

**RESERVE BANK OF ZIMBABWE**



**BANK LICENSING, SUPERVISION & SURVEILLANCE**

**Guideline No. 01-2007/BSD**

**MINIMUM DISCLOSURE REQUIREMENTS FOR FINANCIAL  
INSTITUTIONS**

## TABLE OF CONTENTS

	Page No.
PREFACE .....	2
1. INTRODUCTION.....	3
2. QUALITATIVE CHARACTERISTICS OF FINANCIAL STATEMENTS .....	4
3. DISCLOSURE POLICY.....	7
4. NATURE AND FREQUENCY OF DISCLOSURES.....	8
5. PRIOR APPROVAL OF FINANCIAL STATEMENTS.....	9
6. FINANCIAL STATEMENT DISCLOSURES .....	10
6.1 Minimum Requirements .....	10
6.2 Balance Sheet.....	12
6.3 Income Statement.....	15
6.4 Statement of Changes in Equity .....	17
6.5 Cash flow Statement.....	18
6.6 Maturity Profile of Assets & Liabilities .....	18
7. SCHEDULES .....	19
7.1 FIRST SCHEDULE: CAPITAL ADEQUACY .....	19
7.2 SECOND SCHEDULE: CREDIT EXPOSURES.....	22
7.3 THIRD SCHEDULE: EXPOSURES TO MARKET RISK .....	25
7.4 FOURTH SCHEDULE: OPERATIONAL RISK.....	28
7.5 FIFTH SCHEDULE: SECURITISATION ACTIVITIES .....	29
7.6 SIXTH SCHEDULE: EQUITY EXPOSURES IN THE BANKING BOOK .....	31
7.7 SEVENTH SCHEDULE: INTEREST RATE RISK IN THE BANKING BOOK ...	33
8. CORPORATE GOVERNANCE INFORMATION.....	34
9. COMPLIANCE DISCLOSURES.....	35
10. IMPLEMENTATION OF THE GUIDELINE .....	35
11. EFFECTIVE DATE.....	36

## PREFACE

### **i. Short Title**

Disclosure Requirements for Financial Institutions

### **ii. Scope of Application**

This Guideline applies to all banking institutions, non-bank financial institutions that are licensed and/or supervised by the Reserve Bank as well as to the bank holding companies. Wherever the term “bank(s)” or “banking institution(s)” is used in the Guideline, it shall also be read to include non-bank financial institutions that are licensed and/or supervised by the Reserve Bank, including bank holding companies.

## **INTRODUCTION**

- 1.1 As part of its ongoing efforts to promote financial stability and enhance market discipline, the Reserve Bank has developed a set of minimum financial disclosure requirements for banking institutions. Need to incorporate Basel II requirements in terms of disclosure. It is widely recognized that mandatory disclosure of material information plays a critical role in enhancing market discipline in the financial system. Provision of adequate information also promotes informed decision making.
- 1.2 The objective of the guideline is to encourage banks to provide stakeholders with the information they need as well as informing them about the bank's exposures to risk in order to make meaningful assessments of a bank's risk profile. Well-informed investors, depositors, creditors and other financial counterparties can provide a bank with strong incentives to maintain sound corporate governance arrangements, risk management systems and internal controls and to conduct its business in a prudent manner.
- 1.3 This Guideline is also a component of the Reserve Bank's ongoing efforts to promote adequate transparency in financial institutions. Transparency strengthens confidence in the banking system by reducing information asymmetry between banks and their clients. The Reserve Bank considers transparency of bank's activities and the risks inherent in those activities to be a key element of an effectively supervised, safe and sound banking system.

## **QUALITATIVE CHARACTERISTICS OF FINANCIAL STATEMENTS**

2.1 These are the attributes that make the information in financial statements useful to investors, creditors, and other users. There are four principal qualitative characteristics:

- Understandability
- Relevance
- Reliability
- Comparability

### **Understandability...**

2.2 Information should be presented in a way that is readily understandable by users who have a reasonable knowledge of business and economic activities and accounting and who are willing to study the information diligently.

