



**ZIMBABWE'S PAYMENT SYSTEM
UNDER MULTI CURRENCY**

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Introduction of the Multicurrency System

1. The hyperinflation environment that characterized Zimbabwe's economy for almost a decade, seriously impacted on the country's payment systems, particularly during 2008. Banking and other Information Technology (IT) systems experienced capacity constraints in handling increased volumes and multiple digits in values of transactions that were being processed at the time.
2. The high demand for cash fueled by the hyperinflationary environment lead to cash shortages during 2008. As a result, this exerted pressure on electronic payment systems, namely the RTGS and card payment systems (Zimswitch and VISA).
3. To ease the pressure on payment systems as well as to enable the smooth flow of transactions in the economy, the government deliberately allowed the use of a multicurrency system, which was adopted in January 2009.
4. The multicurrency system allows trade to be completed using major currencies, for example, the US Dollar, Pound Sterling, Rand, and the Pula. Settlement in payment systems however takes place in the US Dollar.

Large Value Payment Systems

5. The large value payment systems in Zimbabwe comprise of the Zimbabwe Electronic Transfer and Settlement System (ZETSS),

which is Zimbabwe's Real Time Gross Settlement (RTGS) system and the Central Securities Depository (CSD) system for government securities. Following the adoption of the multicurrency regime, the RTGS system has been processing US Dollar transactions since the 14th of April 2009.

6. There has been a tremendous increase in the volumes of transactions processed through the RTGS system with a daily average of 2000 transactions. A cumulative total of 61,604 transactions valued at USD573.8 million have been processed from 14 April 2009 to 4 June 2009. The system has been performing efficiently as per expectations and in line with international best practice.
7. Although the CSD system has already been configured to handle transactions in US Dollars, it is currently not being used due to the absence of appropriate instruments to be processed through the system.

Retail Payment Systems

Cheques

8. The inter-bank cheque clearing was suspended following the introduction of a multi currency system as banks are being cautious of the inherent risks in the paper based instrument, especially in the new environment. However, a framework to re-establish the

interbank cheque system has since been put in place and the banking community is working on the operational modalities of the new system.

Card Payment Stream

9. Since the adoption of a multi-currency system, some few banks took the initiative to provide Point of Sale (POS) services to customers on an intra-bank basis to ensure continued convenience to the transacting public. This was done as a stop-gap measure as the Zimswitch platform was undergoing technical configurations to process US Dollar transactions.
10. As from the end of April 2009, the Zimswitch platform was ready to process card based transactions in US Dollars and 33% of the participating financial institutions were active on the platform by mid May 2009. However, retail transactions being processed through Zimswitch were still insignificant as at 31 May 2009. This could be attributed to low levels of economic activity.
11. The Central Bank is currently involved in collaborative efforts with financial institutions and other stakeholders to resuscitate the VISA platform. The VISA platform is necessary for processing international card transactions.
12. Some financial institutions continued to provide internet and mobile banking services on an intra-bank basis. However, the

volumes of transactions were still negligible as at the end of May 2009 mainly due to low economic activity.

Conclusion

13. Although Zimbabwe's payment system was affected by the harsh macroeconomic environment, it has since adapted following the introduction of the multi-currency system. The adoption of the multi-currency system has gone a long way in stabilizing both the large value and retail payment streams to the extent that they are functioning smoothly and efficiently, albeit the low economic activity in the country.

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