



**PRESS STATEMENT ON THE
RAMPANT FRAUDULENT ACTIVITIES ON
THE STOCK EXCHANGE,
THE INSURANCE AND
PENSION FUND INDUSTRIES
AND THE BANKING SECTOR**

BY

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1. INTRODUCTION AND BACKGROUND

1.1 Fellow Zimbabweans, this **Statement** comes at a time when the ugly heads of indiscipline, corruption, fraudulent activities and underhand manipulation of our money and capital markets have reached epic proportions that are threatening to wipe the face of our economy.

1.2 As a Nation, it is high time that we put a stop to these vices, as the victims are the hard working workers going for months without access to their salaries at banks; the sick and the ill who cannot get treatment at hospitals and clinics due to lack of cash; the commuting public who fail to move from one place to the other due to rampant increases in transport costs; the school children who are having to go to school on empty stomachs due to the steep increases in food

prices; and all the other disadvantaged members of society who can barely make ends meet under the prevailing harsh economic conditions.

1.3 For a long time now, it had become fashionable to apportion blame to the Reserve Bank as the soft target.

1.4 Media campaigns have been mobilized to vilify and condemn the Reserve Bank.

1.5 Others have planned smear campaigns through fliers that argued that the Reserve Bank and Governor Gono in his personal capacity is to blame for the current hardships.

1.6 Indeed, others have spent hours, days, weeks and months investing on anti-Reserve Bank

programmes meant to defeat everything that the Central Bank stands for.

1.7 In the midst of these wide-ranging attacks, the Central Bank remained focused and determined to dig deep and wide in identifying the root causes of the current difficulties and the suffering of the majority of Zimbabweans.

1.8 Today, Ladies and gentlemen, I am pleased to report that the invisible forces of destruction have been unmasked, marking a turning point chapter when the fraudulent and speculative winds are cast into the inferno of extinction.

1.9 In this Statement, ladies and gentlemen, the following facts will be laid bare:

- (a) That the Zimbabwe Stock Exchange had become the most devastating vehicle of economic destruction;
- (b) That some players in the banking sector had relapsed into the retrogressive mode of lax controls and risk management systems, leading to their officials engaging in corrupt activities;
- (c) That the current cash shortages are a combined effect of the rogue trading on the Zimbabwe Stock Exchange and the sanctions imposed against the country; and
- (d) That the Insurance Companies and Pension Fund Industries have stroked the flames of financial instability through blatant flouting of the statutes that govern their operations.

2. ROGUE TRADING ON THE ZIMBABWE STOCK EXCHANGE

2.1 As Monetary Authorities, our hearts are heavy that contrary to the noble purpose for which the ZSE was created; which is that of acting as a progressive vehicle for the mobilization of productive capital, the ZSE has literally galloped astray, in the process creating obscene paper wealth that is causing havoc in the economy.

2.2 To the doubtful, the following facts clearly demonstrate how the Zimbabwe Stock Exchange had become the **epicenter of economic destruction:**

(a) The ZSE allowed some stock brokers to falsely bid up share prices, when in fact the same stock brokers had absolutely no money to pay for the

shares. The end result has been that some counters grew by as high as 2 million percent in a single day;

- (b) Where share prices were rising at the ridiculously bloated rates, what that effectively meant was that someone could work up with no penny at the bank, but end the day a multi-trillionnaire. The next morning, the false wealth so created would show up as high demand for cash, and all this being blamed on the Central Bank;
- (c) The Stock Exchange was deliberately indexing the entire stock market to the spurious Old Mutual share prices. The whole economy was then being priced via the Old Mutual rate whose share price movements had no relationship with

economic fundamentals, let alone actual corporate performance of Old Mutual itself.

- (d) The Zimbabwe Stock Exchange has been, and continues to operate with no strict rules and regulations that prohibit rogue behaviour. On numerous occasions, company share prices rose astronomically with absolutely no actual volumes trading;
- (e) Some stock brokers were buying shares cheap in the morning call overs then drive up prices before off-loading the same shares on the same day at inflated prices; and
- (f) The Stock Exchange did not rule a few aggressive Stock Brokers out of order, when they stampeded specific counters up with the sole intention of amassing false wealth.

2.3 Some argued that the developments on the ZSE were a result of excess money supply.

2.4 To this, the facts are that **all the Reserve Bank's quasi-fiscal operations between 1 December, 2003 and 20 November, 2008 combined are under 0,01% of the paper money created by the Zimbabwe Stock Exchange.**

3. FRAUDULENT ACTIVITIES AT SOME BANKS

3.1 As Monetary Authorities, we would like to firstly thank and commend **Stanbic Bank Management** for their vigilance, honesty and deep spirit of cooperation with Regulators on fighting Money Laundering and fraud.

- 3.2 Through our collaborative work with them, we have managed to unearth the massive fraudulent activities that have been taking place.
- 3.3 It is utterly disappointing that other banks continue to sweep fraudulent activities under the carpet.
- 3.4 Between the 10th and the 20th of November, 2008, total fraudulent cheques we intercepted in the clearing system had risen to \$60 hexillion (\$60,000,000,000,000,000,000,000).
- 3.5 The tragic reality is that this \$60 hexillion had infact been deployed on the Zimbabwe Stock Exchange, bidding up share prices; with some going onto the foreign exchange parallel market.