### **Relevance...**

2.3 Information in financial statements is relevant when it influences the economic decisions of users. It can do that both by helping them evaluate past, present, or future events relating to an enterprise and by confirming or correcting past evaluations they have made.

2.4 Materiality is a component of relevance. Information is material if its omission or misstatement could influence the economic decisions of users.

2.5 Timeliness is another component of relevance. To be useful, information must be provided to users within the time period in which it is most likely to bear on their decisions.

### **Reliability...**

2.6 Information in financial statements is reliable if it is free from material error and bias and can be depended upon by users to represent events and transactions faithfully. Information is not reliable when it is purposely designed to influence users' decisions in a particular direction.

2.7 There is sometimes a trade-off between relevance and reliability - and judgement is required to provide the appropriate balance.

2.8 Reliability is affected by the use of estimates and by uncertainties associated with items recognised and measured in financial statements. These uncertainties are dealt with, in part, by disclosure and, in part, by exercising prudence in preparing financial statements.

2.9 Prudence is the inclusion of a degree of caution in the exercise of the judgements needed in making the estimates required under conditions of uncertainty, such that assets or income are not overstated and liabilities or expenses are not understated.

2.10 However, prudence can only be exercised within the context of the other qualitative characteristics, particularly relevance and the faithful representation of transactions in financial statements.

2.11 Prudence does not justify deliberate overstatement of liabilities or expenses or deliberate understatement of assets or income,

because the financial statements would not be neutral and, therefore, not have the quality of reliability.

### **Comparability...**

2.12 Users must be able to compare the financial statements of an enterprise over time so that they can identify trends in its financial position and performance. Users must also be able to compare the financial statements of different institutions. Disclosure of accounting policies is essential for comparability.

## **DISCLOSURE POLICY**

- 3.1 Every banking institution shall develop and maintain a formal disclosure policy, approved by its board of directors, which should meet the minimum disclosure requirements in this guideline.
- 3.2 The policy should provide details of the disclosure areas and the nature of disclosures that the bank will make. The disclosure areas should include financial statements, policies, procedures, risk management systems and corporate governance arrangements.
- 3.3 An internal process for assessing the appropriateness of disclosures as well as internal controls over the disclosure process should be implemented at every bank. The disclosure policy should provide for board and/or senior management oversight on the information to be published. Management should be mandated to ensure that the information for publication is verified for accuracy before dissemination.
- 3.4 The Reserve Bank recognises that each banking institution's specific disclosures will vary in scope and content according to its size and nature of activities. The disclosure policy should specify the disclosures that are relevant for the bank based on materiality. All banking institutions are expected to provide sufficient, timely and detailed information that allows stakeholders to make meaningful assessment of the bank's financial condition and performance, business activities, risk profile, risk management practices, corporate governance and compliance programmes.

## **NATURE AND FREQUENCY OF DISCLOSURES**

- 4.1 Every banking institution shall report on a half-yearly (interim) and year-end basis on its financial position in at least two widely circulated national newspapers not later than 60 days after the end of the interim period and audited results not later than 90 days after year end.
- 4.2 A banking institution that is part of a banking group is required to report both group-wide consolidated financial statements as well as the financial statements for the banking entities on a stand-alone basis.

## **PRIOR APPROVAL OF FINANCIAL STATEMENTS**

- 5.1 No financial statements shall be published without the Reserve Bank's prior written approval.
- 5.2 Every banking institution shall submit to the Reserve Bank the complete sets of their financial statements and reports at least seven working days prior to the proposed publication date.
- 5.3 Every banking institution shall submit to the Reserve Bank a certificate on the integrity and soundness of its Information and Communication Technology systems (ICT), issued by a competent auditing firm, accompanying its financial statements, as a precondition for obtaining authority to publish their year end financial statements.
- 5.4 It is the responsibility of the board and senior management of a banking institution to ensure that all disclosures are accurate and are made in a timely manner.
- 5.5 Any contraventions to the disclosure requirements shall be dealt with in accordance the Banking Act and other applicable legislation.

