



BANK SUPERVISION DIVISION

**MINIMUM LICENSING REQUIREMENTS FOR
DEPOSIT-TAKING MICROFINANCE
INSTITUTIONS**

June 2018

1. GENERAL REQUIREMENTS

1.1. No person shall conduct deposit-taking microfinance business without a valid deposit-taking microfinance licence, in terms of section 7 of the Microfinance Act.

1.2. An application for a deposit-taking microfinance licence in terms of the Microfinance Act shall be made in writing to the Registrar of Microfinance Institutions, at the Reserve Bank of Zimbabwe. The following documents and information shall be submitted together with the application:

- a) Proof of payment of a non-refundable application fee of US\$2,000 or as may be prescribed from time to time, payable to the **Reserve Bank of Zimbabwe Account Number: PL52041** through a cash deposit in the Reserve Bank banking halls, or via RTGS transfer.
- b) 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:	:	Bank Licence Application fees

- c) Completed application form in the prescribed format and attach the following documents:
 - i. Certified copies of Certificate of Incorporation and Memorandum and Articles of Association of the applicant company registered in terms of the Companies Act [*Chapter 24:03*];
 - ii. Register of members containing names, physical addresses, and occupations of persons who hold significant interest directly or

indirectly in the proposed institution and the respective levels and values of such shareholding registered with the Registrar of Companies;

- iii. Shareholder's affidavit declaring the beneficial shareholder(s), where shares are held by an unnatural person. The details should include name of institutional shareholder, the names of natural persons who are beneficial owners of shares in the institutional entity and their respective percentage shareholding.
 - iv. Proof of authorized and paid-up capital (Form CR2) duly registered with the Registrar of Companies;
 - v. Proof of availability of minimum paid-up share capital in the form of bank statement in the name of the company or the promoters/shareholders of the company and proof of the sources of the funds;
 - vi. Proposed directors (Form CR14) registered with the Registrar of Companies;
 - vii. Proof of registration with tax authorities (ZIMRA);
 - viii. A business plan, whose contents are detailed in **Section 6** below;
and
 - ix. Any other information and documents that the Registrar may prescribe or require.
- 1.3. If the Registrar is satisfied that the applicant has complied with the applicable requirements, a licence will be issued.
- 1.4. The Registrar may issue a DTMFI licence with such conditions as may be deemed necessary.

- 1.5. Where a licence is granted subject to certain conditions, the DTMFI should comply with those conditions to the satisfaction of the Reserve Bank, within such period as stipulated by the Reserve Bank. Failure by a DTMFI to comply with such conditions may result in the cancellation of the issued licence.
- 1.6. After issuance of licence, the DTMFI shall put in place the required infrastructure and systems to enable commencement of operations. The DTMFI shall invite the Reserve Bank of Zimbabwe to conduct a pre-opening inspection before commencing operations.
- 1.7. The applicant institution may be authorized to commence deposit-taking microfinance business once the Registrar is satisfied that the institution has complied with the minimum licensing requirements, the Microfinance Act and any other applicable laws.
- 1.8. A registered DTMFI shall not transfer or assign the issued licence.
- 1.9. In line with the provisions of the Microfinance Act, the Registrar may cancel the operating licence of a DTMFI which does not commence deposit-taking microfinance business within **six (6) months** from the date of registration.

2. MINIMUM PAID-UP SHARE CAPITAL

- 2.1. Every applicant DTMFI shall have and maintain on an ongoing basis, a minimum paid-up share capital of **US\$5,000,000.00** or as may be prescribed.
- 2.2. Paid-up share capital shall consist of the following components:
 - a) Issued ordinary share capital;
 - b) Share premium;
 - c) Irredeemable Preference Shares;

- d) Retained Profits reflected on audited financial statements; and
- e) Current year unaudited but verifiable retained earnings.

2.3. The following should be submitted together with the application:

- a) Verifiable and acceptable evidence of payment by the proposed shareholders of the minimum paid-up capital;
- b) Proof of source of capital in the form of bank statements, investment redemption statements; and
- c) Proof of registration of the capital with the Registrar of Companies, in the form of copies of Forms CR5, CR11 or CR2 where applicable.

2.4. Every shareholder shall be required to submit a sworn statement that capital contribution does not consist of borrowed funds or any activities relating to money laundering or illicit transactions.

