-West axis was the rule. Every precaution was taken to ensure that an even distribution of respondents from different villages was achieved. In total two interviews were conducted within each of the 8 randomly selected grids in Chiweshe.

Within every selected household, a KISH grid technique was then used to randomly select an individual eligible for the interview after only those aged 25-45 years had been listed. Thus a four-stage sampling technique was employed in the selection of urban and rural focus group participants.

1.4 Fieldwork Recruitment

Recruitment for the targeted respondents went on with minimal resistance with a response rate of more than 75 percent. A maximum of three call-backs were affected before substituting the selected person in that household. Also, if the initially selected respondent refused to be interviewed, substituting was done. The few individuals that did not qualify for the groups were either out of the age/ LSM range or were occupied during the time the groups were being held.

[216] The LSM measure the level of affluence of an individual. These are more robust compared to traditional socio-economic classifications which mainly relied on income as a means of grouping consumers into segments. These LSM's range from LSM1-17, with the poorest population segments being in LSM 1 and the most affluent being in LSM 17.

ANNEX III: FOCUS GROUPS

In an effort to ensure highest participation rates, for the urban groups, respondents were collected from the Central Business District by the RBI staff bus and transported to RBI offices in Newlands, Harare, venue of the urban group discussions. Rural respondents were not collected but found their own way to the group discussions venue since these discussions were held in the vicinity of their own community. The moderator further screened and verified that each respondent met the recruitment criteria before the start of each group. During the group discussions, the respondents were served with snacks and upon completion each respondent was given a token of appreciation for attending the discussions.

In the rural area, permission was sought in advance from the Zimbabwe Republic police, the ward councilor and the headman to carry out the study in their community. The process went on smoothly as they were grateful to have such data gathering events in their area. Recruitment went on well though recruiters faced challenges with the age range of 31 to 45 years for female respondents. These were hard to get as most of the female respondents were either below that age or above the target age. Therefore, we ended up opening up the age group to include 21 year olds.

1.5 Groups Schedule

While the urban groups were of mixed gender, because of the higher levels of enlightenment amongst respondents, the rural groups were split along gender. This was done in order to take cognizance of social and cultural nuances in Zimbabwe. From RBI's experience, it is a well-accepted fact that monetary and financial issues, concerning savings, insurance or otherwise, are sensitive issues and that males, as heads of the families, have the biggest; if not sole say, on such issues. This is particularly so in rural areas. Females tend to be silent in mixed groups discussing financial issues. Hence it was the RBI's advice that separate groups be conducted for males and females in rural areas. The table below details the area, age group, gender, venue and LSM of the respondents contacted.

TABLE 7: FOCUS GROUP COMPOSITION

AREA	LSM	GROUP	AGE	GENDER	VENUE	DATE & TIME
HARARE	1-8	1	25-45	Males & Females	RBI Studios	17 July @ 2 pm
	7-11	2	25-45	Males & Females	RBI Studios	17 July @ 6 pm
CHIWESHE	1-6	3	21-45	Females	Chiweshe	19 July @ 11 am
	1-6	4	25-45	Males	Chiweshe	19 July @ 2 pm

1.6 The Venue

The two urban groups were conducted at the RBI studios in Harare, while in Chiweshe rural a school classroom was used. The rooms at RBI studios are equipped with a one way mirror to view and listen to the discussions freely. In Chiweshe rural, a school classroom was used for the group discussions. The school is approximately five kilometers from the tarmac. The school is serviced by a few shops and an EcoCash outlet.

ANNEX III: FOCUS GROUPS

Shops servicing the Chiweshe community

EcoCash Dealer

The venue

2. Understanding of the realities and challenges people face in their daily lives

As expected, there is a sharp contrast in lifestyles between urban and rural survey participants. Understanding the realities and challenges people face in their daily lives helps to understand how people interact with financial services. People whose lives are characterized by lack of access to basic amenities such as clean water, electricity, etc. are also less likely to participate in the formal financial sector. The focus group discussions revealed that even within the urban respondents, there are some notable differences between the lifestyles that low and middle income respondents lead. They are afflicted by more or less the same economic climate although the levels of their concerns and issues vary. For instance, although urban residents confirmed that they have piped water and electricity in their households, they lamented that power outages and water scarcity remains the order of the day in Harare. Some respondents in the low income segments from the high density areas, however, indicated their view that the extent of such water shortages and electricity load shedding, is higher in high density areas where they reside, than in middle to low density areas where the middle and high income respondents reside. This was confirmed by some mid income respondents who said that they were experiencing fewer power cuts in mid-low density areas where they stay than what is happening in high density areas where power and water cuts extend beyond the scheduled time frames.

While the urban community provides some income generating opportunities, the rural community has limited opportunities. They appear to be suffering from abject poverty. The limited formal employment opportunities encourage the young and able bodied to migrate to neighboring cities and towns in search of employment. In most cases, rural people survive on small projects, such as buying and selling vegetables, gardening, poultry and brick molding on a small scale. These limited income opportunities makes it difficult for them to pay for services or goods on time, and makes the upkeep of their families their primary focus. A particular concern are forced early marriages – one of the participants in the focus group discussions noted the following:

"I think the economy is forcing people into early marriages; parents cannot afford to fend for their large families, unemployed or school dropouts, so they see it better to marry off their young girls" (Rural, Low Income, Males).

