

MINISTERIAL STATEMENT ON CASH SHORTAGES AND BANK CHARGES

1. Mr Speaker Sir, last Wednesday during the Question and Answer session I was subjected to a barrage of questions pertaining to street vending of currency, cash shortages and bank charges. I then promised to give a Ministerial Statement and I am now taking the opportunity to do so now.
2. Let me in the first instance set out the issues which were raised and these were as follows:
 - 2.1 Mr Speaker Sir, Hon Mapiki wanted firstly to know Government policy regarding agents who are charging 35% on Ecocash withdrawals. Secondly, he wanted to know what Government is going to do with regards to people who are selling cash at 35% premium through bank transfers. As a supplementary question he asked if there is a policy which outlaws these money laundering practices. He also wondered whether we have mandatory prison terms for these people involved in money laundering.
 - 2.2 Hon Chibaya asked why there are lots of queues of people wanting to withdraw money at banks yet if you go to Road Port people have trunks full of money and yet they are never arrested or questioned. He also asked how they manage to accumulate such funds when banks have nothing to give to depositors who want to make withdrawals.
 - 2.3 Mr Speaker Sir, Hon Munengami asked me to include in my Ministerial Statement the issue about usage of the bond notes and their exchange rate to the United States Dollar (1:1). Thirdly he wanted me to touch on the issue relating to the \$200 million facility from Afrexim Bank and the envisaged \$300 million facility. Fourthly the issue of the appointment of an independent body to oversee the issuance of the bond notes. Lastly, he made the remark that bond notes had failed.

- 2.4 Mr Speaker Sir, Hon Zindi wanted to know the justification of charges of \$30.00 on each Point of Sale (POS) in all businesses that are using the swipe system in terms of payments. She asked the justification for that \$30.00 per month being charged by banks to all retailers who are using those POS machines, and if such charges are not exploitation? As a supplementary question Hon Zindi asked if the Ministry of Finance and Economic Development, with the support of the Reserve Bank, give guidance to commercial banks in terms of how much charges they should charge in transactions with their clients.
- 2.5 Hon Holder alluded to prices of commodities that are going up at a very high rate and asked what policy Government has put in place to control inflation.
- 2.6 Mr Speaker Sir, Hon Mliswa acknowledged the shortage of foreign currency in the country and that any foreign currency which is to leave the country has got to be prioritised.
3. With your indulgence, Mr Speaker Sir, I will proceed and give the Ministerial Statement to address the above issues raised and other related issues.

A. Causes of Cash Shortages

4. Mr Speaker Sir, shortages of cash reflect the imbalance/mismatch of US dollars in bank accounts and physical cash in the economy. Physical cash is comprised of US dollars, bond notes and other currencies in circulation in the country.
5. This cash shortage reflects the negative perennial trade imbalance wherein our imports are more than exports by around US\$3 billion on a yearly basis.
6. The shortage of cash also reflects the poor circulation of money in the economy due to lack of confidence and lack of discipline as well as rent seeking behavior among our people.

7. Mr Speaker Sir, the \$1 billion of physical cash, made up of \$180 million in Bond Notes, \$28 million in bond coins and \$800 million in US dollar, in the economy would be sufficient if it was circulating efficiently. The \$1 billion translates to around 15% of deposits, which is international best practice in normal economies.

B. Measures being taken to resolve the Low Circulation of Money

8. The Reserve Bank has been involved in a sustained promotion of the use of plastic, mobile and other electronic means of payments. To this end, I am encouraged to report that more than 75% of retail transactions are now conducted through the use of non-cash payment streams which include point sale (POS), mobile money and RTGS. Mobile money includes Ecocash, Telecash, One Wallet and others.
9. I am appending to this Ministerial Statement Tables which show in volumes and value electronic transfers by category between the years 2009 and 2017. Just to take one example in 2009 RTGS transfers were 688 288 whereas in 2017 these are 5 351 491. Total electronic transfers moved from 1 665 010 in 2009 to 744 262 931 in 2017. In value terms RTGs transactions were \$6.8bn in 2009 and have jumped to \$56.3bn in 2017. Total value of electronic transactions moved from \$6.8774bn in 2009 to \$80 0026bn in 2017.

