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## International Best Practices and Related Aspects of the Regulation and Supervision of Banks in Zimbabwe

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**Abstract:** There are various organisations that provide international best practices and guidelines for the regulation and supervision of banking institutions globally. These best practices and guidelines provide recommendations on how banks should conduct their business to, inter alia, promote deposit insurance and deposit protection for the benefit of all financial consumers. For the purposes of this article, selected international bodies and/or organisations that provide some recommendations to enhance the regulation of banks in Zimbabwe, such as the Basel Committee on Banking Supervision (BCBS), the Financial Stability Board (FSB), the International Monetary Fund (IMF), the Committee on Payments and Market Infrastructures (CPMI), the International Association of Deposit Insurers (IADI), the Financial Action Task Force (FATF), the Central Bank Governance Forum (CBGF) and the Committee on the Global Financial System (CGFS) are discussed. The bodies provide some recommendations that could be utilised to curb various challenges that affect banks globally. In Zimbabwe, such challenges include the poor assimilation of technology in banks, the lack of adequate staff in banks with the relevant expertise and the lack of sufficient financial resources to effectively enforce banking laws. Accordingly, it is submitted that the relevant authorities should utilise the

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recommendations that are developed by the stated international bodies to improve the regulation and supervision of banks and related financial institutions in Zimbabwe.

**Keywords:** banks; regulation; supervision; guidelines and best practices; banking law

## 1. Introductory Remarks

Bank regulation requires the establishment of adequate and contemporary laws, rules and/or regulations that are consistently enforced to enable banks and other financial institutions to conduct their businesses effectively and lawfully. Robust bank regulation is key to the development of viable financial institutions, efficient financial markets and stable economies globally. The adoption and enforcement of good banking laws and international best practices are crucial for the promotion of sound and transparent financial institutions and financial markets that are free from financial crimes such as market abuse and money laundering. In this regard, it should be noted that international best practices for banking regulation and supervision refer to banking laws, rules and/or regulations that are internationally accepted by many countries to promote trust, efficiency and transparency in banks and other related financial institutions in the financial sector globally (Pagliari & Wilf, 2021, pp. 933–951; the Basel Committee on Banking Supervision, 2011, pp. 1–78; Rixen & Viola, 2020, pp. 203–222; Makinde, Olugbenga, Okezie, Adetutu & Olalekan, 2021, pp. 12–20). Moreover, international best practices for banking regulation and supervision refer to principles of good banking conduct and prudential regulation, which enhances bank customer relationships and promote safe, reliable and stable banks and other related financial institutions globally (see related discussion in the Basel Committee on Banking Supervision, 2011, pp. 1–78; Barth & Nolle, 2009, pp. 1–87; Sihotang, 2021, pp. 10–16; Almusheifri & Matriano, 2021, pp. 330; 336). Currently, the Basel Committee on Banking Supervision (BCBS), the Financial Action Task Force (FATF), the Financial Stability Board (FSB), the International Monetary Fund (IMF), the Committee on Payments and Market Infrastructures (CPMI), the International Association of Deposit Insurers (IADI), the Central Bank Governance Forum (CBGF) and the Committee on the Global Financial System (CGFS) provide the relevant best practices for financial services and banking regulation for most countries, including Zimbabwe.<sup>1</sup>

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<sup>1</sup> The article was influenced in part by Ncube's Doctor of Laws (LLD) thesis entitled: *A Comparative Statutory Analysis of the Regulation and Supervision of Banking Institutions in Zimbabwe* (North-West University, 2022), pp. 89-112.

The regulation and supervision of banking institutions have evolved in order to adapt to the changing needs of the banking industry in order to curb financial crimes and bank failures globally (Hendrickson, 2011, pp. 10–248; Klomp & de Haan, 2012, pp. 3197–3212; Barth, Caprio & Levine, 2013, pp. 111–219; Dordevic, *et al*, 2021, pp. 1–34). As a result, the Basel Accords (Penikas, 2015, pp. 9–47) were established to standardise minimum capital requirements and best practices for banking institutions in order to combat systemic risks (Harnay & Scialom, 2016, pp. 401–426; Liew, Rahim & Riaz, 2019, pp. 14–22). This approach has enabled regulatory and enforcement authorities in many countries to promote prudential regulation and consumer protection of all financial consumers. Basel Accords are formal banking regulation agreements (Basel I, II, and III) that are developed by the BCBS. The BCBS provides recommendations on banking and financial regulations globally to detect, prevent and combat all financial crimes and systemic risks. It is against this background that this article explores the importance of the robust regulation and supervision of banks and related financial institutions in Zimbabwe (Amin & Abdul-Rahman, 2020, pp. 391–412; Morgan & Yeung, 2012, pp. 16). The article further discusses the reliance and use of international best practices to enhance the regulation and supervision of banking institutions in Zimbabwe. This is done to unpack the flaws in the regulatory framework for banks in Zimbabwe so as to recommend possible remedies that could be utilised by the relevant authorities to curb such flaws.

