



# The HUB

## NEWSLETTER

ISSUE 5

Hi there

**Summer is back**, with it the heat reminisced during the cold months. Soon the heat will cause one to yearn for the rain, when the rain comes one hopes it is enough to sustain life for another year but not too much as to cause devastating floods.

Seasons are integral to all life for balance and growth, changes being brought about by climate change such as extreme weather conditions should concern everyone. **IT'S NOT A HOAX**. As caretakers of the earth we all have an individual and collective responsibility to act against climate change.

African summers are important socially, culturally and economically, it is easy to become side-tracked and forget that the COVID – 19 pandemic is still a threat to life. Please continue observing all the preventative measures prescribed by health authorities .

**Don't forget to hydrate!**



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### THE NEW COMPANIES AND OTHER BUSINESS ENTITIES ACT (CHAPTER 24:31): OTHER BUSINESSES ENTITIES (COBEA): PART TWO

This article only focuses on Other Business Entities.  
Please refer to Issue 4 for the registration of companies.

#### What are other business entities?

It is imperative to note that this Act is called the Companies and Other Businesses Act. This means that the new law will apply not only to companies, but to other types of business entities as well that are not companies. The new Act is therefore more expansive in its reach than the previous Act.

Other forms of business that were previously not subject to the Companies Act, will now be governed by the new Act. Section 5 of the new Act provides a list of types of business entities that are subject to the Act. These are: **a public limited company; a private limited company; a company limited by guarantee; a cooperative company; a foreign company; a private business corporation and businesses operated as 'partnerships, syndicates, joint ventures and certain associations.'** that voluntarily register in terms of the new Act.

#### How to register?

Any partnership, syndicate, joint venture, consortium or any unregistered association of persons who are conducting business in Zimbabwe can now opt to **voluntarily** bring their businesses under the provisions of the Companies and Other Business Entities by paying a fee and lodging with the Registrar of Companies their constitutive documents.

Business persons in the informal sector may also need to have some understanding of the new Act with a view to identifying opportunities to graduate their businesses from the informal to the formal. This will also provide various opportunities for the upcoming informal businesses.

Section 278 deals with the voluntary registration of partnership agreements, etc. This section is wholly new. It defines a "constitutive document" as a partnership agreement, a joint venture agreement or a constitution, or other contract or agreement by which the entity or unregistered association, in question is constituted, as the case may be.

The section further holds that the authorized representative of any partnership, syndicate, consortium, joint venture or unregistered association, may, on payment of the prescribed fee and in the prescribed manner register a copy of the constitutive document relating to the entity in question, and thereupon the document lodged in the Registry shall be deemed for all purposes to be the authentic record of such document. A certificate by the Registrar that the constitutive document of a business entity or a copy thereof is an authentic copy of the one registered at the Office, shall be presumptive proof of the facts thus certified and be admissible as such in all legal proceedings.

The section also adds that any changes to a constitutive document registered under this section must be notified to the Registrar within the prescribed time and in the prescribed manner, in default of which the party responsible for the registration shall be liable to a category 2 civil penalty.

Also important to note is that a PBC i.e. A Private Business Corporation can also covert into a company by delivering an application for such conversion to the Registrar in terms of section 250. Such application must be signed by all members and delivered with any such documentation that may be required to form a company. Upon approval by the Registrar it will become a company for intents in terms of this Act.

By  
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KNOWLEDGE AT WORK

## What is "flexible ERP" and why you need it



One thing we know for sure. ERP software can significantly improve your operations, and add real value to your business. At Priority, we believe that a modern ERP system is one that enables organisations to grow and change exponentially.

Your ERP system should be flexible, scalable and adaptable, to grow as your company grows. Start with the functions you need immediately, and unlock additional capabilities as needs change, without the costly ERP enhancements. Ensure you have an all-in-one agile, scalable system – a multi-language, multi-currency, multi-company, and multi-site business management solution.

#### Priority's Flexibility Enablers: A New Take on ERP

At Priority, we work hard to keep ERP simple, consistent and interactive, especially as business processes and teams become more distributed, especially today, with the surge in remote working. Here's how Priority's flexibility enablers scale to meet your immediate needs.

#### Business Process Management (BPM)

Robust BPM tools that define and change the business layer, making your workflows more efficient.

#### Mobile Application Generator

Build awesome customer apps without the need for programming skills – high-quality apps with full ERP system functionality on-the-go!