Payment Statistics (volume)

	2009	2013	2015	2016	2017 (annualised)
RTGS	688,288	2,179,407	2,062,614	2,901,664	5,361,491
Cheque	21,100	289,993	361,732	347,735	331,634
POS	398,986	8,708,997	14,543,294	53,407,464	181,251,082
ATMs	330,817	6,782,507	13,413,304	12,332,547	9,676,985
Mobile	201,034	19,957,472	228,202,695	298,586,190	544,131,600
Internet	24,785	325,514	560,209	1,110,366	3,510,140
TOTAL	1,665,010	38,243,890	259,143,848	367,685,967	744,262,931

Payment Statistics (value \$)

	2009	2013	2015	2016	2017 (annualised)
RTGS	6.8 billion	38.7 billion	44.9 billion	48.1 billion	56.3 billion
Cheque	5.1 million	72.6 million	144.1 mn	113.1 mn	75.5 mn
POS	9.3 mn	741.8 mn	1,723 mn	2,898.4 mn	5,775.3 mn
ATMs	21.1 mn	1,624 mn	3,854.3 mn	2,283.5 mn	540.4 mn
Mobile	.6 mn	381.6 mn	4,645.9 mn	5,815.9 mn	11,767.9 mn
Internet	23.5 mn	1,102.1 mn	1,614.1 mn	2,503.9 mn	5,503.4 mn
TOTAL	6,877.4 m	42,640.8 m	56,850.3 m	61,734.2 m	80,002.6 m

10. Mr Speaker Sir, in order to deal with the scourge of people buying and selling cash on the streets Government has today gazetted Exchange Control (Amendment) Regulations enacted by His Excellency the President in terms of Section 2 of the Exchange Control Act. These Regulations Mr Speaker Sir, will empower the Police to arrest anyone trading in currency without a licence as such is an offence. Further it will allow the Police to seize the cash found on a possessor of currency suspected of dealing in currency. This seized currency will be deposited at the Central Bank pending prosecution so that the cash will be held as an exhibit. The Regulations also provide for freezing of funds of a corresponding value in a financial institution where such proceeds are the subject of a suspected case of dealing in currency. The penalties for the offence of trading in currency are contained in the Exchange Control Act and empower the Court to impose a fine not exceeding the value of the currency and a sentence of imprisonment not exceeding 10 years. In addition to the penalty the Court can impose a fine of three times the value of the currency.
11. Additionally Mr Speaker Sir, the Reserve Bank is also enforcing the regulations promulgated under the Bank Use Promotion Act, which require all traders to bank their surplus cash. The Regulations require traders to accept all modes of payment modalities and prohibits multiple pricing which has become rampant within the economy.

12. Mr Speaker Sir, we are also working on the amendment to the Bank Use Promotion Act to strengthen its powers and these amendments whose Principles were approved by Cabinet shall be presented to this august House in the next few weeks. My plea is that when these amendments are tabled Honourable Members will give them expeditious passage.
13. Government is providing an Export Incentive Scheme to enhance export competitiveness designed to reduce the trade imbalance.

C. Bank Charges

14. With respect to bank charges Mr Speaker Sir, the Reserve Bank has put in place levels of charges which both merchants and banks should charge for POS transactions. I have again appended a Table reflecting the Reserve Bank guidelines on these charges.

Bank charges

Service	New charges inclusive of \$0.05 tax for Transactions up to \$500
ZETSS (RTGS)	Maximum \$5
ZIPIT (Electronic Funds Transfer)	\$0.33 to a maximum of \$2.10
POS transactions up to \$10	\$0.10
POS transactions up above \$10	\$0.42
POS own bank customer	Maximum of \$0.20
Cash withdrawal	1.25% of the amount over the counter (OTC)
ATM Card withdrawal	1% of the amount
Merchant Service Commission	\$0.00 to a maximum 1% for local transactions
Monthly administration or service fee	\$0.00 to a maximum \$5 for individuals

15. I am also appending a Table reflecting RBZ guidelines on Mobile Financial Services Tariff Benchmarks.

Approved Mobile Financial Services Tariff Benchmarks

Service	New charges inclusive of \$0.05 tax for Transactions up to \$500
Send Money to Registered customers (Person to Person)	\$0.00 to a Maximum of \$3.00
Send Money to Unregistered customers (Person to Person)	Should be less than or equal to sum of send money and cash out for registered customers
Bill and Merchant Payment	\$0.00 to a Maximum of \$1.50
Bank to Wallet	1% of the amount
Wallet to Bank	\$0.43 (Ecocash charge)

16. Mr Speaker Sir, the allegations of banks and merchants overcharging has been brought to our attention and we continue monitoring to ensure compliance. It is important to highlight that the POS machines are owned by banks and their prices range from US\$100 to US\$300. The Reserve Bank is prioritising the importation of POS machines. From the statistics, we note that there has been a 189% increase in the number of POS machines from 16,363 in 2015 to 47,362 by end July 2017. Members of the Public should report to the Reserve Bank excessive charges levied by Banks on POS machines.