## 2. Methodology and Limitations of the Study

The article provides a legal analysis of the regulation and supervision of banks in Zimbabwe. This is done by examining the adequacy of the relevant laws and their enforcement in accordance with the international banking best practices. No empirical research methods are employed in this article. A qualitative and doctrinal research method is adopted. Therefore, only relevant Zimbabwean banking law statutes and policies on the regulation and supervision of banks are analysed. The research also relied on journal articles, textbooks, case law, legal encyclopaedias, conference papers, international instruments, legislation and other relevant sources. Thus, both primary and secondary sources on banking law were examined. Relevant court judgements and related legal instruments on bank regulation and supervision in Zimbabwe were further discussed. The article does not utilise and/or employ comparative studies. Therefore, interdisciplinary and interjurisdictional studies are beyond the scope of this article. Tables, diagrams, figures and other related empirical

study materials are not utilised in this article since it is purely a legal and doctrinal study.

### **3. International Role-Players and International Best Practices for the Regulation and Supervision of Banks in Zimbabwe**

#### **3.1. The BCBS**

The BCBS is a renowned international body that provides best practices for the prudential regulation of banks globally. The BCBS is a sub-committee of the Bank for International Settlements (BIS). It was initially known as the Committee on Banking Regulations and Supervisory Practices. The BCBS was established by central bank governors of the Group of Ten (G10) member countries in 1974 to enhance financial stability by improving the quality of banking supervision globally (Blochwitz & Hohl, 2011, pp. 247–267). The G10 consists of Belgium, Canada, France, Germany, Italy, Japan, the Netherlands, Sweden, Switzerland, the United Kingdom (UK) and the United States of America (USA). It was formed to provide a platform for consultations and cooperation on economic, monetary and financial matters to coordinate fiscal and monetary policies in order to increase financial stability). It provides an international platform for cooperation and collaboration on banking regulation and banking supervision for its member countries (Basel Committee on Banking Supervision, 2014, pp. 1–11; Black & Jacobzone, 2009, pp. 6–84; McNamara, Piontek & Metrick, 2019, pp. 45, 46–58). The BCBS was established after the failure of Bankhaus Herstatt, which was a small German bank, with the primary role of processing foreign exchange transactions. Its failure led to the subsequent failure of other banks, which had unsettled transactions with it. In addition, the failure of the Franklin National Bank of New York due to allegations of fraud and funds mismanagement by the banking personnel. The aforementioned bank failures led to the formation of the BCBS in order to provide guidelines for banking regulation and supervision). Notably, the BCBS has 45 members, which include central banks, international organisations, bank supervisors and other bodies from about 28 jurisdictions. It seeks to harmonise the banking laws of its member countries by issuing banking regulation and supervision guidelines which are developed by consensus among such countries (see related discussion by Wright, Sheedy & Magee, 2018, pp. 279–311; Gianfagna, Crimaldi & Gallan, 2021, pp. 434–453; Quaglia & Spendzharova, 2022, pp. 588–602; Wilks, 2020, pp. 1–47). However, the BCBS does not possess any formal supranational authority because it

generally operates informally (Westerwinter, Abbott & Biersteker, 2021, pp. 1–27; McLean, 2021, pp. 463–466; Salama, 2009, pp. 25; 30; O’Shaughnessy, 2021, pp. 59–87). The BCBS publishes its banking regulatory recommendations and/or guidelines among its member countries’ central banks or other relevant role-players (see Article 2 of the Basel Committee Charter of 2018; Thakkar, 2017, pp. 51–63; Ekwueme, 2022, pp. 467–480; Fromage, 2022, pp. 54–65). These recommendations are enforced through the BCBS member countries’ commitment to effectively cooperate and collaborate with each other to promote financial stability and better supervision of banks (Mitchell, 2022, pp. 1–17; Article 5 of the BCBS Charter, 2021). Accordingly, some of the BCBS recommendations and/or guidelines for the regulation and supervision of banks are discussed below.

### **3.1.1. The BCBS Instruments on the Regulation and Supervision of Banks**

#### **3.1.1.1. Basel I (Basel Capital Accord of 1988)**

The Basel Capital Accord of 1988 was published by the BCBS to strengthen and promote the sound stabilisation of international banking through the introduction of robust credit risk measures (Liew, Rahim & Riaz, 2019, pp. 14; Ramirez, 2017, pp. 2). For instance, the Basel Capital Accord of 1988 introduced a minimum ratio of capital to risk-weighted assets (RWA) of 8% and it was implemented in 1992 (see Basel Committee on Banking Supervision, 2011, pp. 1–78; Articles 1–5 of the BCBS Charter; Thakkar, 2017, pp. 51–63; Fromage, 2022, pp. 54–65). Thus, all banks in BCBS member countries were required to keep the capital of RWA at 8% of their determined risk profile. These Basel I recommendations were introduced in BCBS member countries and other non-member countries that had some international banks (see Basel Committee on Banking Supervision, 2011, pp. 1–78; Articles 1–5 of the BCBS Charter; Thakkar, 2017, pp. 51–63; Fromage, 2022, pp. 54–65). Moreover, Basel I capital reserve requirements for banks were required to be updated from time to time so as to effectively detect and combat systemic risks (see Basel Committee on Banking Supervision, 2011, pp. 1–78; Articles 1–5 of the BCBS Charter; Thakkar, 2017, pp. 51–63; Fromage, 2022, pp. 54–65). Basel I recommendations were established to curb unfair competition and illicit activities among banks in the BCBS member countries (Liew, Rahim & Riaz, 2019, pp. 14). Basel I recommendations were also introduced to ensure that banks in the BCBS member countries have sufficient capital to support their business without falling victim to the negative effects of insolvency, financial crimes and systemic risks (see Basel Committee on Banking Supervision, 2011, pp. 1–78; Articles 1–5 of the BCBS Charter; Thakkar, 2017, pp. 51–63; Fromage, 2022, pp. 54–65). These