3.6 The \$60 hexillion, had, therefore, become artificial money supply created through fraudulent activities.

3.7 This clearly dwarfs the \$1.1 hexillion making up 100% of all the quasi-fiscal operations the Reserve Bank engaged in over the past 5 years.

3.8 Quite clearly, therefore, the fraudulent collaboration between some banks, stock brokers and the Zimbabwe Stock Exchange have become the most inflationary vehicles.

4. REMEDIAL MEASURES

4.1 As the Central Bank, and in full conformity with the mandate bestowed upon us by the Reserve Bank Act; we have taken the following measures to swiftly deal with these destructive forces.

The measures:

- (a) The Reserve Bank shall not give unsecured accommodation to any bank coming for assistance. Any bank that fails to secure its intended accommodation will be allowed to go under. As Monetary Authorities, we have repeatedly said that we no longer have the appetite for curatorships.

- (b) In line with (a) above, today, one commercial bank has been ejected out of the clearing house for failure to fund their clearing obligations. This ejection will be followed by a full targeted supervision to assess the bank's overall liquidity and solvency status, as well as the competencies of their Management and Board of Directors;

- (c) Any company or stock-broking firm which writes cheques that are not funded will have their accounts frozen and closed. Such company or stock-broking entities will be automatically blacklisted and cannot operate any bank accounts in Zimbabwe;

BLACKLISTED NAMES

- Accordingly, as of today, the 20th of November, 2008, the following individuals and companies had their accounts frozen and they have been blacklisted, meaning that they cannot operate any bank accounts in Zimbabwe with effect from 21 November, 2008:
 - (i) EFE Securities and the Directors of EFE Securities

- (ii) Lynton Edwards Securities and the Directors of Lynton Edwards Securities;
- (iii) Mr. Mike Mudondo;
- (iv) Winfields Investments and the Directors of Winfields Investments;
- (v) Mr. George Chimhini;
- (vi) Hardon George (Pvt) Limited and the Directors of Hardon George (Pvt) Ltd;
- (vii) Sweet Africa Enterprises and the Directors of Sweet Africa Enterprises;
- (viii) Seizler Enterprises (Pvt) Ltd and the Directors of Seizler Enterprises;
- (ix) Mrs. Chiota Masiwa;
- (x) Arkmate Enterprises and the Directors of Arkmate Enterprises;
- (xi) Mr. Taurai Albert Rukwata
- (xii) Mrs. Batsirayi Linda Mutyambizi
- (xiii) Raymate Investments (Pvt) Ltd and the Directors of Raymate Investments (Pvt) Ltd;

- (xiv) Harvilink Enterprises and the Directors of Harvilink Enterprises;
 - (xv) Luvial Enterprises and the Directors of Luvial Enterprises;
 - (xvi) Dolpin Trading P/L and the Directors of Dolpin P/L;
 - (xvii) Tariro Chipfuwamuti;
 - (xviii) Gerald M. Muvuti;
 - (xix) Tafadzwa Matipano
 - (xx) Felix Bvute
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- (d) All trades on the Zimbabwe Stock Exchange are to be supported by confirmed bank balances, signed off by each bank's CEO;
 - (e) Any bank where bank cheques are fraudulently drawn with effect from 20 November, 2008, will automatically lose its trading licence and the CEO charged with criminality.

- (f) In cases where a bank does not report suspicious transactions and the transactions turn out to be fraudulent and/or money laundering proceeds, that bank's entire management and board of directors will be deemed unfit and improper to manage, oversee or preside over any banking institution board in Zimbabwe.

- (g) In line with the stipulations on the Zimbabwe Stock Exchange, any Stock Broking company that fails to settle its obligations on the Stock Exchange will be struck off the ZSE register and will also not be allowed to operate any bank account in Zimbabwe.

5. IMPACT AND CASUALTIES

5.1 The above measures are expected to swiftly correct the madness that had gripped our stock exchange market.

5.2 As Monetary Authorities, we therefore, wish to advise the corporate sector, as well as individuals to please tread carefully in managing their money and capital markets asset portfolios.

5.3 Continuation of the current irrational exuberance will be at each individual or each company's peril, as no doubt the chickens are coming home to roost.

5.4 The era of financial sector fraudulent activities and the ZSE honey moon is over.

5.5 As Monetary Authorities, we are confident that through the restoration of discipline and zero tolerance against fraudulent trading and corruption in our financial markets, the current hardships to the public in respect of cash shortages and rampant price increases will be normalized in the not too distant future.

5.6 The Reserve Bank is working flat out to ensure that the cash situation is resolved ahead of the imminent festive season.

5.7 Whilst this is being done, the Reserve Bank calls upon all Public Utilities such as ZESA, Tel-One, ZINWA and Local Authorities to accept cheques as legitimate forms of payment, without prejudice to the bill-payers.

5.8 Members of the public are called upon to report to the Reserve Bank Public Utilities that refuse cheques as means of payment.

5.9 As Monetary Authorities, we once again remind the Nation that sanctions are a reality that is affecting everyone of us through the perennial cash queues.

5.10 The Reserve Bank cannot miraculously stretch existing National Printing capacity beyond the fixed physical levels that are in place over the short term.

5.11 It is for this reason that as a Nation, we must all speak with one voice against the illegal sanctions.

Thank you.

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20 November, 2008