D. High Ecocash Charges

17. Mr Speaker Sir, as highlighted above, agreed charges are shown in the Table which is appended to this Ministerial Statement. Extra charges being levied by merchants and agents over and above the agreed levels are illegal and the public being abused by these agents should report to Econet and the RBZ.

E. Multiple Pricing

18. Mr Speaker Sir, as alluded to above, the Bank Use Promotion and Suppression of Money Laundering Act [Chapter 24:24] is being amended in line with Cabinet approval to deal decisively with the issue of multiple pricing. The Bill shall be presented to this august

House in the coming few weeks. But it has to be recognised that generation of foreign currency is very key to the resolution of our economic challenges.

F. Selling of Money on the Streets

19. Mr Speaker Sir, the selling of money on the streets is not legal and it reduces the circulation of money in the formal sectors of the economy. Selling of money at a profit without a license is illegal. It is against this background that a Statutory Instrument under the Exchange Control Act has been gazetted to avoid the dealing in cash by unlicensed dealers and traders and to clarify the law on this matter.
20. Relating to the pictures and videos of wades of bond notes which have been circulating on social media, investigations are being carried out to establish the sources of the new bond notes in the street. My Ministry and the RBZ do not participate in buying currency from the streets. You may be aware, Honourable Members of Parliament that Mrs. Tariro Nyazema of Stanbic was caught red-handed, two or so months back with US\$30,000 that she had exchanged for bond notes at one of the bank's branches. It is therefore our suspicion that this malpractice could be what is happening at other banks working in cahoots with unscrupulous traders and retailers.
21. Mr Speaker Sir, it is for this reason that the RBZ is investigating all banks to root out this malpractice. The RBZ is also closing the net on the culprits captured in the video clips doing the rounds on social media, in the same way that they managed to cause the arrest of Tinashe Sikwila - the driver who was circulating the bond coin invoice from South African Mint.
22. The Reserve Bank is also in the process to ensure artisanal gold miners who are paid in U.S. dollar cash and bond notes (\$5 million weekly) for their export incentive are not abusing the cash they are being paid by Fidelity Printers and Refiners and by banks. I am pleased to advise Honourable Members that small scale gold producers delivered 1.5 tonnes to Fidelity Printers and Refinery in August 2017 which is the highest monthly delivery by this sector

since independence. With large scale producers, total gold delivery to Fidelity Printers and Refiners in August was 2.5 tonnes.

23. Mr Speaker Sir, as I have already stated Government has introduced measures through the Exchange Control [Amendment] Regulations, 2017 enacted by His Excellency, the President in terms of Section 2 of the Exchange Control Act [Chapter 22:05]. These measures will provide for the following:

- a) Traders in currency who have no license to trade in currency commit an offence.
- b) The regulations make it clear that anyone who deals in currency as a commodity either at a premium or at a discount commits an offence.
- c) The Regulations provide for the seizure of cash found on a possessor of currency suspected of dealing in currency. This seized currency will be deposited under the control of the RBZ pending prosecution so that the cash will be held as an exhibit.
- d) The Regulations also provide for freezing of funds in a bank account of a corresponding value in a financial institution where such proceeds are the subject of a suspected case of dealing in currency.

24. I have already outlined the penalties.

G. Export Incentive: Afrexim Bank Facility of \$200m

25. With \$180 million in bond notes towards the export scheme about to be exhausted the Reserve Bank is negotiating a further export incentive facility to the tune of \$300 million in order to continue boosting exports which have responded and have grown by 12% to \$2,334 billion as at 8 September compared to \$2,086 billion in the corresponding period last year.

H. Independent Currency Bond

26. The introduction of an Independent Currency Board to oversee issuance of bond notes was abandoned. It was realised that there

were sufficient mechanisms in place to carry out this function, namely an Audit Committee of the Reserve Bank Board chaired by the Vice Chairman who is an Independent Member of the Board.

I. Bond Notes

27. As to the allegation that Bond notes have failed I categorically state that this is not the case. Their issuance has helped boost production and exports besides providing a medium of exchange which cannot be externalized. What is gravely required is to enhance export productive capacity so as to increase exports.

J. Inflation

28. Barring the incidence of the 23 September, 2017 where falsehoods peddled through social media triggered panic buying and a hike in prices of basic commodities inflation as at end of August, 2017 stood at 0,14% the lowest in the SADC region. The SADC benchmark for inflation is between 3% and 7%. From recent developments it was evident that the economy has come out of deflation or negative inflation (which is a good thing) indicating that the economy was on a recovery path and inducing demand in the Market. As we go forward efforts will be made to manage this trend so that inflation is contained to manageable levels.

I THANK YOU

**HON. P.A. CHINAMASA (MP)
MINISTER OF FINANCE AND ECONOMIC
DEVELOPMENT**