2.5. Every foreign corporate investor shall also be required to submit the following:

- a) Proof of capital flow issued by an authorized dealer;
- b) Proof of requisite Zimbabwe Investment Authority (ZIA) and any other relevant approvals;
- c) Board Resolution authorizing the company to invest in the DTMFI and the designated persons who will represent the company;
- d) Audited accounts for the past two years and profile of the company; and
- e) A letter of authorization from the home supervisory authority (for regulated entities).

3. CORPORATE GOVERNANCE

Shareholding Thresholds...

- 3.1. Only companies registered as a public company are eligible to apply for a deposit-taking microfinance licence.
- 3.2. No DTMFI or controlling company shall:
 - a) allot or issue any of its shares to, or register any of its shares in the name of any person other than the intended beneficial shareholder; or
 - b) transfer any of its shares in the name of a person other than the beneficial shareholder.
- 3.3. Paragraph 3.2 shall not affect the allotment or issue, or the registration of the transfer of shares in a DTMFI or its controlling company in the name of:
 - a) a manager or trustee of a collective investment scheme registered in terms of the Collective Investment Schemes Act [Chapter 24:19] (No. 25 of 1997); or
 - b) an executor of a deceased estate, a trustee of an insolvent estate or the liquidator of a company in liquidation; or
 - c) a curator or guardian of a person under a disability; or
 - d) a holder of a licence issued in terms of Part V of the Securities and Exchange Act [Chapter 24:25] (No. 17 of 2004); or
 - e) a central securities depository established in terms of Part IX of the Securities and Exchange Act [Chapter 24:25] (No.17 of 2004); or
 - f) such other persons as may be prescribed.
- 3.4. No individual, related parties or corporate entities and/or their subsidiaries

or proxies shall own controlling interest in more than one DTMFI, except as approved by the Reserve Bank. Shareholding in a DTMFI shall be subject to prior approval by the Registrar and the following limits shall apply:

Table 1: Shareholding Thresholds

Type of Shareholder	Percentage Limit
Financial entity	100
Member of executive management	5
Any other person	25

3.5. Shareholders with **five percent (5%)** or more equity stake in a DTMFI shall be vetted in terms of the **Prudential Standards No. 07-2014/BSD: Fitness & Probity Assessment Criteria**.

3.6. The acquisition or transfer of **five percent (5%)** or more equity shareholding of a DTMFI shall be subject to prior approval of the Registrar.

Board of Directors...

3.7. A DTMFI shall have a board of directors of not less than five (5) members with at least three fifths of the board membership being non-executive directors, of which independent non-executive directors shall be the majority and at least one (1) of the non-executive directors has experience of managing microfinance business or have relevant exposure to microfinance business.

3.8. No individual shall be appointed as a director of a DTMFI if the person is a director of another DTMFI, banking institution or another financial institution in competition with the DTMFI, except where the DTMFI is part of the same group.

- 3.9. Every DTMFI is required to ensure that the board of directors has balance in terms of relevant skills and experience. The appointment of directors shall be subject to prior approval of the Reserve Bank.
- 3.10. Every DTMFI is required to comply with the provisions of **Guideline No. 01-2004/BSD: Corporate Governance.**

Board Committees...

- 3.11. The board of the DTMFI shall constitute and maintain board committees to assist the board perform its oversight function effectively. In particular the board committees will be responsible for:
- a) overseeing the credit origination and sanctioning process;
 - b) review of loans and assessment of adequacy of loan provisions;
 - c) ensuring adequacy of internal controls and risk management systems;
 - d) compliance with laws, regulations and internal policies and procedures;
and
 - e) ensuring the integrity of the financial records and financial statements of the institution.
- 3.12. Each of the board committees shall have comprehensive and clear Terms of Reference.
- 3.13. Each board committee shall have a minimum of three (3) members. No board member shall sit in committees with conflicting mandates in terms of corporate governance best practice.
- 3.14. No executive director, officer or employee of a DTMFI shall be appointed to the board audit committee of the DTMFI.

Senior Management...

- 3.15. In addition to the appointment of the Chief Executive Officer (CEO) and Chief Finance Officer (CFO) in terms of the requirements of the Microfinance Act [*Chapter 24:29*], every DTMFI shall appoint, subject to prior approval by the Registrar, any other senior officer based on the nature of the institution's activities.
- 3.16. Officers appointed to key management positions in the DTMFI shall have minimum qualifications and experience as stipulated below:
 - a) Managing Director/CEO- a recognized university degree in microfinance or other relevant degree or qualification and/or relevant professional qualification with at least eight (8) years post qualification experience in microfinance or banking or related industry out of which, at least, five (5) must be at a senior management level; and
 - b) Departmental Head - a recognized university degree in microfinance or other relevant degree or qualification and/or relevant professional qualification with at least three (3) years post-qualification experience in microfinance and banking or related industry.