# FINANCIAL STATEMENT DISCLOSURES

## ***Minimum Requirements***

The following broad areas constitute the minimum disclosures that shall be covered by every banking institution when reporting its half-year and year-end results:

- a) chairman's statement;
- b) auditors' report
- c) directors' report
- d) financial statements:
  - balance sheet;
  - income statement;
  - statement of changes in equity showing either:
  - cash flow statement;
  - maturity profile of assets and liabilities
- e) notes, comprising a summary of significant accounting policies and other explanatory notes.
- f) capital adequacy and solvency position;
- g) risk management systems, strategies and practices covering all material risks to which the institution is exposed including:
  - credit risk;
  - market risk;
  - operational risk;
  - strategic risk;
  - liquidity risk;
  - legal and compliance risk;
  - reputational risks.

- i. corporate structure and management structure;
- ii. any significant developments of corporate governance; and
- iii. issues pertaining to compliance or non-compliance with the Banking Act, Regulations, Guidelines and other applicable laws.

Banking institutions that are part of a banking group shall provide a description of the entities within the group. The financial disclosures should indicate which entities are:

- a) fully consolidated;
- b) prorata consolidated;
- c) given a deduction treatment.

In addition, banking group disclosures should show the entities from which surplus capital is recognised and those that are neither consolidated nor deducted e.g. where the investment is risk-weighted.

For each class of financial assets and financial liabilities, an entity shall disclose the fair value of that class of assets and liabilities in a way that permits it to be compared with the corresponding carrying amount in the balance sheet. Disclosure of fair value information shall include disclosure of the method used in determining fair value and the significant assumptions made in its application.

In addition to the general disclosure requirements outlined above, the following specific disclosures should be made in the financial statements.

### ***Balance Sheet***

Every banking institution shall present a balance sheet that groups assets and liabilities by nature and list them in an order that reflects their relative liquidity.

The content of the balance sheet should conform to the requirements of International Financial Reporting Standards.

The balance sheet for banking institutions shall be presented in columnar form separating the banking book and trading book assets and liabilities.

The following minimum disclosures shall be made in the balance sheet and/or accompanying notes:

#### **Assets:**

- (a) Cash and balances with Reserve Bank
- (b) Balances with local banks
- (c) Balances with foreign banks
- (d) Treasury Bills
- (e) Investments in government securities
- (f) Placements with banking institutions
- (g) Loans and advances to customers
- (h) Investments in subsidiaries and associates
- (i) Other investments
- (j) Property and equipment
- (k) Other assets
- (l) Contingent assets

#### **Equity & Liabilities:**

- (a) Due to other banks

- (b) Customer deposits
- (c) Promissory notes
- (d) Financial liabilities held for trading
- (e) Other liabilities
- (f) Deferred taxation
- (g) Provision for taxation
- (h) Shareholder's loan
- (i) Contingent liabilities

**Equity:**

- (j) Share capital
- (k) Preference shares
- (l) Capital reserves
- (m) (Accumulated loss)/ Revenue reserves
- (n) Minority interest

The bank should provide a comment for contingent liabilities and commitments indicating:

- (a) the nature and amount of commitments to extend credit that are irrevocable;
- (b) the nature and amount of contingent liabilities and commitments arising from off-balance sheet items including those relating to:
- (c) direct credit substitutes including general guarantees of indebtedness, bank acceptance guarantees and standby letters of credit serving as financial guarantees for loans and securities;

- (d) certain transaction-related contingent liabilities including performance bonds, bid bonds, warranties and standby letters of credit related to particular transactions;
- (e) short-term, self-liquidating, and trade-related contingent liabilities arising from the movement of goods, such as documentary credits, where the underlying shipment is used as security; and
- (f) other commitments, note issuance facilities and revolving underwriting facilities.