recommendations were also aimed at increasing the stability of the international financial systems, especially in the BCBS member countries. This was partially achieved through standardising minimum capital standards for central banks in the G10 countries (Pattison, 2006, pp. 443–458; BCBS, 2004, pp. 3). To this end, the Basel I focused on the effective enforcement of the RWA concept among the BCBS member countries (Rizvi, Kashiramka, & Singh, 2018, pp. 83S–111S). The RWA concept helped to standardise the minimum capital of assets of banks in order to avert insolvency and/or liquidation of such banks (Rizvi, Kashiramka & Singh, 2018, pp. 85S). This meant that banks were required to maintain the capital of 8% in RWA, while the ratio of core capital to RWA was at least 4% (Rizvi, Kashiramka & Singh, 2018, pp. 85S). The Basel I raised the overall regulatory solvency ratio of the main banks in the G10 countries to 11.2% in 1996. An amendment to the Basel Capital Accord of 1988 was introduced in 1997 to incorporate market risks (Market Risk Amendment) arising from foreign exchange, trade debt securities, equities, commodities and options of banks in the BCBS member countries (see Article 2 of the Basel Committee Charter of 2018 (BCBS Charter); Basel Committee on Banking Supervision, 2011, pp. 1–78; Thakkar, 2017, pp. 51–63; Fromage, 2022, pp. 54–65). Consequently, banks were now allowed to use internal value at risk models to measure their own market risk capital requirements (see Basel Committee on Banking Supervision, 2011, pp. 1–78; Article 2 of the BCBS Charter; Thakkar, 2017, pp. 51–63; Fromage, 2022, pp. 54–65). Compliance to these recommendations and measures was enforced by securities regulatory bodies in the BCBS member countries. It is submitted that the Reserve Bank of Zimbabwe (RBZ) adopted some Basel I recommendations in 1995 but struggled to consistently enforce them (Tepetepe, 2022, pp. 48–71; Chitimira & Ncube, 2021, pp. 91–121).

#### **3.1.1.2. Basel II: The New Capital Framework of 2004**

In 1999, the BCBS issued a proposal for a new capital adequacy framework to replace the Basel I Accord. This was generally referred to as the Basel II or the new revised capital framework, which came into force in 2004 (Lall, 2009, pp. 6). The mandate of Basel II remained somewhat similar to that of Basel I, since it also provided for the promotion of the safety and soundness of international banking institutions (Hibbeln, 2010, pp. 5–56). The Basel II had about three main pillars that broadly deal with minimal capital requirements, regulatory supervision of banks, and market discipline (Basel Committee on Banking Supervision, 2006), pp. 204). For instance, it focused on the minimum capital requirements for banks as the first pillar in a bid to develop and expand the standardised rules that were provided in Basel I.

This was probably done to effectively enforce minimal capital requirements and standards of banks in all BCBS member countries to curb credit risk and other systemic risks (Hibbeln, 2010, pp. 7). The second pillar focuses on the supervisory review of an institution or bank's capital adequacy and internal assessment process. In other words, the Basel II Accord obliges all banks to have robust supervisory, detection and assessment measures of possible systemic risks, such as interest rate risks and liquidity risks (Hibbeln, 2010, pp. 7). The third pillar of the Basel II Accord promotes the effective use of adequate information disclosure measures as a tool to strengthen and encourage market discipline and sound banking practices. This was intended to improve bank regulation and other financial institutions' discipline through their timely disclosure of relevant information to curb systemic risks (Hibbeln, 2010, pp. 7), such as the global financial crisis. Notably, the 2007–2009 financial crisis gave rise to many high-profile corporate scandals, bankruptcy cases and bank failures (Mohan, 2009, pp. 1–35). Consequently, the BCBS revised its banking regulatory recommendations to combat all bank-related systemic risks (Basel Committee on Banking Supervision, 2014, pp. 1–11). It is reported that Zimbabwe adopted Basel II recommendations in 2010 in a bid to improve its bank capital management standards (Tepetepe, 2022, pp. 48).