#### User-level Personalisation

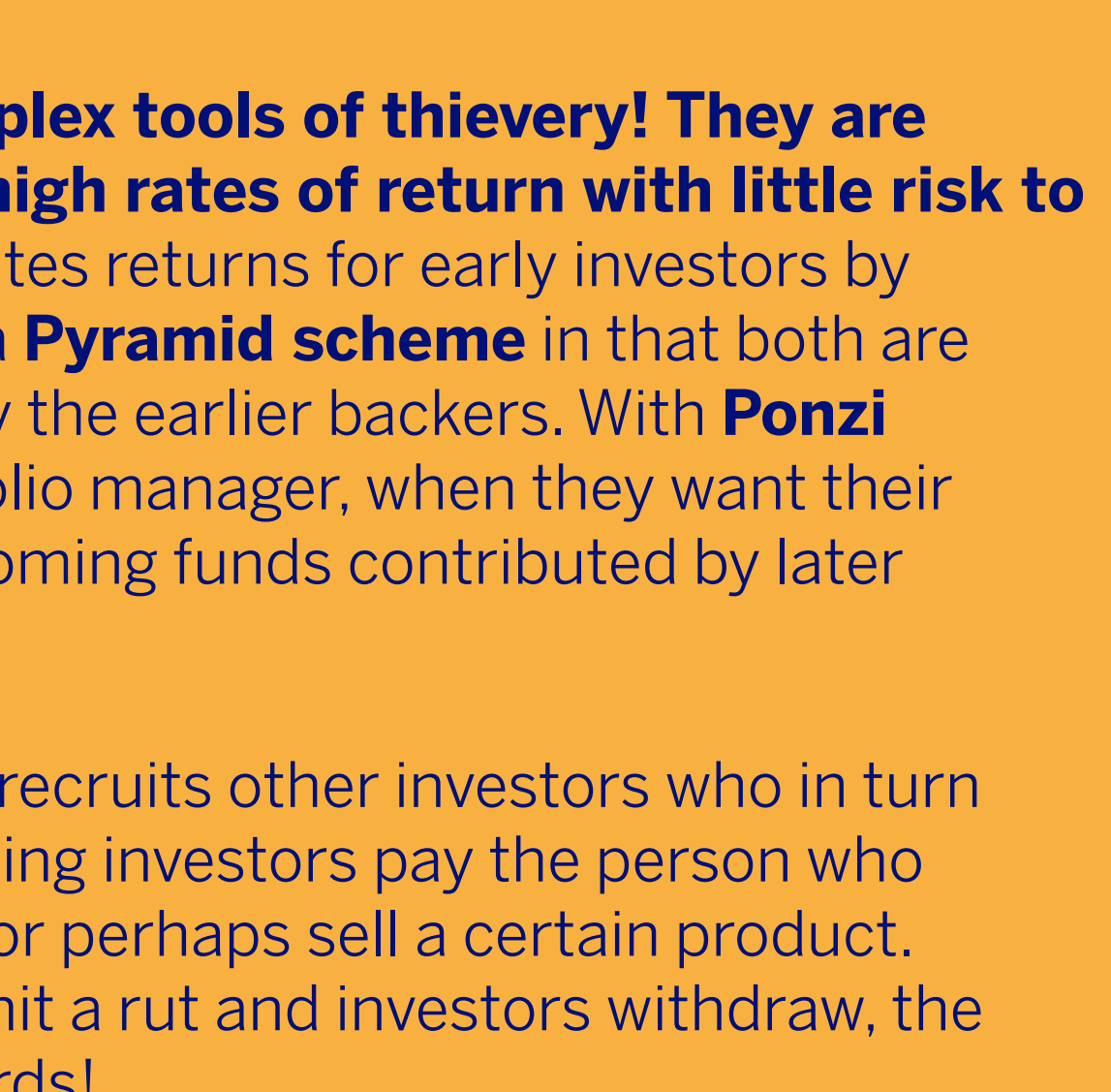
Customise Priority screens to meet individual user needs/roles, complemented by an intuitive UI with responsive HELP tools, to make learning quick and easy.

#### Business Rules Generator

Control/influence the behaviour of your business, including ability for non-developers to easily define rules, alerts, and push notifications.

#### Web/Mobile Software Development Kit (SDK)

Enable developers to build system apps or enhance/change system modules.



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### BEWARE OF CHARLES PONZI AND BERNIE MADOFF!

It seems the attraction of Ponzi schemes never ends. In recently confirmed reports, the police have been searching for the directors of a company running a suspected Ponzi scheme in Harare. Scores of people have been participating in the scheme over the past months through depositing large sums of money (USD10,000 each) in the promise of receiving twice as much back in four weeks. The ZRP and RBZ have launched an investigation into the company's operation which is being charged with contravening the Banking Act.