### ***Income Statement***

The income statement should group income and expenses by nature and disclose the amount of the principal types of income and expenses.

A banking institution should present the income statement in a columnar form separating the banking book and trading book income and expenses.

The scope and content of information in the income statement should comply with applicable International Financial Reporting Standards.

The following minimum disclosures shall be made in the income statements and/or the accompanying notes:

- (a) Interest and similar income
- (b) Interest expense and similar charges
- (c) Dividend income
- (d) Fee and commission income
- (e) Fees and commission expenses
- (f) Gains less losses arising from dealing securities
- (g) Gains less losses arising from investment securities
- (h) Gains less losses arising from dealing in foreign currencies
- (i) Other operating income
- (j) General administrative expenses
- (k) Other operating expenses
- (l) A single amount comprising the total of:
  - i. the post-tax profit or loss of discontinued operations;
  - ii. the post-tax gain or loss recognised on the re-measurement to fair value less costs to sell or on the disposal of the assets or disposal group(s) constituting the discontinued operations;

(m) Taxation

(n) Profit or loss to Minority Interest

Income and expense items shall not be offset except for those relating to hedges.

Banking institutions should provide comments discussing trends and levels of income and expenses.

### ***Statement of Changes in Equity***

The statement of changes in equity for banking institutions should show the following on the face of the statement:

- (a) profit or loss for the period;
- (b) each item of income and expense for the period that, as required by other Standards or by Interpretations, is recognised directly in equity, and the total of these items;
- (c) total income and expense for the period (calculated as the sum of (a) and (b)), showing separately the total amounts attributable to equity holders of the parent and to minority interest; and
- (d) for each component of equity, the effects of changes in accounting policies and corrections of errors recognised in accordance with IAS 8.

An entity shall also present, either on the face of the statement of changes in equity or in the notes:

- (a) the amounts of transactions with equity holders acting in their capacity as equity holders, showing separately distributions to equity holders;
- (b) the balance of retained earnings (i.e. accumulated profit or loss) at the beginning of the period and at the balance sheet date, and the changes during the period; and
- (c) a reconciliation between the carrying amount of each class of contributed equity and each reserve at the beginning and the end of the period, separately disclosing each change.

### ***Cash flow Statement***

The cash flow statement for banking institutions should have the following broad headings;

- a) Cash flow from Operating Activities
- b) Cash flows from Investing Activities
- c) Cash Flows from Financing Activities
- d) Net increase in cash and cash equivalents
- e) Cash and equivalents at beginning of period
- f) Effect of exchange rate changes on cash and equivalents
- g) Cash and equivalents at close of period

### ***Maturity Profile of Assets & Liabilities***

Every banking institution shall disclose, in the form of a maturity ladder, the assets and liabilities grouped into relevant maturity buckets based on the remaining period to maturity as at the reporting date.

To facilitate an evaluation of the bank's maturity mismatches, a detailed maturity or duration analysis of asset, liability and off-balance-sheet items indicating the net mismatch position and cumulative positions should be disclosed over the following time bands:

- a) less than 1 month;
- b) 1 to 3 months;
- c) 3 months to 6 months
- d) 6 months to 1 year
- e) 1 to 5 years; and
- f) over 5 years.

The disclosed information should include a discussion about concentrations of funding sources, indicators or ratios by which liquidity is measured, internal benchmarks, the monetary amount of credit facilities which represent a potential source of back-up funding, liquidity management processes, and contingency liquidity plans.

In order to provide users with a full understanding of the maturity profiles the disclosures should be accompanied by a discussion of the assumptions upon which it is based and the way in which a banking institution manages and controls the risks and exposures associated with different maturity and interest rate profiles. The maturity profile should mirror the true liquidity condition of the banking institution.

## **SCHEDULES**

### **FIRST SCHEDULE: CAPITAL ADEQUACY**

The information required to be disclosed pursuant this schedule shall include comparative figures for the previous corresponding period.