3. Knowledge and understanding of financial concepts and products

3.1 Knowledge and understanding of financial concepts

The recent global financial crisis has emphasized the importance of financial knowledge and skills (financial literacy) for peoples' ability to take sound financial decisions and to benefit from the financial services they use. It is a well-accepted hypothesis that limitations in respondents' ability to fully understand the

financial products and risks they had taken on, contributed significantly to the worst financial crises since the great depression (Geradi et al. 2010; Klapper et al. 2012).

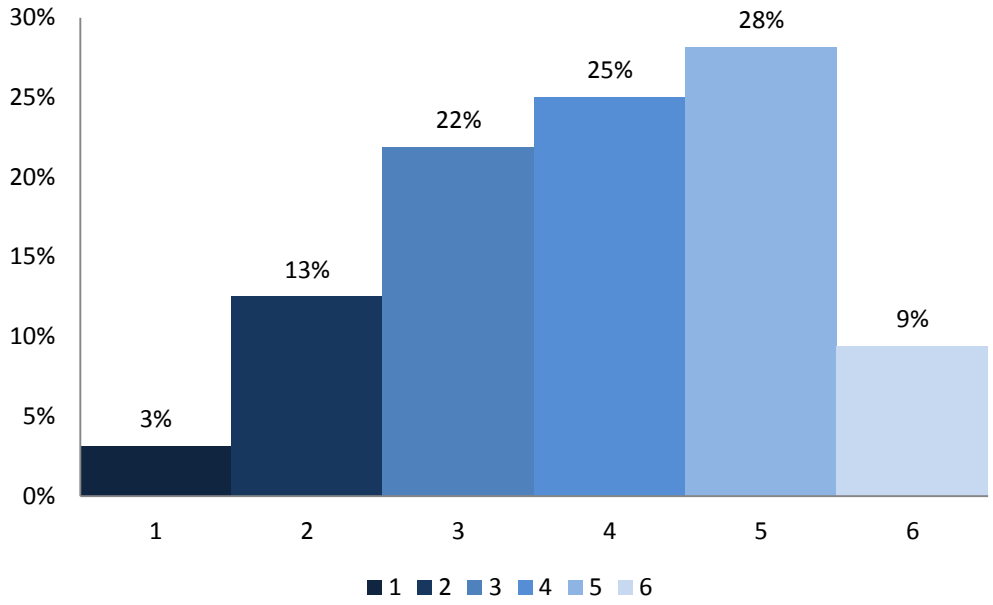
Financial knowledge and skills are even more important in an environment where financial products are increasingly complex and being delivered through new distributions channels. The focus group discussions suggest that, due to the depressed economy, rigid banking systems and increased unavailability of credit in Zimbabwe, mobile banking services have stepped in to fill this void by offering banking products to previously marginalized populations. While this new environment where mobile banking products such EcoCash and TeleCash are becoming widely available and provide obvious benefits, it was clear from respondents' feedback that they also bear risks which may be unfamiliar to existing and new customers. Hence, to be able to benefit from these new opportunities without being exposed to undue risks, a certain level of financial knowledge and skills is required.

On the other hand, as was clear from the focus group discussions, limited financial knowledge and lack of trust in particular can also be important impediments to further financial sector deepening and the take up of financial products and services. While lack of money, affordability, long distances, and rigid and stringent requirements for opening an account were the most cited reason for not having an account, a substantial proportion of the respondents further indicated that they either do not know how to open an account or that they do not trust banks due to having lost their savings when the shift from Zimbabwe dollar to USD was made.

In order to get a better understanding of respondent's financial knowledge and their basic numeracy skills, a short financial literacy quiz comprising 7 questions was delivered at the end of the focus group discussions. These quiz type questions include knowledge of concepts such as inflation or compound interest, or understanding of insurance products' main purpose. These questions have been asked because they capture financial concepts and skills which are widely considered as being crucial for informed savings and borrowing decisions as well as for being able to manage risks more effectively and or to take advantage of investment opportunities in Zimbabwe. Based on the number of correct responses provided by each focus group participant to the seven financial literacy questions we constructed a financial literacy index. This index ranges from 0 to 7, whereby 0 indicates respondents who struggle the most with correctly answering any of these questions, while a score of 7 indicates survey participants with good understanding of fundamental financial concepts and the ability to perform simple mathematical calculations.

On average, the participants in the focus group discussions were able to answer around four questions out of seven correctly. Figure 5 below shows the distribution of the number of correct responses to the financial literacy quiz. As can be seen, the majority of the respondents – 62 percent - provided 4 or more correct responses. Around 40 percent of the participants answered three or less questions correctly. However, none of the participants demonstrated full understanding of the financial concepts being tested.