#### **3.1.1.3. Basel III of 2010**

The Basel III Accord requirements were first published by the BCBS in 2010 and started to be adopted and utilised by many countries in 2012. This occurred after the 2007–2009 global financial crisis, in an attempt to enhance the supervision and regulation of banks to promote good capital and liquidity standards of such institutions globally (Benink, 2020, pp. 1–12). The Basel III Accord provides a number of reform measures in order to enhance the regulation, supervision and risk management of banks globally. The Basel III Accord provides for bank regulatory reforms to mitigate and combat systemic risks in the international banking sector. It also requires banks to have more capital so as to avert bankruptcy and financial crimes. The Basel III Accord provides a regulatory framework that sets the minimum and international standards for bank capital requirements, stress tests and liquidity regulations so as to mitigate the risk of bank failures globally. It was introduced in an attempt to address the gaps and flaws in banking and financial regulation in the aftermath of the 2007–2008 financial crisis which saw many big financial institutions, such as the Lehman Brothers, collapsing in September 2008. The Basel III Accord's flaws also gave rise to poor governance and poor risk management in banks globally. Consequently, the BCBS revamped the Basel III Accord to introduce

some principles to promote sound liquidity risk management and supervision of banks in 2008. In July 2009, the Basel III Accord was further revised to address flaws in the regulation of certain complex securitisation aspects in an attempt to enhance the regulation and supervision of international banks globally. The Basel III Accord revamped bank equity capital requirements and introduced higher global minimum capital standards for commercial banks in September 2010. Thus, robust requirements were introduced to improve the quality and quantity of regulatory capital in relation to common equity in banks globally to enable them to restrict payouts so that they meet the minimum common equity requirements (Basel Committee on Banking Supervision, 2014, pp. 1–11). Therefore, the BCBS adopted the Basel III: international framework for liquidity risk measurement, standards and monitoring. Thereafter, it adopted the Basel III: global regulatory framework for more resilient banks and banking systems (Benink, 2020, pp. 2). Accordingly, the capital requirements for banks' exposures to central counterparties were extensively revamped in 2014. The Basel III Accord introduced some margin requirements for non-centrally cleared derivatives and capital requirements for banks' equity funds. It also adopted a standardised approach for measuring counterparty credit risk exposures for banks, especially counterparty credit risk for derivatives transactions. It further revised the market risk framework, trading book capital requirements, disclosure requirements and cross-border supervision requirements. The Basel III Accord revamped the minimum liquidity ratio, liquidity coverage ratio and the net stable funding ratio for liquidity regulation for banks to enable them to have sufficient funding which combats short-term liquidity shocks (He, 2021, pp. 101–106). The Basel III Accord provided better prudential regulation than the Basel I and Basel II Accords (Shakdwipee & Mehta, 2017, pp. 66–70). Unfortunately, the Basel III Accord was inconsistently enforced in Zimbabwe. This could have caused many bank failures in the Zimbabwean banking sector, especially between the mid-1990s and 2020 (Nhavira, Mudzonga & Mugocha, 2013, pp. 1–87).

### **3.2. The International Monetary Fund (IMF)**

The IMF is a financial agency of the United Nations (UN) that is funded by its 191-member countries. The IMF is accountable to its member countries. It is a global lender of last resort to its member countries. Moreover, the IMF is a big proponent of exchange-rate stability in the banking sector of its member countries (Nerozzi, 2011, pp. 55–84). The IMF seeks to foster global monetary cooperation among its member countries globally. It also promotes financial stability, international trade,

employment and sustainable economic growth to combat poverty globally. The IMF was established in 1944 at the Bretton Woods Conference after the Great Depression of 1930 in order to promote international financial stability and monetary cooperation globally (Nerozzi, 2011, pp. 55–84). It enforces its recommendations through surveillance and monitoring of the economic and financial policies of its 191-member countries at global, regional, and national levels (Broome, 2015, pp. 147–165). This surveillance enables the IMF to identify potential systemic risks to financial and economic stability in order to recommend appropriate policy adjustments for sustainable economic growth globally (Broome, 2015, pp. 147–148). It utilises participatory surveillance to make accurate estimations about market sizes, data and economic facts from its member states to effectively promote transparency, international cooperation and trade. Additionally, the IMF provides an investigative review into its member states' financial and banking sectors every five years (Weber & Staiger, 2014, pp. 82–102). It plays a central role in the management of the balance of payments difficulties and international financial crises through a quota system, which enables member countries to contribute funds to a pool where they can borrow in times of financial challenges.

The IMF provides policy advice to its member countries, especially in developing countries, to empower them to have macroeconomic stability and curb poverty. Moreover, the IMF oversees the fixed exchange rate arrangements between member countries to help them to manage their exchange rates, prioritise economic growth and provide short-term capital for their projects. This is done to improve the balance of payments, combat international economic crises and provide capital investments for economic growth to promote financial stability and monetary cooperation among member countries. The IMF discourages policies that harm financial and economic prosperity in its member countries.