Certification in Microfinance...

- 3.17. In recognition of the peculiarities of microfinance business and the special skills required to manage a DTMFI, senior management is required to possess requisite certification or training in microfinance management from a recognized institution or professional body.
- 3.18. Where the CEO and any member of senior management do not possess relevant qualification in microfinance, at point of recruitment, they shall be required to submit evidence of the microfinance certification not later than

two (2) years after assumption of office. Failure to comply with the above condition shall be a ground for the removal of the affected officer.

4. REQUIREMENTS FOR FITNESS AND PROBITY ASSESSMENT

- 4.1. Every shareholder with at least **five percent (5%)** equity in the DTMFI, a board member and member of senior management team shall be approved by the Registrar.
- 4.2. The following information and documentation shall be submitted to the Registrar to facilitate the fitness and probity assessment of individual shareholders, directors and members of senior management team:
 - a) Certified copy of identification certificate or valid passport and one colour passport size photograph;
 - b) Detailed Curriculum Vitae, with the exception of shareholders;
 - c) Certified copies of relevant academic and professional certificates for directors and senior management;
 - d) An affidavit in the format prescribed by the Registrar, see Appendix A;
 - e) net worth statements duly certified by auditors registered in terms of the Public Accountants and Auditors Act [*Chapter 27:12*];
 - f) tax clearance certificate *issued within the last six (6) months*;
 - g) police clearance certificate *issued within the last six (6) months*; and
 - h) names of at least (2) two independent referees who have known the proposed shareholder/director/senior manager for at least five (5) years, one of which should be in a professional capacity, providing contact details including postal addresses, e-mail and telephone numbers.

4.3. For institutional shareholders, the following information and documentation shall be submitted to the Registrar:

- a) Certified copies of Memorandum & Articles of Association;
- b) Certified copy of Certificate of Incorporation;
- c) Names of shareholders and composition of board of directors accompanied with the appropriate Form CR2 and CR14;
- d) Audited financial statements for the past two (2) years;
- e) Resolution of the Board of Directors or General Meeting authorizing the investment;
- f) Where the company is not trading, the shareholders should submit net worth statements duly certified by auditors registered in terms of the Public Accountants and Auditors Act [*Chapter 27:12*]; and
- g) In the event of documents being submitted from outside Zimbabwe, (with the exception of a curriculum vitae), these must be notarised by a notary public registered in the country of origin of documents while an affidavit must be signed before a commissioner of oaths in the country of origin of the documents.**

5. NON-PERMISSIBLE ACTIVITIES

5.1. In addition to the provisions of section 25 of the Microfinance Act with respect to non-permissible activities, every DTMFI shall not engage in the provision of the following financial services:

- a) leasing, renting, and sale/purchase of any kind with its directors, officers, employees or persons who either individually or in concert with their family members and beneficiaries own 5% or more of the

equity of the DTMFI, without the prior approval in writing of the Reserve Bank of Zimbabwe;

- b) financing of speculative and illegal activities; and
- c) any other prohibited activities as may be prescribed from time to time.

6. CONTENTS OF A BUSINESS PLAN

- 6.1. The business proposal for the establishment of a DTMFI in Zimbabwe shall contain at a minimum, the following information:-

Background Information

- 6.2. Name and location of the proposed DTMFI. This should include physical addresses of all the proposed branches. Copies of form CR6, proof of ownership of premises and/or lease agreements for the premises being used by the head office and all branches should be submitted.
- 6.3. The institution's corporate structure, where applicable, including every associate of the institution, and organizational structure, with clear reporting lines, accompanied with detailed functions and responsibilities of the top management team.
- 6.4. A brief discussion of the background to the application.

Market Analysis

- 6.5. The domestic economic situation and its expected impact to the operations of the proposed institution and an analysis of the financial sector operating environment and the market to be served by the proposed institution.
- 6.6. Description of the economic characteristics of the identified markets, including anticipated changes in the market, factors influencing such

changes and possible effects on the institution.

Business Strategy and Objectives

- 6.7. A business strategy/model and goals of the proposed DTMFI.
- 6.8. The justification for the establishment of the DTMFI, including description of the developmental value of the proposed institution to the target community and the economy at large.
- 6.9. Description of the products and services to be offered by the proposed DTMFI.
- 6.10. The branch expansion programme [if any] within the first 5 years of commencing operations.
- 6.11. A credible three-year financial inclusion plan.

