



BANK SUPERVISION DIVISION

**MINIMUM LICENSING REQUIREMENTS FOR
CREDIT-ONLY MICROFINANCE INSTITUTIONS**

June 2018

A. LEGAL FORM

1. Completed Application Form accompanied by proof of payment of a registration fee of **US\$300.00** into the Reserve Bank Account: **PL52041** through a cash deposit in the Reserve Bank banking halls, or via an RTGS transfer.
2. Foreign applicants may deposit or transfer the amount into the Reserve Bank Account detailed below:

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

3. Certified copies of Certificate of Incorporation, Memorandum and Articles of Association with lending as one of the objects.
4. Only names that are registered with the Registrar of Companies shall be used. No **“trading as”** names shall be accepted.
5. No applications will be accepted from Partnerships.
6. NGOs and Trusts should register separate companies to conduct microfinance business, with own board of directors and management.
7. No applications will be accepted from companies limited by guarantee. Such companies should convert to share capital companies prior to seeking registration as microfinance institutions.
8. Microfinance companies should operate from formal business premises. They are not allowed to operate from premises that are also used for residential purposes. Lease agreements should be submitted for the head office and all branches.

B. OWNERSHIP

1. Shareholding Limits:
 - a) Individuals - effective shareholding maximum limit of 50%.
 - b) Corporate shareholders - effective shareholding maximum limit of 100%, subject to the individual shareholding limit.
2. Source of Capital - The applicant company's shareholders should disclose their source of capital resources invested in the microfinance business.
3. All shareholders should be of good standing without insolvency, civil, or criminal convictions.
4. Individual shareholders (with at least 5% shareholding), should submit
 - a) Certified copy of ID;
 - b) Original copy of Affidavit (see Appendix A) obtained in the last six months;
 - c) Original copy of Tax Clearance Certificate obtained in the last six months;
 - d) Original copy of Police Clearance Certificate obtained in the last six months; and
 - e) Networth Statement.
5. Corporate Shareholders (with a minimum of 5% shareholding) should submit copies of audited Financial Statements for the past **two (2) years**, Certificate of Incorporation, Memorandum & Articles of Association, **their ultimate and effective** shareholding structure and Tax Clearance certificates.
6. Where shares are held by unnatural persons, shareholders should submit an **Affidavit** declaring the details of ultimate beneficial shareholders, which should include names of institutional shareholders, the full names of natural persons who are beneficial owners of shares in the institutional entity and their respective percentage shareholding.

7. Where the applicant microfinance company is a member of a Group of Companies, a Group Corporate Structure showing all the associate companies should be submitted.

Foreign Shareholders...

8. Every foreign shareholder intending to invest in **an existing credit-only microfinance institution** is required to submit a separate application to the Exchange Control Division at the Reserve Bank of Zimbabwe.
9. Every foreign shareholder investing in a **greenfield investment** is required to submit a separate application for an Investment Certificate to the Zimbabwe Investment Authority on the following address:

Zimbabwe Investment Authority
Investment House 109, Rotten Row, P.O. Box 5950,
Harare, Zimbabwe
Tel: +263 4 757931-6, +263 4 759911-5, +263 4 780140-5
Email: info@zia.co.zw
<http://www.zia.co.zw>

C. CAPITAL REQUIREMENTS

1. Paid-up equity share capital of at least **US\$20 000.00**, with proof of the capital being registered with the Registrar of Companies which will be increased to **\$50,000,00 by 31 December 2020**.
2. In line with international best practice, the eligible capital components for minimum capital purposes are:
 - a. Issued ordinary share capital;
 - b. Share premium;
 - c. Irredeemable and Non-Cumulative Preference Shares;
 - d. Retained Profits; and
 - e. Current year retained earnings.

3. For greenfield applications there should be proof of cash injection and of registration of the capital with the Registrar of Companies, in the form of copies of Forms CR 5, CR11 (where capital has been increased), CR 2 and receipt for payment of stamp duty. Proof of availability of capital funds in the form of a bank statement in the name of the proposed institution.
4. Proof of the sources of the funds;
5. For operating entities
 - a. Balance sheet capital figure should be in excess of US\$20 000.00. The institutions should also indicate the availability of working capital;
 - b. Copies of Forms CR 5 & CR 11 and receipt from Registrar of Companies should be submitted as proof of increase in nominal (authorised) share capital, where applicable; and
 - c. A recent bank statement covering the past three months should be submitted. Where the applicant is a greenfield project, a bank statement in the name of the applying company should be submitted.