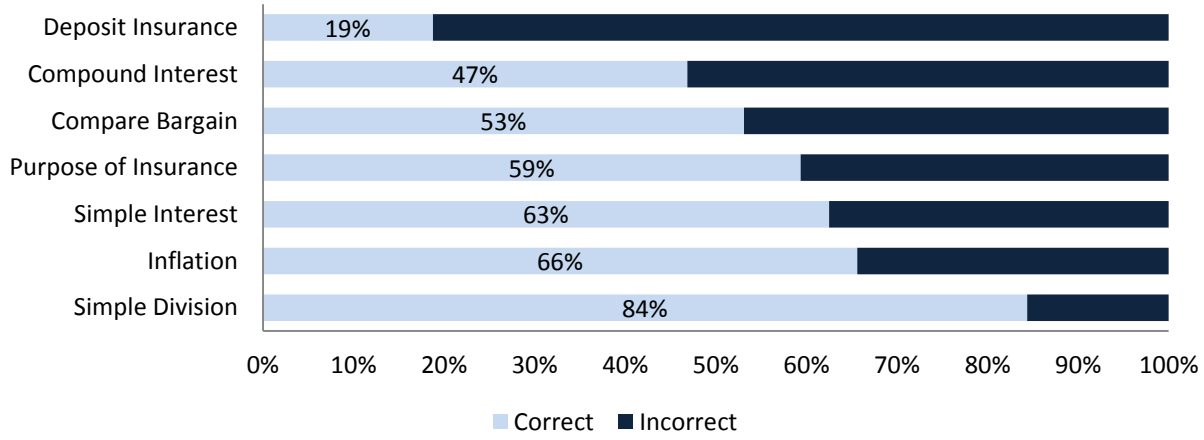
FIGURE 5: FINANCIAL LITERACY OVERVIEW



Zimbabwe Focus Group Study, 2014

A deeper exploration into the type of financial concepts being assessed reveals that respondents master the task of basic calculus but struggle to understand more complex concepts such as compound interest, etc. The participants are most comfortable with performing simple divisions as revealed in figure 6. This finding is consistent with what we found in the similar assessments in other countries. Two thirds of the sample demonstrated good understanding of the concept of inflation which is notably high as compared to other countries, and can be explained by the period of hyperinflation experienced in Zimbabwe and its adverse impacts on the economy. More complex concepts and numeracy tasks on the other hand posed a challenge to a substantial proportion of the sample. For instance, slightly more than half of the respondents were able to do the correct math to identify the cheaper bargain, while slightly less than half of the sample demonstrated good understanding of the concept of compound interest. Figure 6 also reveals that only one fifth of the participants were familiar with the maximum amount being covered by the deposit insurance agency in the event a bank goes bankrupt.

FIGURE 6: FINANCIAL LITERACY QUIZ OVERVIEW

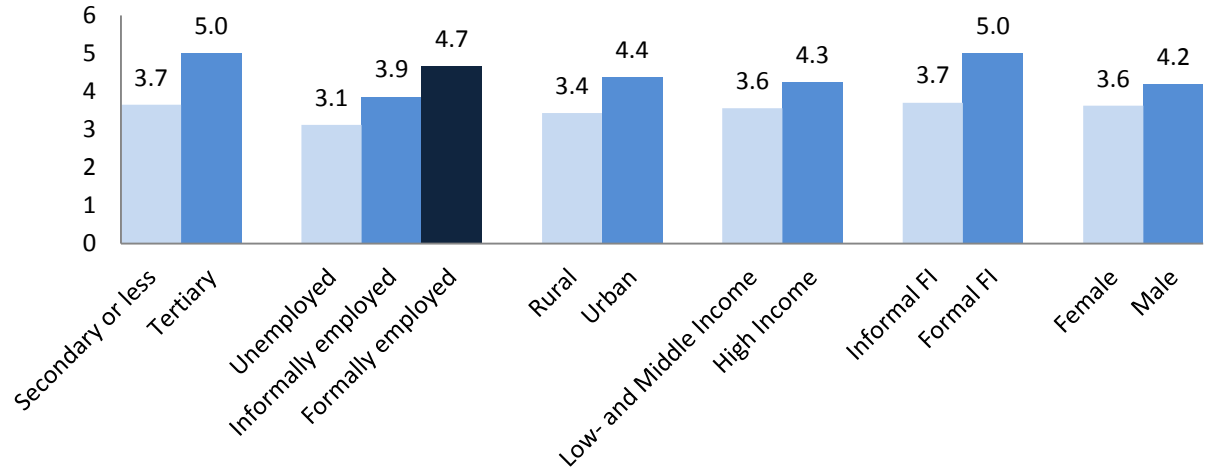


Zimbabwe Focus Group Study, 2014

Respondents that score the lowest on the financial literacy quiz include women, rural dwellers, unemployed, low income populations, groups with lower educational attainment or those who are more likely to use informal financial products and services. As can be seen in Figure 7, the largest gap can be observed between formally employed and unemployed participants, with financial literacy scores of 4.7 and 3.1, respectively. Among all of the analyzed sub-groups, unemployed participants also appear to struggle the most in providing correct responses to the financial literacy quiz type questions. On the other hand, as may be expected, higher financial literacy scores correlate with higher education, as participants with university or diploma degrees have an average financial literacy score of five which compares with a score of 3.7 achieved by their counterparts with lower educational levels. Interestingly, the focus group results also suggest that as compared to those that are more likely to participate in the informal financial sector, those who are currently using products and services from formal financial providers seem to have a better understanding of basic financial knowledge.

