**Statement made in the National Assembly, Harare
on Thursday 28th September 2017**

**MINISTERIAL STATEMENT**

CASH SHORTAGES AND BANK CHARGES

**THE MINISTER OF FINANCE AND ECONOMIC DEVELOPMENT (HON. CHINAMASA):** 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 the august House to give a Ministerial Statement and I am now taking the opportunity to do so now.

Let me, in the first instance, just recall the issues which were raised and these were as follows:

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 practices.

Hon. Mapiki also wondered whether we have mandatory prison terms for these people involved in money laundering.

Hon. Chibaya asked why there are lots of queues of people wanting to withdraw money at banks and 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.

Further, 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 also wanted me to touch on the issue relating to the $200 million facility from Afrexim Bank and the envisaged further US$300 million facility. Fourthly, the issue of the appointment of an independent body to oversee the issuance f the bond notes. Lastly, he made the remark that bond notes had failed.

Mr. Speaker Sir, Hon. Zindi wanted to know the justification of charges of $30.00 on each Point of Sale machine (POS) in all businesses that are using the swipe system in terms of payments. She asked the justification for that $30 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, in conjunction with the Reserve Bank, gives guidance to commercial banks in terms of how much charges they should charge in transactions with their clients.

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. 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.

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**

Mr. Speaker Sir, shortages of cash reflect the imbalance/mismatch of US dollars in bank accounts and physical cash in the economy. Physical is comprised of US dollars, bond notes and other currencies in circulation in the country.

This cash shortage reflects the negative perennial trade imbalance wherein our imports are more than exports by exports around US$3 billion on a yearly basis. So, we need to target our policies to reduce our trade balance.

The shortage of cash also reflects the poor circulation of money in the economy due to lack of confidence, discipline as well as rent seeking behaviour among our people.

Mr. Speaker, Sir, there is one billion of physical cash in circulation made up of 180 million dollars in bond notes, 28 million dollars in bond coins and US800 million. We consider this one billion to 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 of 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 $6.8b in 2009 and have jumped to $56.3b in 2017. Total value of electronic transactions moved from $6.8774b in 2009 to $80.0026b 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 | 38.7billion | 44.9billion | 48.1billion | 56.3billion |
| CHEQUE | 5.1 million | 72.6million | 144.1million | 113.1million | 75.5million |
| POS | 9.3 million | 741.8million | 1,723million | 2,898.4million | 5,775.3million |
| ATMS | 21.1 million | 1,624million | 3,854.3million | 2,283.5million | 540.4million |
| MOBILE | .6 million | 381.6million | 4,645.9million | 5,815.9million | 11,767.9million |
| INTERNET | 23.5million | 1,102.1million | 1,614.1million | 2,503.9million | 5,503.4million |
| **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 will empower the police to arrest anyone trading in currency without a licence; as such itis 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, 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, Hon. Members will give them expeditious passage.

13. Government is providing an export Incentive Scheme to enahance 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 $0.05tax 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 RBZ 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. We are still going to increase and import POS machines so that there is no excuse for not using them. Members of the Public should report to the RBZ 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 licence 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 unlicenced dealers and traders and to clarify the law on the matter.

20. Relating to the pictures and videos of wads 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 Hon. 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. All of us should also be policemen and women. If we come across these practices, please report to the Police, Reserve Bank and the banks.

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 the South African Mint.

Mr. Speaker Sir, 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. ZB bank is an agent for Fidelity Printers and Refiners and it receives delivery of gold at most of its branches and pays artisanal miners in cash, a demand which has also come from this august House that we should try to ease the load of artisanal miners. I am pleased to advise Hon. Members that small scale gold producers delivered 1.5 tonnes to Fidelity Printers and Refiners 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.

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)    Trading in currency without a licence is 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 further 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.

I have already outlined the penalties Mr. Speaker Sir.

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

Mr. Speaker Sir, with $180 million in bond notes already issued towards the export scheme, the $200 million facility is about to be exhausted and the Reserve Bank is negotiating a further export incentive to the tune of $300 million in order to continue boosting exports which have responded and grown by 12% to $2,334 billion as at 8 September compared to $2,086 billion for the comparable period last year.

**H.** **Independent Currency Board**

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**

Mr. Speaker Sir, 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 externalised. The problem is basically low circulation of currency through lack of discipline and confidence. What is gravely required at this juncture is to enhance export productive capacity so as to increase exports.

**J. Inflation**

A question was asked about what measures we are taking to manage inflation. Barring the incident which took place on Saturday 23rd September, 2017 where falsehoods were peddled through social media and 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). We were not in a good position to remain in a state of deflation. We have come out of it and we now have to worry about managing inflation. All our efforts and policies will be intended to manage inflation.

It is very clear Mr. Speaker Sir, that the economy is now on a recovery path and is 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 Mr. Speaker Sir.

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