The disclosure statement shall contain the following information:

- a) The banking institutions' objectives and policies for managing capital as well as the extent of compliance with internal and regulatory capital standards;
- b) the terms and conditions of the main features of all capital instruments including hybrid capital instruments; and
- c) its assessment of available capital to support current and future activities.

Every banking institution shall report, in tabular form, the **amount** and **ratios** of Tier 1, Tier 2 and total capital, with separate disclosure of constituent components as follows:

**Core Capital: –**

- a) issued and fully paid up ordinary share capital,
- b) non-cumulative irredeemable preference share capital;
- c) capital reserves;
- d) current period's audited retained earnings
- e) Tier one minority interests

Less: Deductions from tier one capital (Specify each deduction)

Plus: other adjustments to tier one capital (specify each adjustment)

**Total core capital**

**Supplementary capital: –**

- a) unaudited retained profits
- b) cumulative irredeemable preference share capital;
- c) revaluation reserves;
- d) general provisions for doubtful debts;
- e) hybrid (debt/equity) capital instruments with maturity of five years or more; and
- f) subordinated debt.

**Total supplementary capital**

**Core capital plus supplementary capital**

Less: Deductions from total capital (specify each deduction)

Plus: other adjustments to total capital (specify each adjustment)

**Net capital base**

The disclosure statement shall contain, for each class of equity share capital, information on whether it is included in tier one capital or tier two capital and the material terms and conditions applying to that class including but not limited to:

- a) voting rights;
- b) redemption, conversion or capital repayment options/facilities and their relevant terms or conditions;
- c) terms or conditions of any predetermined dividend rate;
- d) provision for any variation or suspension of dividend payments;
- e) any maturity date; and
- f) any options granted or to be granted pursuant to any arrangement, the consideration given or to be given, the

expiry date for the exercise and the total number of shares subject to such option, and

g) the total of cumulative preferred dividends in arrears; and

In addition, every banking institution should disclose whether its capital requirements for:

- a) credit risk are subject to standardised, simplified standardised approach, or internal ratings-based approach;
- b) market risk are subject to the standardised or internal models approach; and
- c) operational risk are subject to basic indicator, standardised, or advanced measurement approach.

## **SECOND SCHEDULE: CREDIT EXPOSURES**

Every banking institution shall provide an overview of its credit risk taking philosophy and activities giving rise to credit risk.

The disclosure statement shall disclose the organisational structure of its risk management function, policy on limits including types of limits, and how they are established and reviewed.

Furthermore, for each separate credit risk area, banking institutions shall describe risk management objectives and policies, including:

- a) strategies and processes;
- b) the scope and nature of risk reporting and/or measurement systems;

- c) policies for hedging and/or mitigating risk and strategies and processes for monitoring the continuing effectiveness of hedges / mitigants.

The disclosure statement should state accounting policies with respect to credit risk, which should include:

- a) the definition of past due and impaired loans and advances;
- b) methods for determining specific and general provisions; and;
- c) the basis for writing off assets.

Where a bank uses credit scoring or portfolio credit risk management approaches, such as the Standardised Approach, Foundation Internal Ratings-Based Approach (IRB), and/or advanced Internal Ratings Based approaches, it should disclose:

- a) descriptive information about the type(s) of models, portfolio(s) covered and size of portfolio(s);
- b) quantitative and qualitative information about the credit risk measurement models used, including model parameters (e.g., holding period, observation period, confidence interval, etc.), performance over time, model validation and stress testing information

Every banking institution shall disclose, in tabular form, credit risk exposure amounts, past due and impaired loans, write-offs, recoveries as well as specific and general provisions by type of exposure to each economic sector, such as agriculture, commercial, mining, distribution,

construction, transport and communication. Further a banking institution shall disclose the aggregate amount included in the balance sheet for loans and advances on which interest is not being accrued.

Every banking institution shall disclose separately, in tabular form, all intra-group transactions and/or exposures to related parties, directors and shareholders indicating the gross limits, utilised amounts and maturity date.