ANNEX III: FOCUS GROUPS

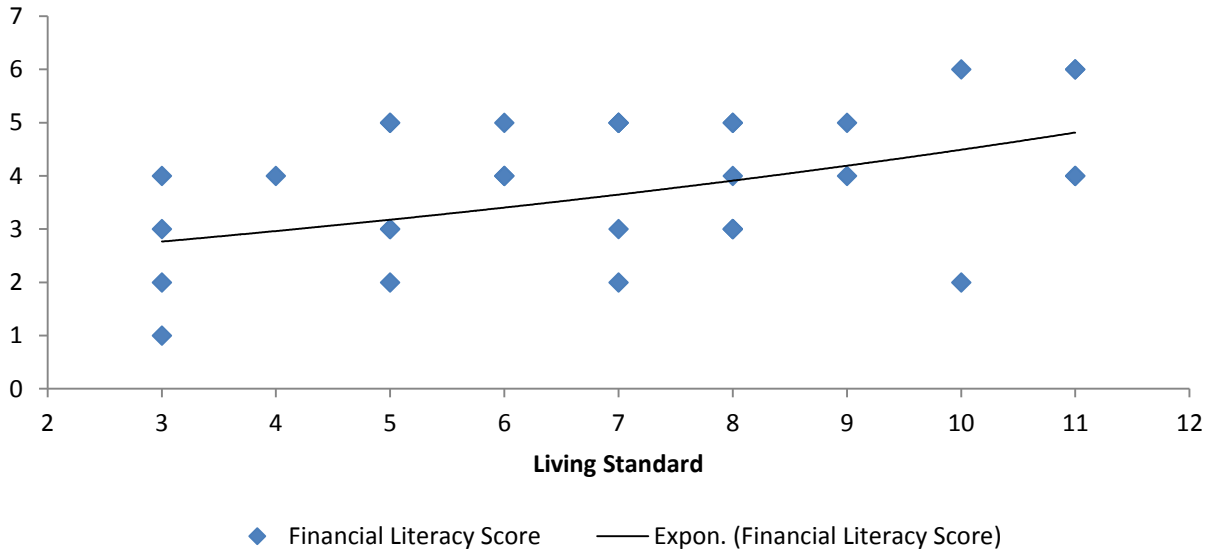
FIGURE 7: FINANCIAL LITERACY LEVELS, BY DIFFERENT SOCIO DEMOGRAPHIC GROUPS



Zimbabwe Focus Group Study, 2014

Considering people's living standards as opposed to their income levels reveals even more pronounced differences between the poorest and richest participants. As can be seen in the scatter plot below, participants that belong to the lowest LSM categories tend to score on average much lower than their wealthier counterparts in the highest LSM categories, with financial literacy scores of less than 2.9 and 4.1, respectively. This gap is larger than the one identified before between lowest and highest income groups.

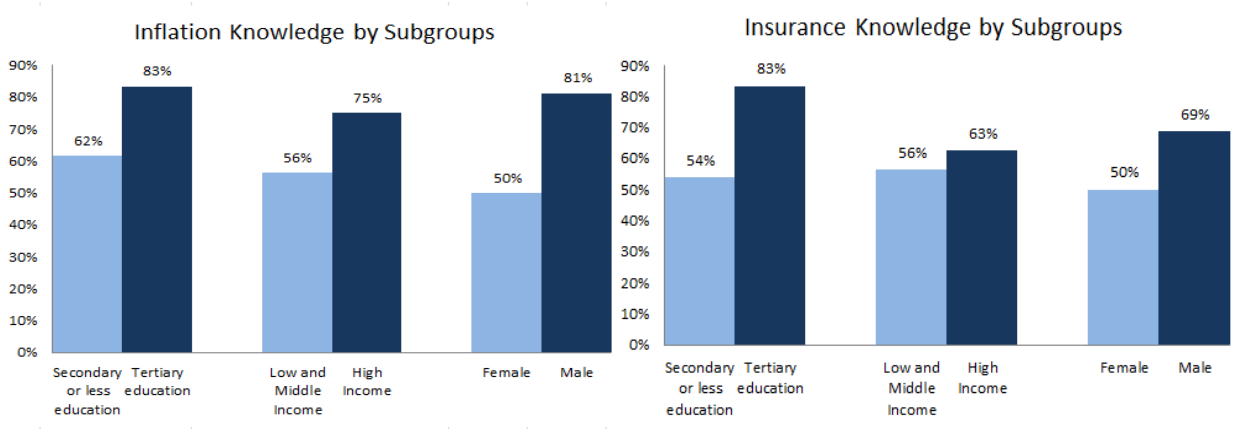
FIGURE 8: RELATIONSHIP BETWEEN FINANCIAL LITERACY SCORES & LIVING STANDARDS



Zimbabwe Focus Group Study, 2014

Findings from the focus group discussions further suggest that awareness and understanding of the concept of inflation and the main purpose of insurance products is especially lacking among the poor, women and those with low educational attainment (see figure 9). This result suggests there is room for policies to target these segments, given that the adverse effects of high inflation may take the highest toll among these groups and that they may benefit the most from any financial instruments that help them to manage the risks they are facing, both the risks associated with their personal health and their livelihoods.

FIGURE 9: UNDERSTANDING OF INFLATION AND INSURANCE PRODUCTS, BY EDUCATION, INCOME AND GENDER



Zimbabwe Focus Group Study, 2014

3.2 Knowledge and understanding of financial products

Regarding participants awareness levels of different types of financial institutions, banks were the most recalled financial services providers. Besides banks, respondents are also aware of other financial services providers such as money transfer agencies, the most common ones being Mukuru.com Western Union and MoneyGram, as well as informal and community based moneylenders.

It was also clear from the conducted focus groups that respondents living on higher incomes and in Harare are being better disposed to banks than low income respondents and rural dwellers. The most commonly recalled banks amongst urban consumers were CABS, CBZ, POSB, FBC, Barclays, ZB Bank and Stanbic. The rural respondents could hardly recall any banks, with the better recalled one being POSB. Most respondents know these banks more for providing basic savings and current accounts than any other service.