Notwithstanding the progress made by the IMF, as indicated above, it is sometimes criticised for adopting autocratic policies that centralise economic decision-making, impose conditions that limit national sovereignty, and entrench the influence of powerful governments over developing nations. For instance, it is argued that its interventions often prioritise the stability of financial institutions over individual economic freedoms (Broome, 2015, pp. 147–165). It is further argued that the IMF policies restrict the ability of member countries' local markets to self-correct and develop independently (Broome, 2015, pp. 147–165). Moreover, it appears that the IMF policies, recommendations and governance protocols are more inclined towards more developed member countries that have undue political influence over it.

Zimbabwe has to date struggled to comply with some of the recommendations of the IMF (Nhavira, Mudzonga & Mugocha, 2013, pp. 1–87). In this regard, the failure of the Economic Structural Adjustment Programme (ESAP) in Zimbabwe between 1991 and 1995 is a case in point of its struggle to enforce the recommendations of the IMF and the World Bank. Zimbabwe is still struggling to settle some of its IMF loans and this has disqualified it from accessing further IMF loans.

### **3.3. The Financial Stability Board (FSB)**

The FSB is an international body that makes recommendations about global financial activities. It monitors the global financial sector so as to identify gaps, flaws and systemic risks, and recommend appropriate measures to mitigate such flaws and risks. The FSB was established by the Group of 20 (G20) in 2009 to replace the Financial Stability Forum (FSF) (Smith, 2011, pp. 1–10. G20 is an international forum, which was founded in 1999 for the governments and central bank governors from 19 countries and the European Union (EU). The G20 discusses policy pertaining to the promotion of international financial stability). It promotes the best financial practices and best regulatory standards to enhance the financial stability and soundness of the global financial sector (Gadinis, 2013, pp. 157–175). The FSB seeks to enhance the global regulation of banks. The FSB brings together national authorities responsible for financial stability in significant international financial centres, international financial institutions, sector-specific international groupings of regulators and supervisors, and committees of central bank experts in member countries (Helleiner, 2010, pp. 282–290). It seeks to curb systemic risks by enhancing the quality and coherence of banking regulatory standards in its member countries globally (Articles 1 and 2 of the Financial Stability Board Charter of 2012; Weber & Staiger, 2014, pp. 85). However, the FSB does not have any legal power to oblige any member country to comply with its recommendations. This follows the fact that the FSB Charter is an informal and non-binding memorandum of understanding for cooperation between FSB member countries (Articles 15–17 of the Financial Stability Board Charter of 2012; Lombardi, 2011, pp. 1–24).

The FSB promotes effective coordination and cooperation between national financial regulatory authorities and other international financial standard-setting bodies, such as the IMF and the World Bank. This is done to develop strong regulatory, supervisory and other financial sector policies in member countries to encourage the robust implementation of such policies to promote financial stability in all financial institutions and financial markets globally. The FSB further promotes

effective coordination and information sharing among the relevant regulatory and enforcement authorities in all its member states.

Moreover, the FSB assesses the challenges affecting the global financial sector in order to timeously identify, adopt and review macroprudential regulation and supervision measures, especially in member countries (see Articles 15–17 of the Financial Stability Board Charter of 2012; Lombardi, 2011, pp. 1–24). It also advises all member countries on market developments and their implications so as to enhance the regulatory policies and regulatory standards of such countries. The FSB provides support for contingency planning for cross-border crisis management and the combating of systemic risks that affect banks and other financial institutions globally. It encourages member countries to enforce agreed commitments, best standards and policy recommendations in the global financial sector. This is normally enforced through the regulatory structure of the FSB, which comprises the Plenary as the sole decision-making body and a Steering Committee which deals with operational work regarding plenary meetings. The FSB also utilises the Standing Committee on the Assessment of Vulnerabilities (SCAV), which is the main mechanism for identifying and assessing risks in the global financial sector (Lombardi, 2011, pp. 1–24). The FSB also uses the Standing Committee on Supervisory and Regulatory Cooperation (SRC), which provides supervisory analysis and supervisory policies to curb all material vulnerabilities and systemic risks in the global financial sector (Lombardi, 2011, pp. 1–24). The Standing Committee on Standards Implementation (SCSI) is responsible for monitoring the implementation of agreed FSB policy initiatives and international standards (Lombardi, 2011, pp. 1–24). Moreover, the Standing Committee on Budget and Resources (SCBR) provides oversight of the FSB's resources, the budget and presents recommendations to the Plenary.

All FSB member countries are required to maintain financial stability, openness and transparency in their financial sectors. The FSB member countries are expected to adopt and enforce its international financial standards and agree to undergo periodic peer reviews, using data from the IMF, the World Bank and public Financial Sector Assessment Program (FSAP) reports. This is crucial for the FSB to credibly enforce compliance with its recommendations in all member countries. On the other hand, Zimbabwe has to date struggled to implement some of the FSB recommendations in its financial sector. This has given rise to numerous challenges in the regulation and supervision of banks and related financial institutions in Zimbabwe.