D. CORPORATE GOVERNANCE

1. Board of Directors, should have a minimum of five (5) members. At least three-fifths of the members should be non-executive directors.
2. The Board of Directors should consist of suitably qualified members with a balance of skills including experience in the financial services sector.
3. The chairperson of the company should be a non-executive director.
4. There should be a board committee system to facilitate effective oversight of the business. The committees should include Credit & Risk Committee and Audit Committee with their respective Terms of Reference. Each board committee shall have a minimum of three (3) members.

5. An organizational structure which meets generally accepted principles of good corporate governance should be submitted.
6. A tax clearance certificate for the applying credit-only microfinance company should also be submitted.

E. MANAGEMENT

7. The Chief Executive Officer should be a full-time employee of the microfinance company. Part-time Chief Executive Officers are not allowed.
8. Directors and senior management should have sufficient and relevant academic qualifications (at least a diploma) and relevant professional experience.
9. Members of board of directors and Senior managers should submit:
 - a) Certified copy of ID;
 - b) Detailed copy of CV;
 - c) Original copy of Affidavit (see Appendix A) obtained in the last six months;
 - d) Original copy of Tax Clearance Certificate obtained in the last six months;
 - e) Original copy of Police Clearance Certificate obtained in the last six months; and
 - f) Networth Statement.
10. **All vetting documents being submitted from any other jurisdiction outside Zimbabwe will need to be notarized and authenticated by a duly registered Notary Public.**
11. If the services of a Bookkeeper are being outsourced, a detailed CV and letter of acknowledgement from the appointed bookkeeper should be attached.
12. Where a credit-only microfinance institution intends to employ a foreigner, they should submit a separate application for an Employment Permit with the Department of Immigration on the following address:

The Principal Director, Department of Immigration, 1st Floor,
Linguenda House, Cnr. First Street/Nelson Mandela Avenue, P Bag
7717, Causeway. HARARE. ZIMBABWE.

Telephone: 263 - 4- 242791913/8.

F. CONTENTS OF BUSINESS PLAN OF THE MICROFINANCE INSTITUTION

Identifying information:

- a) Name and location of the applicant microfinance institution. This should include physical addresses of all branches.
- b) A brief background of the institution, board members and senior managers of the microfinance institution.

Market analysis:

- a) Identification of the market(s) to be served by the applicant microfinance institution.
- b) Description of the economic characteristics of the identified markets including anticipated changes in the market, factors influencing such changes and possible effects on the applicant;
- c) Description of developmental value of the applicant microfinance institution.

Business strategy and objectives:

- a) Brief description of the products and services to be offered by the applicant,
- b) Discussion of the major strategies to be implemented by the company to enable it to achieve its objectives.

Financial Performance

Historical financial statements for the previous two years (if company has been operational) should be submitted, together with the following;

- a) A projected annual balance sheet for the next two years of operation;
- b) A projected annual income statement (profit and loss account) for two years of operation;
- c) A projected cash flow statement for two years of operation.
- d) Assumptions on variables considered to be of importance to the institution's operations. These assumptions should include the following:
 - i. Inflation rates
 - ii. Market Interest rates
 - iii. Institution's projected lending rates
 - iv. Bad Debts ratio
 - v. Economic growth

Other requirements in the business plan

- a) Credit or Operational Policy and Procedure Manuals (incorporating adequate guidance to employees on procedures to be followed to ensure compliance with the microfinance Core Client Protection Principles).
- b) Information pertaining to minimum and maximum loan sizes per corporate or individual borrower and maximum loan maturity period,
- c) Breakdown of charges i.e. interest rates, administrative costs, any other charges, and the justification of the charges. The effective interest rate (monthly interest rate and all other charges) should not exceed 10% per month