Capitalization and Additional Capital Sources

- 6.12. Description of the plans for financing growth, internally or externally, over the first 3 years of operation.
- 6.13. Description of what additional capital sources are available, should the need arise.

Financial Projections and Underlying Assumptions

- 6.14. The business plan should include the following financial projections based on best, normal and worst case scenarios:
 - a) a projected annual Statement of Financial Position (Balance Sheet) for at least the first 3 years of operation;
 - b) a projected annual Statement of Comprehensive Income (Income Statement) for at least the first 3 years of operation; and

- c) a projected cash flow statement for at least the first 3 years of operation.
- 6.15. Financial projections should be supported by major assumptions on which they are based, with reference to variables such as market growth, funding capacity, inflation rates, interest rates and fees, and any other variables of importance to the DTMFI's performance such as products to be offered and markets to be served.
- 6.16. The projections and assumptions should be reasonable and realistic in light of prevailing and forecast economic performance, industry performance, outlined strategies, etc.
- 6.17. The projected accounts should take into account the regulatory capital, provisioning requirements, lending limits, and any other requirements to be complied with.

Social Performance Assessment Framework

- 6.18. The business plan should also include the DTMFI's proposed social performance assessment framework with respect to its social mission and objectives guided by the social performance indicators as outlined in Table 2.

Table 2: Social Performance Indicators

Indicator Category	What the Indicators Measure
1. Mission and social goals	The DTMFI's stated commitment to its social mission, its target market and development objectives.
2. Governance	Programme for training of board of directors in social performance management and the Board committee that will monitor social performance.
3. Range of products and services	Both financial and non-financial products and services offered by the DTMFI to achieve social goals and objectives.
4. Social responsibility to clients	Policies and Procedures to be followed by

Indicator Category	What the Indicators Measure
	employees to ensure compliance with the microfinance Core Client Protection Principles (CCPPs).
5. Human resources and staff incentives	The DTMFI's policy regarding social responsibility to staff. This includes human resource policies in place, board and staff composition, staff turnover rate, and staff incentives linked to social performance goals.
6. Social responsibility to the environment	The DTMFI's policies and initiatives in place to mitigate the environmental impact of financed enterprises.
7. Poverty outreach	Methodology for measuring impact of the DTMFI's activities on poverty alleviation including assessment of poverty levels of clients at entry and their movement out of poverty over time.
8. Client outreach by lending methodology	The type of lending methodology (-ies) employed by the DTMFI.
9. Enterprises financed and employment creation	The number of enterprises financed by the DTMFI and employment opportunities created by the enterprises financed.
10. Client retention rate	The client retention rate of the DTMFI.

Adopted from: <http://www.themix.org/social-performance/Indicators>

7. PRE-OPENING INSPECTION

- 7.1. No DTMFI shall commence deposit-taking microfinance operations without the prior authorisation of the Reserve Bank.
- 7.2. Every registered DTMFI shall notify the Reserve Bank of its readiness to commence deposit-taking microfinance activities and shall invite the Reserve Bank for a pre-opening inspection.
- 7.3. The Reserve Bank shall conduct a pre-opening inspection of the institution's premises and examine compliance with the standards and the operational readiness of the institution for commencement of operations. The Reserve Bank shall examine and verify the readiness and suitability of the premises of the institution and confirm, among other issues, the following matters,

- a) the adequacy of the institution's security system;
- b) evidence of cash payment of the total amount (100%) of capital by shareholders;
- c) opening statement of affairs signed by the CEO and CFO;
- d) adequacy and readiness of the Management Information System (MIS) and other business infrastructure;
- e) availability and adequacy of human resources;
- f) adequacy of policies and procedures covering all major inherent risks;
- g) the readiness and adequacy of the administrative and operational processes and the internal control system; and
- h) adequacy of management systems and procedures, including its risk management systems, its corporate governance framework and its systems for the detection and prevention of money-laundering and the financing of terrorism.

8. CLOSING AND ESTABLISHMENT OF BRANCHES

- 8.1. No DTMFI shall close a branch in Zimbabwe or establish a new branch in Zimbabwe unless it has given the Registrar at least fourteen business days' written notice of its intention to close the branch or establish the new branch, as the case may be.

9. APPOINTMENT OF AN AGENT

- 9.1. Where a registered DTMFI seeks to engage in agency banking activities, it shall be required to comply with the stipulated regulatory requirements and guidelines on agency banking business.

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]