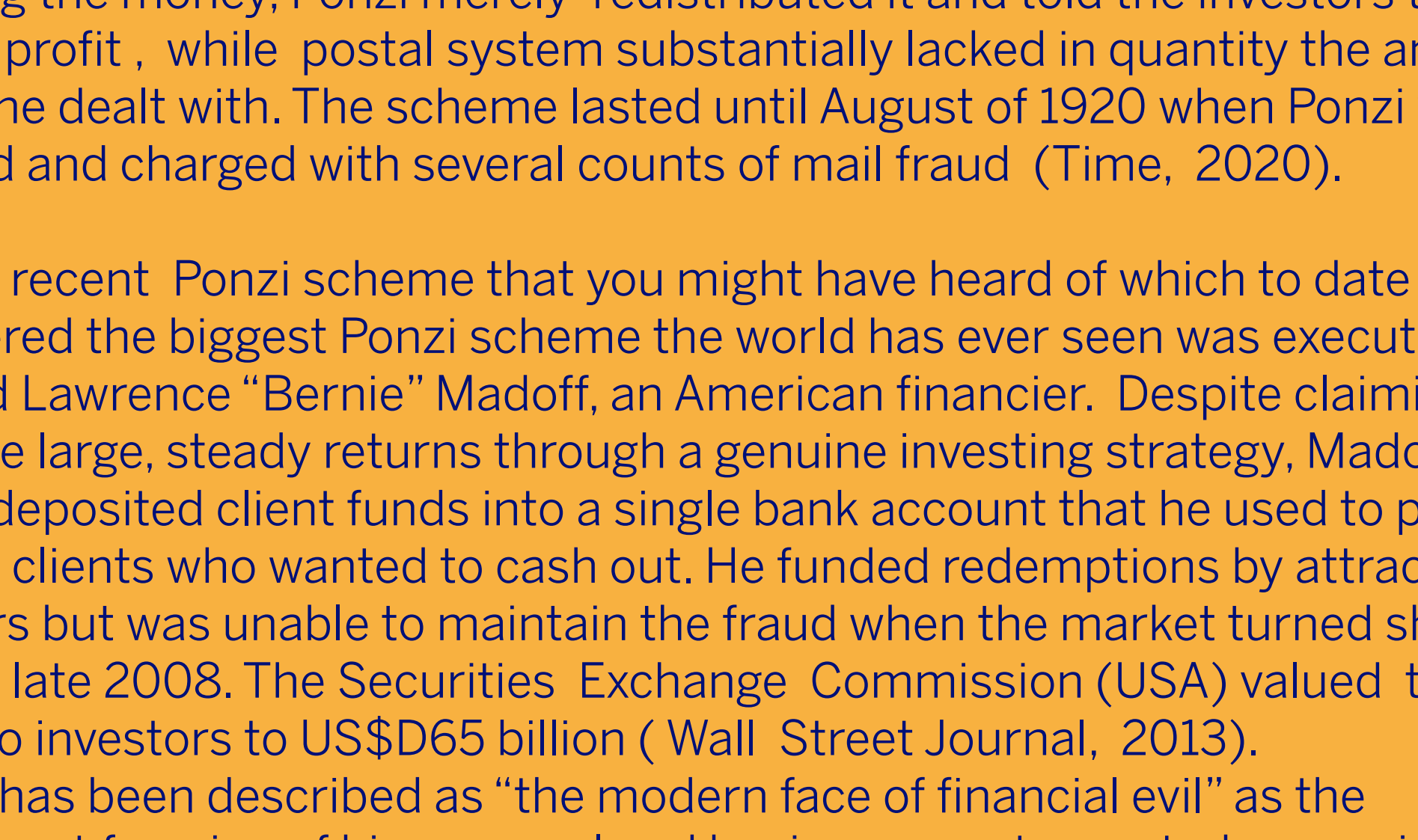
In the book "Theory of Gullibility", Greenspan (2010) writes about gullibility even suggesting gullibility to be a sub-type of foolishness. He defines a foolish act as, **"one where someone goes ahead with a socially or physically risky behaviour in spite of danger signs, or unresolved questions which should have been a source of concern for the actor"**. This brings into question - were the individuals who flocked to the company under investigation gullible? It is easy for one to fall prey to these schemes honestly! How does one guard against this, what are tell – tell signs? To understand what ponzi and pyramid schemes are one needs to understand how they operate and how they came to being. This article will explore what these schemes are and how the persons behind them exploit human pre -disposed assumptions to get their ways.