- d) Comprehensive Complaints Procedure Manual (after licensing it has to be kept visible to the clients).
- e) All complaints should be logged in a complaints register and the resolution process should be documented.
- f) Copies of the Lease Agreements for business premises (head office and branches, if any).
- g) Names of the external auditors and legal advisors,
- h) Name of the MFI's Debt Collectors (where applicable). A copy of their license/certificate should be attached.
- i) Submission of a copy of the Loan Agreement which the institution intends to use. The Loan Agreement must comply with Reserve Bank Circular to microfinance institutions dated 4 June 2012 which is available on the Reserve Bank website.
- j) Submission of the strategies the institution has put in place to comply on an ongoing basis with the microfinance Core Client Protection Principles.
- k) Submission of all charges (itemised) including the interest rates and the appropriate justification thereof.

Promoters should note that any falsification and misrepresentation of facts would not only lead to denial of the applied licence but also to the blacklisting of the offending individuals.

APPENDIX A

AFFIDAVIT OF FITNESS AND PROBITY

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

1. [insert declarations as to directorships in other companies];
2. [insert declarations as to shareholding in other companies (including shareholding in a related subsidiary, whether held directly or indirectly through other interests)];
3. [insert declarations as to whether you have the appropriate qualification and experience to effectively fulfil the role and responsibilities of the position and attach *curriculum vitae*];
4. [insert declarations as to whether you are assuming concurrent responsibilities and how you will manage conflict of interest and ability to discharge your duties];
5. [insert declarations as to whether you are or have been the subject of any proceedings of a disciplinary or criminal nature, or have been notified of any impending proceedings or of any investigations, which might lead to such proceedings];
6. [insert declarations as to whether you are or have been the subject of civil or financial crime within the last five (5) years or enforcement action, in relation to the management of an entity, or commercial or professional activities, which were determined adversely against you (including consenting to an order or direction, or giving an undertaking, not to engage in unlawful or improper conduct)];
7. [insert declarations as to whether you have faced criminal convictions or served sentences and whether you have been granted free pardons, whether in Zimbabwe or any other country];

8. [insert declarations as to whether you have contravened any provision made by or under any written law designed to protect members of the public against financial loss due to dishonesty, incompetence or malpractice];
9. [insert declarations as to whether you have contravened any of the requirements and standards of a regulatory body, professional body, government or its agencies];
- 10.[insert declarations as to whether you or any business in which you have a controlling interest or exercises significant influence, has been investigated, disciplined, suspended or reprimanded by a regulatory or professional body, a court or tribunal, whether publicly or privately];
11. [insert declarations as to whether you have been engaged in any business practices in a negligent, deceitful, oppressive or otherwise improper (whether unlawful or not), or otherwise discreditable business or professional practices];
- 12.[insert declarations as to whether you have been associated, in ownership or management capacity, with a company, partnership or other business association that has been refused registration, authorisation, membership or a licence to conduct any trade, business or profession, or has had that registration, authorisation, membership or licence revoked, withdrawn or terminated];
- 13.[insert declarations as to whether you have made any arrangements or composition with your creditors, filed for bankruptcy, been adjudged bankrupt, had assets sequestrated, or been involved in proceedings relating to any of these];
- 14.[insert declarations as to whether you have held a position of responsibility in the management of a business that has gone into insolvency, or liquidation while you were connected with that business and whether you contributed to receivership, insolvency, or liquidation];
- 15.[insert declarations as to whether you have been a director of, or directly concerned in the management of, any institution which is being or has been wound up by a court or other authority competent to do so, or of any regulated

entity, the licence of which has been revoked under any written law and whether you contributed to the winding up];

16.[insert declarations as to whether you have non-performing loans with any banking institution, building society, microfinance institution or other lending institution in Zimbabwe or outside Zimbabwe];

17.[insert declarations as to whether you have any judgement debts in Zimbabwe or outside Zimbabwe or bad debts with retailers, utility companies or any other credit service provider in Zimbabwe or outside Zimbabwe]; and

18.[Insert declarations as to whether you are free from any business or other relationship which could materially pose a conflict of interest in discharging your duties as an appointed person within the institution].

SWORN TO AT THIS DAY OF [YEAR]

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

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

BEFORE ME:
[COMMISSIONER OF OATHS]

THIS DAY OF [YEAR]