Every banking institution shall disclose aggregate information about credit arrangements that have been restructured during the period. Such information should include the balance of the restructured loans, the magnitude of the restructuring activity, the impact of restructured credit arrangements on allowances and the present and future earnings, and the basic nature of concessions on all credit relationships that are restructured, including loans, derivatives and other on- and off-balance sheet activities.

Where a bank employs credit risk mitigation techniques it shall disclose information about the effect of the credit enhancements on counterparty credit exposures. This information should include the effect of legally enforceable bilateral and multilateral netting agreements. If the institution uses collateral, covenants, guarantees or credit insurance to reduce credit exposure the disclosure of such mitigation techniques should include:

- a) the nominal and/or market value of the mitigants.
- b) policies and processes for on- and off-balance sheet netting;
- c) policies for mitigant valuation and management; and

- d) information about (market or credit) risk concentrations within the mitigation taken.

### **THIRD SCHEDULE: EXPOSURES TO MARKET RISK**

Every banking institution shall provide an overview of its market risk taking philosophy, its activities, and the various risks arising from these activities. With respect to each activity, the disclosure statement should outline the extent to which it engages in proprietary or customer-driven activities.

Every banking institution should disclose the organisational structure of its risk management function, policy on limits including types of limits, and how they are established and reviewed.

The disclosure statement should describe the market risk management objectives and policies, including:

- a) strategies and processes;
- b) the scope and nature of risk reporting and/or measurement systems;
- c) policies for hedging and/or mitigating risk and strategies and processes for monitoring the continuing effectiveness of hedges / mitigants.

Every banking institution that engages in trading activities or that actively manages its marked-to-market portfolios should disclose measures of market risk in that activity.

Further, every institution should describe the portfolios that are covered by the standardised approach and /or internal models approach.

For portfolios that are covered by the standardised approach, banks should, where applicable, disclose and comment on the capital requirements for:

- a) interest rate risk;
- b) equity position risk;
- c) foreign exchange risk; and
- d) commodity risk.

For each portfolio covered by the internal models approach banks should disclose:

- a) the characteristics of the models used;
- b) a description of stress testing applied to the portfolio; and
- c) a description of the approach used for backtesting /validating the accuracy and consistency of the internal models and modelling processes.

Where applicable, the disclosure statement should indicate the aggregate Value at Risk (VaR) figures, which should be broken down by risk or asset classes.

In general, banking institutions should tabulate value-at-risk by risk category as indicated below:

Type of risk or activity	High	Median	Low	Period-end
Currency	-- --	-- --	-- --	-- --
Equity	-- --	-- --	-- --	-- --
Interest	-- --	-- --	-- --	-- --

Commodity	-- --	-- --	-- --	-- --
Diversification effect	-- --	-- --	-- --	-- --
Aggregate VaR	-- --	-- --	-- --	-- --

VaR should be estimated for both one-day and a two-week holding periods and reported in terms of high, median and low VaR values over the reporting period and at period-end;

In addition, to enable investors to assess the efficiency of their risk management, banks should provide information about risk and return, including a comparison of VaR estimates with actual gains/losses experienced by the bank. The comparison should be accompanied by qualitative discussion to help consumers in understanding it and an analysis of important “outliers” in backtest results.

The disclosures relating to market risk should apply to all relevant exposures to market risks that are actively managed (such as trading activity) on a marked-to-market and self contained basis. The market value of securities shall be stated if different from carrying amounts in the balance sheet.

In order not to give the impression that all trading book activities are included in the disclosures, banks should indicate which trading or mark-to-market activities are left out of their risk measurement methodology.

## **FOURTH SCHEDULE: OPERATIONAL RISK**

Every banking institution shall provide an overview of its risk taking philosophy, its activities, and the various risks arising from these activities. With respect to each activity, there should be disclosure on the extent to which it engages in proprietary or customer-driven activities.

