

**Association of Global Custodians<sup>1</sup>  
Middle East and Africa Focus Committee ("AGC ME&A");  
Subject to Supplemental Comments**

The Governor  
Reserve Bank of Zimbabwe  
80 Samora Machel Avenue  
Harare

Att: Dr John Panonentsa Mangudya

**RE: Repatriation of Foreign Investment Proceeds.**

**Introduction**

AGC ME&A was established within the Association of Global Custodians to address regional challenges in ways that support the investment needs of the global cross-border investor community.

AGC ME&A is intended to serve as a regional industry body that will interact with regional regulators, policy makers and national supervisors through commentary and advocacy regarding recommended asset safekeeping-custody services and "sound practices" in related aspects of the global financial industry.

The AGC ME&A offers banking and securities services products to clients who originate from several jurisdictions across the globe. In Zimbabwe, AGC ME&A members utilize the services of either Stanbic Bank and Standard Chartered Bank to hold clients' investments in the market.

**Liquidity Challenges**

The AGC ME&A have previously considered the liquidity issues and have raised these with the Securities and Exchange Commission. Please see the correspondence from 30 April 2017. We have also discussed such concerns with the Reserve Bank of Zimbabwe most recently on 12 May 2018.

Due to the liquidity challenges currently prevailing in Zimbabwe, some of our clients have not been able to repatriate proceeds received from the sale of securities listed on the Zimbabwe Stock Exchange and dividends from investments held on the Zimbabwe Stock Exchange. To help resolve this challenge, the Reserve Bank of Zimbabwe announced the creation of the Zimbabwe Investment Portfolio Fund in the 2017 Mid-term Monetary Policy Statement released on August 2, 2017.

In its Monetary Policy Statement of February 2018, the Reserve Bank of Zimbabwe advised that repatriations would be processed giving priority to capital before capital appreciation (profits), then dividends. Additionally, the repatriation returns are to be submitted in a prescribed format that requires outstanding repatriation amounts being specified into capital, capital gains and dividends. This prioritization set *de facto* an obligation for investors and their custodians to report the portions of outstanding balances

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<sup>1</sup> The Association of Global Custodians is an informal group of 12 financial institutions that provide securities safekeeping services and asset-servicing functions to primarily institutional cross-border investors worldwide. As a non-partisan advocacy organization, the Association represents members' common interests on regulatory and market structure matters through comment letters, white papers and interaction with legislative and regulatory authorities and financial industry organizations around the globe. The members of the Association of Global Custodians are: BNP Paribas; BNY Mellon; Brown Brothers Harriman & Co; Citibank, N.A.; Deutsche Bank; HSBC Securities Services; JP Morgan; Northern Trust; RBC Investor & Treasury Services; Skandinaviska Enskilda Banken; Standard Chartered Bank; and State Street Bank and Trust Company. For more information visit [www.theagc.com](http://www.theagc.com).

pertaining to each category, placing a huge administrative burden on all involved parties, from investors to the Reserve Bank of Zimbabwe. To remain accurate, the reports submitted to the Reserve Bank of Zimbabwe would need to be refreshed when investors' balances pending repatriation change pursuant to trading or dividend payments, further aggravating the administrative burden.

Further, it is difficult to accurately separate the repatriation amounts into the constituent elements of capital, capital appreciation and dividends for the following reasons:

1. Reporting this level of information requires ongoing tracking of the capital amount from investment date. This information has not been tracked.
2. The information requirements may be held at various levels in the custody chain, in multiple jurisdictions and in more than one currency. The collation of the required data points for historical transactions from several service providers that use disparate systems is complex and inefficient.

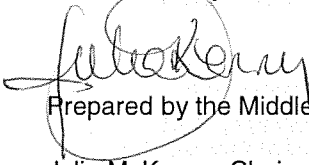
In view of the above, we are kindly proposing that, in respect of repatriation amounts already outstanding, you consider withdrawing the requirement that repatriation amounts be expressed as capital, capital appreciation and dividends. We propose further that you rely only on the age of the payment requests for any prioritization of funds from the Zimbabwe Portfolio Investment Fund. We have seen this work in other countries which experienced challenges similar to the ones currently being faced by Zimbabwe. The 'First In First Out' payment methodology is not only recognized as the most fair and transparent methodology of allocating scarce foreign currency but is broadly accepted by foreign investors.

We would also welcome clarification on the extent and operation of the fund in terms of the funding. We have noted both a USD5 million seeding fund and a possible additional allocation pursuant to the Monetary Policy recently announced, yet we remain unsure of the total amount to be allocated to the repatriation disbursement process. For instance, it would be helpful to understand if the entire amounts are allocated or whether the monies will be utilized differently and only a portion will be distributed.

We believe the above proposals and the clarifications set herein are in line with the mantra '*Zimbabwe is Open for Business*' and will contribute towards building more confidence in Zimbabwe as an investment destination.

Thank you for your attention to this matter; we look forward to hearing from you. If you have any questions or would like additional information, please contact the undersigned.

Yours sincerely,



Prepared by the Middle East and Africa Committee,

Julia McKenny, Chairperson.  
24 May 2018