### **3.4. The Committee on Payments and Market Infrastructures (CPMI)**

The Committee on Payment and Settlement Systems (CPSS) was established by the central banks of the Group of 10 (G10) countries to monitor developments in payment, settlement, and clearing systems in such countries (see articles 1 to 5 of the Committee on Payment and Settlement Systems Charter, 2014; Lombardi, 2011, pp. 1–24). This was an attempt to promote efficient payment and settlement systems so as to build robust financial markets and financial institutions in all G10 countries. The CPSS was introduced as a committee of the BIS. Notably, the G10 central bank governors established a Group of Experts on Payment Systems to conduct some work on payment system issues that were identified by the G10 Group of Computer Experts in 1980 (see articles 6 to 12 of the Committee on Payment and Settlement Systems Charter, 2014). The CPSS expanded the activities of the Group of Experts on Payment Systems.

An ad hoc Committee on Interbank Netting Schemes was established by the G10 central bank governors in 1989 to address policy issues relating to cross-border and multicurrency interbank netting schemes. In 1990, the Committee on Interbank Netting Schemes' report provided some minimum standards for the operation of bilateral and multilateral cross-border and multicurrency netting schemes. This report also provided a framework for cooperative oversight of such schemes for G10 central banks. The CPSS membership was increased to 25 central banks between 1997 and 2009 and it started reporting to the Governors of the Global Economy Meeting (GEM).

In September 2013, the CPSS reviewed its mandate and changed its name to CPMI. However, these amendments came into force in September 2014. The CPMI membership grew further to 28 central banks in March 2018. To date, the CPMI has continued to provide international best standards and key recommendations about the safety and efficiency of the payment, clearing, settlement and related arrangements in G10 countries to enhance financial stability and economic growth. The CPMI promotes central bank cooperation on oversight, policy, operational aspects and the provision of other central bank services. Notably, Zimbabwe is yet to comply with most recommendations of the CPMI. For instance, it is still grappling with the inconsistent enforcement of its banking laws.

### **3.5. The International Association of Deposit Insurers (IADI)**

The IADI is a global standard-setting organisation for deposit insurance systems. It is also a global principal forum where deposit insurers converge to share their knowledge, experiences and expertise (see articles 1 to 4 of the Statutes of the International Association of Deposit Insurers, 2024; International Association of Deposit Insurers, 2024, pp. 6–49). The IADI is governed by its statutes and by-laws and it provides training, guidance and technical assistance on research and related matters regarding deposit insurance to its members (see articles 5 to 6 of the Statutes of the International Association of Deposit Insurers, 2024; International Association of Deposit Insurers, 2024, pp. 6–49). The IADI utilises the General Assembly as its supreme organ. All its members are represented on the General Assembly by a designated representative (see articles 5 to 6 of the Statutes of the International Association of Deposit Insurers, 2024; International Association of Deposit Insurers, 2024, pp. 6–49). The Executive Council ensures the effective functioning of the IADI. All members of the Executive Council are required to comply with the Code of Conduct for the IADI (see articles 9 to 16 of the Statutes of the International Association of Deposit Insurers, 2024; International Association of Deposit Insurers, 2024, pp. 6–49). The Executive Council has established five Council Committees. The Council Committees, Technical Committees and working groups that are supported by the Secretariat are empowered to conduct the work of the IADI. In this regard, it is important to note that the Executive Council has five Council Committees and some Regional Committees in Africa, Asia-Pacific, the Caribbean, Eurasia, Europe, Latin America, the Middle East and North Africa, and North America (see articles 9 to 16 of the Statutes of the International Association of Deposit Insurers, 2024; International Association of Deposit Insurers, 2024, pp. 6–49). Accordingly, the Regional Committees have to date played a pivotal role in fostering regional cooperation among all the IADI members.

The IADI adopted some core principles in 2009, which were later revised in 2014 in a bid to revamp the deposit insurance practices and combat various banking challenges that affected most IADI members. These IADI core principles and publications, such as annual reports and trends reports provide guidance on the promotion of international best practices on deposit insurance among its members. The IADI further provides analytical papers and research papers that are authored by academic researchers and representatives from its members. This is mainly done to entrench good deposit insurance practices and financial stability in member countries.

The IADI seeks to promote effective cooperation, coordination, and information sharing, among its members, especially on good practices and techniques to enhance deposit insurance systems and bank crisis management in member countries (see article 2 read with articles 9 to 16 of the Statutes of the International Association of Deposit Insurers, 2024; International Association of Deposit Insurers, 2024, pp. 6–49). It further encourages its members to adopt appropriate and robust deposit insurance policies (see article 2 read with articles 9 to 16 of the Statutes of the International Association of Deposit Insurers, 2024; International Association of Deposit Insurers, 2024, pp. 6–49). It also seeks to collect and analyse data to conduct research to promote the effective operation of deposit insurance systems and related policies in member countries (see article 2 read with articles 9 to 16 of the Statutes of the International Association of Deposit Insurers, 2024; International Association of Deposit Insurers, 2024, pp. 6–49). The IADI requires its members to promote the enforcement and monitoring of robust deposit insurance systems, including the adoption of good technical assistance and capacity building measures (see article 2 read with articles 9 to 16 of the Statutes of the International Association of Deposit Insurers, 2024; International Association of Deposit Insurers, 2024, pp. 6–49). It collaborates with other financial safety-net participants, standard-setting bodies and international financial institutions on deposit insurance policy formulation processes. Over and above, the IADI requires its members to create awareness among the relevant stakeholders regarding the importance of deposit insurance systems in maintaining financial stability (see article 2 read with articles 9 to 16 of the Statutes of the International Association of Deposit Insurers, 2024; International Association of Deposit Insurers, 2024, pp. 6–49). Although the Deposit Protection Corporation (DPC) of Zimbabwe is a member of the IADI, it has not consistently and effectively protected all depositors. For instance, a number of depositors have lost their banked money and/or investments since the late 2000 to date (see related discussion by Nhavira, Mudzonga, & Mugocha, 2013, pp. 1–87).