For each type of risk, every banking institution shall disclose the organisational structure of its risk management function, policy on limits including types of limits, and how they are established and reviewed.

Furthermore, for each separate risk area (e.g. credit, market, operational, banking book interest rate risk, equity, legal) every banking institution shall describe its risk management objectives and policies, including:

strategies and processes;

the scope and nature of risk reporting and/or measurement systems;

policies for hedging and/or mitigating risk and strategies and processes for monitoring the continuing effectiveness of hedges / mitigants.

In addition to the general qualitative disclosure requirements with respect to operational risk, every banking institution shall disclose information about the main activities of such risk and should identify any specific problems considered to be individually significant.

Every banking institution shall disclose the approach for operational risk capital assessment that it applies.

Where a banking institution uses the Advanced Measurement Approaches (AMA), disclosures should include a discussion of relevant internal and external factors considered in the bank's measurement

approach. In the case of partial use, the scope and coverage of the different approaches used should be specified.

Furthermore, banks using the AMA should provide a description of the extent of use of insurance for the purpose of mitigating operational risk.

## **FIFTH SCHEDULE: SECURITISATION ACTIVITIES**

Every banking institution that undertakes securitisation of assets should disclose both qualitative and quantitative information about these activities.

The disclosure statement should state the extent to which these activities transfer credit risk of the underlying securitised exposures away from the bank to other entities; the amount and types of assets securitised and the amount of servicing retained.

Further, a banking institution involved in securitisation shall disclose the total outstanding exposures securitised broken down by exposure type into:

- a) traditional/synthetic;
- b) amount of impaired/past due assets securitised; and
- c) losses recognised by the bank during the current period.

The disclosure statement should state the aggregate amount of securitisation exposures retained or purchased, broken down by exposure type. For transactions where an institution has sold the asset(s) but retains responsibility for payment if the original borrower(s) or counterparty defaults or fails to fulfill other contractual or implied obligations the disclosures shall include summary information about the terms of recourse arrangements and the amount of assets sold and expected losses under such arrangements.

A banking institution involved in securitisation shall disclose the amount of risk or assets retained; details on subordinated interests retained (e.g. first loss protection); and general recourse provisions. If the bank has a continuing interest in securitised assets, the performance of those securitised assets should be disclosed.

A banking institution involved in securitisation shall include a discussion of roles it plays in the securitisation process and an indication of the extent of involvement in each of them; and the regulatory capital approaches (Ratings-Based Approach, Internal Assessment Approach, and Supervisory Formula Approach) that the bank follows for its securitisation activities.

A banking institution involved in securitization shall provide a summary of the accounting policies for securitisation activities, including:

- a) whether the transactions are treated as sales or financings;
- b) recognition of gain on sale;
- c) key assumptions for valuing retained interests, including any significant changes since the last reporting period and the impact of such changes; and
- d) treatment of synthetic securitisations if this is not covered by other accounting policies (e.g. on derivatives).

## **SIXTH SCHEDULE: EQUITY EXPOSURES IN THE BANKING BOOK**

Every banking institution shall provide an overview of the various risks arising from its equity exposures in the banking book. With respect to each activity, there should be disclosure on the extent to which it engages in proprietary or customer-driven activities.

The disclosure statement should state the policy on limits including types of limits, and how they are established and reviewed.

Furthermore, the banking institution should describe its risk management objectives and policies, including:

- a) strategies and processes;
- b) the scope and nature of risk reporting and/or measurement systems;
- c) policies for hedging and/or mitigating risk and strategies and processes for monitoring the continuing effectiveness of hedges / mitigants.

In addition, every banking institution with equity exposures shall disclose equity holdings on which capital gains are expected and those taken under other objectives including holdings for relationship and strategic reasons;

A banking institution shall disclose its policies covering the valuation and accounting of equity holdings in the banking book. This should include accounting techniques and valuation methodologies used, including key assumptions and practices affecting valuation as well as significant changes in these practices.