4. Financial Behaviours and Attitudes

4.1 Budgeting

Despite their insufficient disposable incomes, most formally employed respondents indicated that they draft a proper plan or budget based on their monthly earnings and to prioritize spending on necessities. This budgeting and planning is usually done as a collective effort between the husband and wife. Priorities, necessities or needs top the list which, in most instances, is religiously adhered to. Respondents noted that basic needs, such as shelter (rent), groceries, bills and school fees top the list and any money that is left over, if any (which is highly unlikely), is set aside or used to buy other household goods or save it for unplanned emergencies, such as sickness.

"We budget you can't just buy. I come up with a list without it you overspend the money" (Urban, Low Income)

"As for me I don't own a house so it is obvious I have to pay rent, electricity bills and water bills. I have to budget for the transport to go to work; I have to budget for groceries, so there is no way out; priorities come first" (Urban, Middle Income)

Low income earners in the informal sector on the other hand reportedly find it hard to plan or budget as a result of their erratic and meager income flows. Hence, there is hardly any proper planning or budgeting done. Nonetheless, according to most participants living on low incomes it is in their obligation to ensure that in whatever spending they do, they set aside money for capital injection into their various businesses.
"Money is never enough so it's hard to manage it so you can't really budget. I have found strategies to manage my business separately from my personal life." (Urban, Low Income)

Most urban respondents highlighted that they spend USD 2 at most per day, mainly to buy basic food items such as bread. Buying on credit seemed to appeal only to formally employed respondents with stable incomes that ensure that they will be able to service their monthly repayments as required. For the rural respondents, there is little or no budgeting done as they hardly have enough money to survive. Budgeting is said to be ideal in cases where there is enough money.

4.2 Savings Habits

Saving or setting aside some money poses a challenge for both respondents in the low and middle income groups, in both formal and informal sectors. On a broader scale, this is mainly due to liquidity crunch and the prevailing ailing economic situation in the country. As a result, the little that the respondents earn is used for their day-to-day upkeep so as to ensure that the basic needs are met.

In the rare events when there is some money left over, the preferred methods to save are EcoCash and savings clubs ('rounds'). EcoCash is preferred because it is viewed as safe, secure and convenient method; transactions can easily be conducted anytime. Saving is driven by or seriously considered when one is embarking on a project, such as buying a residential stand, building a house or starting a business, usually the money is saved in banks such as CBZ that offer products such as Cash Plus that provide interest and allow one to save money for 12 consecutive months without withdrawals**.**

"With the current situation in Zimbabwe, money is never enough for anyone, even if you wait for your salary sometimes you get paid half of it. For instance you will be expecting USD 500 and you only get paid USD 250. It's very hard to save money these days unless if you want to start a business or something big. In my case I have to realize that I have to make so many sacrifices in my life to put towards the business. But money is never enough at the current moment." (Urban, Low Income)

4.3 Planning for Unexpected and Old Age Expenses

Almost every respondent indicated to be worried about their future life when they are old and unable to engage in income generating activities. With the urban populace's pension savings being entirely wiped out by dollarization, there is, therefore, little left to cushion them against being destitute in old age.

Most urban respondents stated that they have, therefore, lost confidence in the formal insurance and investment companies and prefer to sacrifice the little income they have by investing heavily in the education of their children. This investment is done in the hope that these children would eventually become successful and well-off and so be able to look after them in their old age. Other strategies which are pursued by some urban respondents are engaging in building low cost houses and buying properties which they can then let out, whose rentals will then become very handy in the upkeep of the family and to cater for unexpected eventualities.

Similarly, in the rural communities procuring for old age is done through sending children to school, in particular the boy child. This child is expected to take care of his parents once he has completed his education which is usually after completing secondary school. Some rural respondents reportedly save for unexpected and old age expenses through rearing of livestock, such as cattle, goats and chickens. These assets can then be converted into currency in cases where liquid cash is required. Rural respondents believe that one's wealth or social standing in society is determined by the number of livestock they have.

4.4 Borrowing Habits

Both urban and rural respondents highlighted that they resort to borrowing money from friends and family within that community in the event that there are emergencies requiring urgent financial outlay. In cases of emergency respondents from both urban and rural settings borrow money from friends and family or savings clubs. Due to the prevailing economic hardships, borrowing money has become a norm to most respondents as their income is hardly enough to cater for their needs. It was, however, emphasized that those respondents with a record of repaying their loans, or those who are known for using the money prudently, and not on alcohol or trivialities, stand a better chance of being lent some money.

Formally employed respondents in urban areas prefer borrowing money from the banks because of the flexible repayment periods and the low interest rates thereof. However, the challenge with applying for a bank loan, as noted, is that it takes a long time for the application to be vetted and approved and there is a lot of paperwork required. As a result, it is not considered ideal for emergency situations but rather ideal for starting a business or a project. Informally employed respondents face challenges when applying for bank loans as they lack the required documentation, such as payslips and proof of residence, thereby making it difficult for their loan applications to even be considered. Consequently, they are left with no option but to resort to borrowing money from illegal moneylenders that have mushroomed in most communities and well known for charging exorbitant interest rates.