### **3.6. The Financial Action Task Force on Money Laundering (FATF)**

The FATF is an inter-governmental body that was formed by the relevant Ministers of its member jurisdictions in 1989 (see the FATF, 2025, pp. 1–145). The FATF has developed some best standards that promote the effective enforcement of the regulatory and operational measures to combat money laundering, terrorist financing and the financing of proliferation (FATF, 2025, pp. 7–9). It also seeks to combat other related financial threats to promote the integrity of the global financial markets

and financial institutions. The FATF identifies potential financial risks and financial crimes in its member countries in order to protect their financial sectors from such risks and crimes (FATF, 2025, pp. 7-9).

The FATF has developed some recommendations that provide a comprehensive and consistent framework of some measures to combat money laundering and terrorist financing in member countries (FATF, 2025, pp. 7–9). These recommendations also discourage the financing of proliferation of weapons of mass destruction. The FATF member countries are free to adopt and transpose relevant legal, administrative and recommendations from the FATF to enhance their own regulatory frameworks to promote compliance and combat financial crimes. The FATF Recommendations are international standards that should be consistently enforced by all its member countries. These Recommendations should be adopted by member countries to effectively detect systemic risks and develop adequate measures to curb such risks and financial crimes, such as money laundering, terrorist financing and the financing of proliferation (FATF, 2025, pp. 7–31). The FATF requires its member countries to establish competent authorities to regulate and enforce financial laws to prevent illicit activities in their respective financial sectors (FATF, 2025, pp. 7–31). These competent authorities should be statutorily empowered and adequately resourced to enable them to conduct their functions effectively. The FATF member countries are obliged to promote the transparency and accessibility of beneficial ownership information to the relevant legal persons and effectively promote international cooperation (FATF, 2025, pp. 7–31). This approach has enabled the FATF member countries to detect and curb illicit financial crimes and systemic banking challenges timeously. The FATF Recommendations promote the adoption of a risk-based approach which requires member countries to detect, understand and timeously combat various money laundering and terrorist financing risks from time to time (FATF, 2025, pp. 7–31). This enables FATF member countries to carefully manage their resources to prioritise the curbing of financial challenges with the highest risk factors. In this regard, it is important to note that the FATF Recommendations are revised from time to time so that they remain adequate and robust enough to combat systemic risks and financial crimes in all member countries. For instance, initial FATF 40 Recommendations were drafted in 1990 and revised in 1996 to address new money laundering trends and techniques, and extend the prohibition to non-drug-money laundering cases (FATF, 2025, pp. 7–31). In 2001, the FATF Recommendations revamped again to combat terrorist financing. Moreover, the FATF Recommendations were revised in 2003 to extend the anti-money laundering

(AML) and counter financing of terrorism (CFT) measures to over 180-member countries (FATF, 2025, pp. 7–31).

It is important to note that Zimbabwe is a member of the FATF. Accordingly, it is submitted that Zimbabwe has made significant progress in enacting robust AML and CFT laws. Consequently, it is no longer under the FATF increased monitoring processes because it was removed from the grey list in 2022. Nonetheless, the recent Gold Mafia scandal involving gold smuggling and money laundering worth billions of United States dollars indicates that more still needs to be done to effectively regulate and combat illicit money laundering and related illicit activities in the Zimbabwean financial sector and financial institutions such as banks (Al Jazeera, 2023; also see the FATF, 2025, pp. 7–31).

### **3.7. The Central Bank Governance Forum (CBGF)**

The CBGF was established to foster the good governance of central banks as public policy institutions in member countries. It is a subcommittee of the BIS. The CBGF consists of the Central Bank Governance Network, the Central Bank Governance Group and the Secretariat (the BIS, 2025, pp. 1–3). The CBFG analyses and disseminates relevant information on governance and organisational arrangements among central banks (the BIS, 2025, pp. 1–3). It seeks to enhance the governance, duties and functions of central banks in all member countries. Such governance, duties and functions of central banks in all member countries are conducted in terms of the CBGF Charter (the BIS, 2025, pp. 1–3).