A banking institution with equity exposures shall provide both the balance sheet value of equity investments and the fair value of those investments.

Further, the disclosure statement should cover the types and nature of investments, including the amount that can be classified as:

- a) publicly traded; and
- b) privately held.

A banking institution with equity exposures shall also disclose the following:

- a) The cumulative realised gains (losses) arising from sales and liquidations in the reporting period.
- b) total unrealised gains (losses); and
- c) any amounts of the above included in Tier 1 and/or Tier 2 capital.

## **SEVENTH SCHEDULE: INTEREST RATE RISK IN THE BANKING BOOK**

Every banking institution shall provide an overview of its risk taking philosophy, its activities, and the extent to which it engages in proprietary or customer-driven activities.

The banking institution shall disclose the organisational structure of its risk management function, policy on limits including types of limits, and how they are established and reviewed.

Furthermore, every banking institution shall describe its risk management objectives and policies, including:

- d) strategies and processes;
- e) the scope and nature of risk reporting and/or measurement systems;
- f) policies for hedging and/or mitigating risk and strategies and processes for monitoring the continuing effectiveness of hedges / mitigants.

In addition, every banking institution shall disclose the nature of interest rate risk in the banking book and key assumptions, including assumptions regarding loan prepayments and behaviour of non-maturity deposits, and frequency of measurement of interest rate risk in the banking book.

Every banking institution shall also disclose the increase (decline) in earnings or economic value (or relevant measure used by management) for upward and downward rate shocks according to management's method for measuring interest rate risk in the banking book, broken down by currency (as relevant).

## **CORPORATE GOVERNANCE INFORMATION**

Every banking institution shall disclose the number of board meetings held during the year and the attendance record of each director.

The disclosure statement should also cover the names of committee members, number of board committee meetings held during the year, attendance record of each director for these meetings and details of the committees' roles, functions and activities should also be disclosed.

In addition, every bank should provide a summary of the remuneration policies for directors and senior executives as well as the aggregate remuneration for directors giving details of earnings, share options and all other benefits;

Every banking institution shall disclose a summary of the policies on related party transactions, which should include the definition of relatedness, limits applied, terms of transactions, and the authorities and procedures for approving and monitoring these transactions. Furthermore the disclosures should include, the nature, size and purpose of related party transactions and intragroup transactions;

In its disclosures, an institution should include a description of the process by which the organisation assesses the effectiveness of individual board members and the board as a whole.

Further, every banking institution shall disclose the internal audit work undertaken during the year, structure, size and reporting line of the internal audit function.

## **COMPLIANCE DISCLOSURES**

Every banking institution shall disclose all issues of non-compliance with the Banking Act, Banking Regulations and other applicable laws. In particular. The disclosure statement should include violations relating to:

- the capital adequacy ratios and leverage ratios below the prudential minimum thresholds,
- prudential lending limits,
- non-compliance with minimum corporate governance standards as laid out in the Banking Act or Regulations, directives or guidelines issued by the Reserve Bank or any other applicable enactments;

Every non-compliant banking institution shall disclose the causes of non-compliance; and provide a statement of the institution's plans and timeframe for addressing the non-compliance.

When compliance with the minimum required information prescribed above is not sufficient to give a true and fair presentation, additional disclosure should be made.

## **IMPLEMENTATION OF THE GUIDELINE**

This Guideline shall remain in force until amended, withdrawn, or cancelled by the Reserve Bank and/or superseded by minimum disclosure requirements contained in Part II of the Third schedule, Banking Regulations (Statutory Instrument 205 of 2000) and the Banking Act [Chapter 24:20].

## **EFFECTIVE DATE**

The Guideline is effective from January 2007.

Questions relating to this Guideline should be addressed to the Senior Division Chief, Bank Licensing, Supervision & Surveillance, Reserve Bank of Zimbabwe, Telephone 703 000 extension 11133.

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**N. Mataruka**  
**Senior Division Chief,**  
**Bank Licensing, Supervision & Surveillance**