"I once borrowed from a moneylender, however interests were high but I eventually benefited from the deal because the company was operating illegally. The law caught up with them and I ended up not paying anything I actually got new property. The company would collect your property and value it and give you a loan worth a third of your property. So when they were caught they had to buy me a new deep freezer and dining room suite." (Urban, Middle Income)

5. Access and Usage of Financial Products and Services

The study confirmed that, due to the prevailing economic hardships being experienced by the country as a whole, respondents' attitudes towards various financial institutions, both formal and informal, have changed. There has been a marked shift from the traditional formal banking systems as respondents adjust to the tight monetary situation. Respondents highlighted that the high unemployment levels in Zimbabwe means that very few respondents can afford to access and channel the little money that they have through the formal channels. As a result, innovative entrepreneurs have taken advantage of this void by coming up with products and services that are not only user friendly and flexible in their nature, but also convenient to the end-user. Below are some of the most commonly used financial service methods.

5.1 Formal Financial Service Providers

5.1.1 Commercial banks

Banks are predominantly used by respondents who are formally employed, as this is a prerequisite in most companies to open a bank account for ease of salary transfer. Some companies prescribe to their employees, specific banks to use for ease of payroll management. Most of the respondents whom we spoke to pointed out that they do not have bank accounts due to a number of reasons.

"…I realized that it is wasting time, because the requirements are too much, and as I said before, I am an informal trader, I don't have a salary that goes into my account. If I make my money say USD 4000 and I go to the bank to withdraw, I will get a lot of excuses from the bank to withdraw and in fact with the bank limit I will only be able to access part of the money, so I realized it's better I don't have a bank account….what I just need is convenience and fast service" (Urban, Middle Income)

As would be expected it emerged from the focus group discussions that there is better access to banks in urban areas as compared to rural areas as distances covered in the rural areas can be as much as 25km while in urban centers the distances are shorter. In addition to these distances, transportation in the rural areas to these financial institutions is a challenge as there is no regularly scheduled transport. Even where transport is available, the rural respondents would rather walk those long distances than 'waste' money, which they can use on other pressing things such as food, on transport. For the rural area sampled, the nearest bank to Kanyemba Chiweshe community is the Post Office Savings Bank (POSB) located in Glendale which is pegged at about 20km from the Kanyemba community. This is in stark contrast to the urban respondents who literally have banking services right at their doorsteps. However, from the discussions conducted, the group participants highlighted that they were not clients of the bank since they had no funds to deposit or withdraw.

"There is no extra money available for banking so there is no use for a bank account also lack of confidence in the banks since most banks suddenly shut down without warning." (Rural, Low Income, Males)

"We hardly go to the banks, because if you don't have money to save then there is no use. My working capital for my small business is very low, so if I manage to do some work I save in form of buying raw materials for my baking business." (Rural, Low Income, Males).

5.1.2 Money transfer operators

Especially respondents in urban areas indicated that they receive remittances from either a friend or relative who emigrated to neighboring countries and abroad in search of foreign employment and better livelihoods. Few rural respondents have friends and relatives in the diaspora who send them money, although they have some in the urban areas who do so. The respondents are mainly the recipients of money remitted to them as they hardly send money abroad due to economic hardships and government policy which restricts the movement of money outside our borders. The remitter however, solely decides on the financial service provider to use to send money home as they incur the transaction costs.

"The sender is the one who determines which method to use to send money home; basically they opt for what's cheaper for them as they meet the costs." (Urban, Low Income)

The most common formal financial service providers used are MoneyGram, Western Union and Mukuru.com. According to most respondents these are the only readily accessible methods which have unquestionably stood the test of time.

"I receive from my cousin in India using Western union or money gram. It is more convenient to them that side. I also get from the agent here so it's convenient for the both of us. They pay for the charges so I get my clean money. So far I haven't met any challenges yet. I don't have to pay anything." (Urban, Low Income)

However, informal methods such as the use of buses, popularly known as 'bus.com' is mostly preferred by respondents receiving money from neighboring African countries such as South Africa, Bo**tswana, Zambia and Tanzania.** There is also another phenomenon called 'omalayitshas' who are professional carriers who transport goods between Zimbabwe and neighboring areas for a fee, usually a percentage of the value of the goods being transported. Nevertheless, the respondents cited risks associated with the use of bus drivers and these 'omalayitshas', such as not receiving any compensation for goods or money lost in transit either as a result of an accident or theft. This method is mainly popular with the low income earners as the charges are relatively lower than those of other methods, although the risks involved are ever present to them.

5.2 Informal Financial Service Providers

5.2.1 Savings Clubs

Most respondents in the informal sector are members of savings clubs, usually made up of a group of friends, community members or relatives. These savings clubs offer services such as saving and borrowing money at very low interest rates with flexible payment plans. These savings clubs are mainly prevalent amongst low income earners, although not peculiar to middle income earners as well.

"I joined a savings club 'round' where we contribute USD 50 a month and should any member want to borrow the money they do so and pay it back with 10 percent interest." (Urban, Low Income)

These savings clubs are also proving to be popular in rural areas. For instance, the community members noted that Howard Savings Club encourages saving through 'rounds' and offer credit to community members at reasonable interest rates compared to money lenders that charge high interest rates.

"We do not have banks as such but we have a club called Howard savings club where we keep our money as we are allowed to borrow and return the money to the club." (Rural, Low Income, Females)

5.2.2 Money Lenders

Many participants have resorted to the informal sector for loans leading to the mushrooming of illegal money lenders dominant in the communities.