The CBGF provides a platform for cooperation and information sharing among central bank governors in relation to the duties and functions of their institutions. This is mainly done to equip central bank governors to effectively adopt adequate monetary and financial policies in their respective countries (the BIS, 2025, pp. 1–3). The Central Bank Governance Group currently comprises the chair and seven other members. The Central Bank Governance Group provides a platform for central bank governors to cooperate and collaborate with each other in their respective countries (the BIS, 2025, pp. 1–3). It provides the criterion and/or guidelines for all the central bank governance work, which is conducted by central bank governors through the BIS and the Central Bank Governance Network (the BIS, 2025, pp. 1–3). It further policies the operation of the Central Bank Governance Network and the Secretariat. It is supported by the Central Banking Studies Unit of the BIS as its secretariat (the BIS, 2025, pp. 1–3). The Central Bank Governance Network helps

with the compilation, analysis and dissemination of central bank governance information to all the relevant stakeholders. The Central Bank Governance Secretariat provides extensive support to the CBGF regarding all the central bank governance work.

The RBZ is a member of the Committee of Central Bank Governors (CCBG) in the Southern African Development Community (SADC). The CCBG is a formal platform for collaborations and information sharing for SADC central bank governors. Nonetheless, it appears that the RBZ is not a member of the CBGF. Therefore, the RBZ is not bound to adopt and comply with the CBGF recommendations and/or guidelines on central bank governance in the Zimbabwean financial sector.

### **3.8. The Committee on the Global Financial System (CGFS)**

The CGFS is an international body established by the BIS. The CGFS is empowered to monitor financial sector developments in order to assess and determine their implications for financial stability and central bank policy activities in member countries (the BIS, 2024, pp. 1–53). It was initially known as the Euro-Currency Standing Committee (ECSC) which was established by the BIS Governors in April 1971. Notably, the CGFS adopted its current name in 1999 (the BIS, 2024, pp. 3–50). The CGFS is accountable to the BIS Global Economy Meeting. It empowers all central banks of its member countries to adequately assess systemic risks in the global financial markets to promote financial stability (the BIS, 2024, pp. 3–50). The CGFS also coordinates the ongoing development of the BIS international banking and global financial markets activities. Accordingly, the CGFS is generally regarded as a high-ranking macro-economic forum for central banks of member countries. Notably, the CGFS currently has about 28 members (the BIS, 2024, pp. 3–50).

The CGFS monitors and examines broad issues relating to financial markets so as to enhance the adoption of appropriate policy recommendations to enable central banks to effectively conduct their monetary responsibilities to promote financial stability (the BIS, 2024, pp. 3–50). This empowers member central bank governors to timeously detect, analyse and combat all systemic threats to the stability of the global financial markets. The CGFS also provides regular monitoring of key developments in the financial markets and the evaluation of macroeconomic developments in the financial sectors of its member countries (the BIS, 2024, pp. 3–50). It also promotes

the development of well-functioning and stable financial markets through the adoption of robust financial policies in member countries.

Moreover, the CGFS seeks to promote transparency in the global financial markets by increasing the production and disclosure of relevant information to central banks from the private sectors (the BIS, 2024, pp. 3–50). However, the CGFS should effectively cooperate with other like-minded national, supranational and international institutions that have similar responsibilities to enhance its primary objectives.

Notably, the RBZ is not a member of the CGFS. This suggests that the RBZ is not able to utilise and effectively benefit from the CGFS recommendations and/or guidelines on the regulation and governance of central banks. Consequently, the banking and supervision of banks in Zimbabwe have remained relatively poor and inconsistently conformed to the international banking best practices.

#### **4. Concluding Remarks**

As discussed above, it is clear that various organisations provide international best practices and guidelines for the universal regulation and supervision of banking institutions. Accordingly, some international bodies that provide for the banking regulation and supervision best practices were discussed in a bid to assess the adequacy of the regulation and supervision of banks and related financial institutions in Zimbabwe. In this regard, the BCBS, the FSB, the IMF, the CPMI, the IADI, the FATF, the CBGF and the CGFS were discussed. Unfortunately, the RBZ has struggled to adopt and comply with most of the best practices and guidelines that are provided by these organisations, especially on how banks conduct their business to, inter alia, promote deposit insurance and deposit protection for the benefit of all financial consumers in Zimbabwe. Therefore, it is submitted that the RBZ and other relevant authorities should consider adopting the applicable recommendations from the BCBS, the FSB, the IMF, the CPMI, the IADI, the FATF, the CBGF and the CGFS to curb various challenges that affect banks and related financial institutions in Zimbabwe. This approach could enable the RBZ and relevant authorities to curb challenges such as the poor assimilation of technology in banks, the lack of adequate staff in banks with the relevant expertise and the lack of sufficient financial resources to effectively enforce banking laws in Zimbabwe. The RBZ should carefully utilise the recommendations that are proffered by the BCBS, the FSB and the IMF to improve the regulation and supervision of banks and related financial institutions in

Zimbabwe. Moreover, there is a need for political will to enact adequate financial laws that conform to international best practices so as to effectively combat financial crime and systemic risks in the Zimbabwean financial sector.

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