"I borrow from loan sharks every term for school fees because the money for fees is never enough. One good thing about loan sharks is that when you borrow USD 4000 you get USD 4000 unlike banks that deduct some insurance money and you end up getting lesser than what you would have applied for". (Urban, Middle Income)

In Chiweshe informal credit is not only provided by individual loan sharks but also by seasonal moneylenders. Seasonal moneylenders comprise of businessmen from neighboring communities who come together and lend money to tobacco farmers or people with stable income, such as civil servants who have the capacity and potential to service their loans.

"We have a group of businessmen that offer credit to people running projects; recently I heard that they offered credit to Tobacco farmers with a payback period of 3-4months. However, they just don't lend to anyone, they borrow people with stable financial incomes." (Rural, Low Income, Males)

However, moneylenders are well known among the vast majority of the respondents for charging high interest rates and attaching property as collateral. In cases where the borrower defaults, moneylenders tend use forceful measures to recover their money may dispose of the property advanced as collateral.

6. The Role of Technologies and New Service Providers (Telecoms)

According to a recent Gallup report, nearly two-thirds of homes in 23 sub-Saharan African countries had at least one mobile phone in 2013, but when it comes to growth in device ownership, Zimbabwe is number one. The report goes on to say that eighty percent of Zimbabwean homes had mobile devices in 2013 – with nine percent annual growth since 2008, when 26 percent of homes had mobile phones. But mobile ownership is not equally distributed. Mobile phones are most common in urban households. In 2013, 80 percent of urban households had at least one mobile phone, as compared with 63 percent of rural households.

Unsurprisingly, mobile phones are therefore the most used communication device amongst the respondents from both low and middle income segments in the urban areas. The rapid adoption of technology is redefining the way people communicate, especially the young and technologically savvy in urban areas. This has seen an overall growth in mobile penetration and usage despite the country's massive unemployment levels and low incomes.

Mobile phones penetration rates in the rural area of Chiweshe are also on the rise. This increase in mobile phone usage in Chiweshe community has been precipitated by the affordable SIM cards and cheap Chinese phones which have unquestionably flooded the market. Most rural community members use their mobile phones for text messages and calls to communicate with friends and relatives as their phones do not have the WhatsApp application and have no internet access. In contrast, urban respondents hardly use text messages as a means to communicate but resort to WhatsApp as most of them possess handsets that are compatible with that application which is deemed cheaper than the traditional text messages.

However, the mobile phone is no longer merely used as a communication tool by both communities as it has now become a means and mode for financial transactions through EcoCash and Telecash, mobile money based applications. Most urban respondents prefer using mobile money transfer to pay their bills because of the convenience it offers and the quick service thereof. Mobile payments are considered to be very safe as there is no need to carry cash around. However, the only setback encountered is that of network disruptions which may cause delays in making payments.

"Since we have access to phones, we received messages from Econet and Telecel, notifying us about EcoCash and Telecash and we registered using our phones." (Rural, Low Income, Males)

The subsequent ballooning of mobile phone density has seen the mobile phone-based services, EcoCash and Telecash, outpacing the traditional banking system while embracing multitudes of grassroots people formally considered as un-bankable. Mobile phone financial service providers are conveniently located closer to respondent's residences making their services easily accessible.

"Mobile money is the only thing that is functional right now that is easy, that you can access anywhere and anytime." (Urban, Low Income)

More so, the generous registration requirements that only entail a national ID card, a handset and a registered SIM card has resulted in most respondents adopting mobile banking. This is in contrast to banks which have stringent vetting and numerous prerequisites, such as proof of residence, pay slip, minimum USD 50 deposit, etc. for one's application to open a bank account to be considered.

"For EcoCash or Telecash you don't need money to register unlike when opening a bank account where they need proof of residence which some of the guys do not have because they are not property owners. The banks will also need you to have USD 150-USD 200 depending on the bank you are going towards, even up to USD500. But if I have got that USD 500 in my EcoCash wallet, I could transact with my friends and for me opening that bank account after giving them that much, I can't even access my money and after bank charges they tell me I owe them money." (Urban, Low Income)

Mobile banking has been embraced by most respondents from across the low and middle income divide in the urban areas as it is viewed as more convenient than banks that are characterized by long queues and non-flexible working hours. Using financial services such as EcoCash, respondents have the convenience of receiving and sending money, transferring money from bank account to pay bills and accessing a wide range of services at given rates, which can be cheaper or higher than those charged by banks depending on sums involved.

In Chiweshe rural area, mobile banking services still only apply to a selected few who actually have the cash to transact. Most of the community members only registered as members but are yet to make use of the services. There is, therefore, no savings to talk about in rural areas and, the few times that transactions are made, this is mainly when they occasionally withdraw money from family members based in the urban areas.

"I don't have enough money to deposit in the bank, in some cases I get like USD 20 so it's pointless for me to deposit it when I know there is no food at home, so my bank is my pocket through EcoCash." (Rural, Low Income, Males)

7. Consumers' experience with financial service providers

There is little or no awareness amongst respondents with regards to existing systems of redress in the event of a financial service provider conflict. Only very few respondents indicated that that they experienced a conflict with a financial service provider. In terms of actions taken in the event of a dispute most respondents did not lodge a complaint within and outside financial institutions, as they were not aware of internal channels to take redress or any government agencies they can approach for help.

"I have never bothered." "Are such organizations even there?" "We don't even know about them." (Urban, Low Income)

The situation is even worse in rural areas where there is virtually no knowledge of systems of redress. Due to their ignorance, most rural respondents professed that they are powerless against financial institutions, both formal and informal, which seem to be better enlightened, hence are at their mercy.

Almost all respondents lamented how they had personally or indirectly lost their savings in banks when the changeover from local Zimbabwe Dollars to USD was made and how the government had not made any effort to compensate them for this loss. Participants also expressed their disgruntlement in the EcoLife service which abruptly became dysfunctional leaving thousands of people helpless, stranded and feeling cheated. Events likes these stoked the belief that there is no institution in this country that consumers can turn to for redress in matters where they are prejudiced financially.

"I had an account at Royal Bank then it was affected by RBZ policies, up to now we haven't been refunded our money, they just told us that they were waiting to go to court and if they get a go ahead to reopen, they will give us our money back, but besides that we didn't get anything." (Urban, Middle Income)

"I joined EcoLife, but up to now I don't understand what happened to it, I was never refunded…It is so painful..." (Urban, Low Income)

ANNEX IV ABBREVIATIONS OF LAWS AND REGULATIONS

NOTE: The following table contains a list of the principal laws, regulations, codes and guidelines considered for the purposes of the CPFL Review.

Access to Information and Protection of Privacy Act	Access to Information and Protection of Privacy Act No. 5 of 2002 (Chapter 10:27)
Advertisements Regulation Act	Advertisements Regulation Act No. 6 of 1929 (Chapter 14:01)
Arbitration Act	Arbitration Act No. 6 of 1996 (Chapter 7:15)
AM Act	Asset Management Act No. 15 of 2004 (Chapter 24:26)
Banking Act	Banking Act No. 9 of 1999 (Chapter 24:20)
Banking Regulations	Banking Regulations, 2000
AML Act	Bank Use Promotion and Suppression of Money Laundering Act No. 16 of 2004 (Chapter 24:24)
Bills of Exchange Act	Bills of Exchange Act No. 23 of 1895 (Chapter 14:02)
BSA	Building Societies Act No. 20 of 1965 (Chapter 24:02)
CIS Act	Collective Investment Scheme Act No. 25 of 1997 (Chapter 24:19)
Competition Act	Competition Act No. 7 of 1996 (Chapter 14:28)
Consumer Contracts Act	Consumer Contracts Act No. 6 of 1994 (Chapter 8:03)
Contractual Penalties Act	Contractual Penalties Act No. 13 of 1992 (Chapter 8:04)
Consumer Protection Draft Bill	Consumer Protection Draft Bill, 2014
COOPA	Co-operative Societies Act No. 6 of 1990 (Chapter 24:05)
DPC Act	Deposit Protection Corporation Act No. 7 of 2011 (Chapter 24:29)
Draft Rules	Draft Securities Rules
Insolvency Act	Insolvency Act No. 13 of 1973 (Chapter 6:04)
Insurance Act	Insurance Act No. 22 of 2001 (Chapter 24:07)
IPEC Act	Insurance and Pensions Commission Act No.7 of 2000 (Chapter 24:21)
Magistrates Court Act	Magistrates Court Act (Chapter 7:10)
MFA	Microfinance Act No. 3 of 2013 (Chapter 24:29)
MPS 2013	Monetary Policy Statement issued 31 January 2013
MPS January 2014	Monetary Policy Statement issued January 2014
MPS July 2014	Monetary Policy Statement issued July 2014
Moneylending Act	Moneylending and Rates of Interest Act No. 22 of 2002 (Chapter 14:14)
NPS Act	National Payment Systems Act No. 21 of 2001 (Chapter 24:23)

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NPS Directive	Reserve Bank of Zimbabwe National Payments System Directive No. 01 of 2014
POSB Act	People's Own Savings Bank of Zimbabwe Act No. 18 of 1999 (Chapter 24:22)
PPF Act	Pension and Provident Funds Act No. 20 of 1976 (Chapter 24:09)
PPF Regulations	Pension and Provident Fund Regulations, 1991
Telecommunications Act	Postal and Telecommunications Act No. 4 of 2000 (Chapter 12:05)
RBZ Act	Reserve Bank of Zimbabwe Act No. 5 of 1999 (Chapter 22:15)
Electronic Payments Guidelines	Reserve Bank of Zimbabwe Electronic Payment Systems Guideline for Zimbabwe Retail Payment Streams
RBZ Additional Payments System Requirements	Reserve Bank of Zimbabwe Minimum Requirements for a Retail Service Payments Systems
SE Act	Securities and Exchange Act No. 17 of 2004 (Chapter 24:25)
SME Act	Small and Medium Enterprises Act No. 16 of 1983 (Chapter 24:12)
Small Claim Court Act	Small Claims Court Act No. 20 of 1992 (Chapter 7:12)
SI 100 of 2010	Statutory Instrument 100 of 2010, Securities (Registration, Licensing, and Corporate Governance) Rules, 2010
SI 172 of 1998	The Statutory Instrument 172 of 1998, Collective Investment Schemes (Internal Schemes) Regulations, 1998
ZSE Act	Zimbabwe Stock Exchange Act No. 27 of 1973 (Chapter 24:18)
ZSE Member Rules	Zimbabwe Stock Exchange Membership Rules