#### What Piggy Says about Ponzi Schemes

**Ponzi or Pyramid schemes are not complex tools of thievery! They are fraudulent investing scams promising high rates of return with little risk to investors.** A **Ponzi scheme** simply generates returns for early investors by acquiring new investors. This is similar to a **Pyramid scheme** in that both are based on using new investors' funds to pay the earlier backers. With **Ponzi schemes**, investors give money to a portfolio manager, when they want their money back they are paid out with the incoming funds contributed by later investors.

In a **Pyramid scheme**, the initial schemer recruits other investors who in turn recruit other investors and so on. Late-joining investors pay the person who recruited them for the right to participate or perhaps sell a certain product. However, there is a catch, when markets hit a rut and investors withdraw, the whole scheme collapses like a house of cards!

#### Illustration of Ponzi/Pyramid Scheme



Generally, **Ponzi schemes** rely on a constant flow of new investments in order to continue providing returns to older investors. It is interesting to note that the term "Ponzi Scheme" was coined after a swindler named Charles Ponzi in 1919. Charles Ponzi's original scheme in 1919 was focused on the US Postal Service. The postal service at that time had developed international reply coupons that allowed a sender to pre-purchase postage and include it in their correspondence. The receiver would take the coupon to a local post office and exchange it for the priority airmail postage stamps needed to send a reply. Charles Ponzi promised returns of 50% in 45 days or 100% in 90 days. Due to his success in the postage stamp scheme, investors were immediately attracted. Instead of actually investing the money, Ponzi merely redistributed it and told the investors they made a profit , while postal system substantially lacked in quantity the amount of money he dealt with. The scheme lasted until August of 1920 when Ponzi was arrested and charged with several counts of mail fraud (Time, 2020).

A more recent Ponzi scheme that you might have heard of which to date is considered the biggest Ponzi scheme the world has ever seen was executed by Bernard Lawrence "Bernie" Madoff, an American financier. Despite claiming to generate large, steady returns through a genuine investing strategy, Madoff simply deposited client funds into a single bank account that he used to pay existing clients who wanted to cash out. He funded redemptions by attracting new investors but was unable to maintain the fraud when the market turned sharply lower in late 2008. The Securities Exchange Commission (USA) valued total losses to investors to US\$65 billion ( Wall Street Journal, 2013). Madoff has been described as "the modern face of financial evil" as the subsequent freezing of his personal and business assets created a massive chain reaction across business and philanthropic communities resulting in many organisations closing down albeit temporarily. In 2009, Madoff was sentenced to 150 years in prison and forced to forfeit USD 170 billion ( Wall Street Journal, 2013).

#### Why is the Bernie Madoff example important ?

Madoff cultivated an image of exclusivity, often initially turning clients away. This model allowed roughly 50% of Madoff's investors to cash out at a profit. He consistently offered above average returns of 10 to 20% per annum. Bernie Madoff was a "master marketer" who throughout the 1970s and 1980s built a reputation of being a wealth manager for a highly exclusive clientele. To his name were a number of impressive titles that included co - founder and chairman of NASDAQ; New York philanthropist and member of numerous industry and private boards committees. This gave him status and power allowing him to steal as much as he did for a long time. It was hard of anyone to phantom or believe he was running a lie the government and the industry experts included.

The religious card - Madoff utilised his religion to take advantage of his fellow Jews. He used religion to attract people to his scheme allowing it to grow and spin for decades.

Madoff was able to play to human bias and gullibility fooling governments and the brightest. The scheme was well packaged anyone could have easily fallen for it . Though he was found guilty in 2009 is spending 150 years in prison, his actions had negative effects. Thousands of investors lost their life savings and more that cannot be quantified in monetary terms.

#### What we say as Piggy Bank Advisory

Piggy is concerned that economic constraints in the country have exposed households, individuals and entrepreneurs to unfit investment vehicles. As a result, citizens are now resorting to channelling their hard-earned money to unfit "investment vehicles" such as Ponzi schemes and gambling activities. It is critical that we improve our financial literacy levels. This is will result in better choices and an increased participation of entrepreneurs, households and individuals in investment markets.

Piggy advocates for the use of official verified investments options such as the Zimbabwe Stock Exchange (ZSE). The numerous investment options like the one mentioned above are ill advised because take way people's hard earned money and there is no recourse available. Piggy maintains that the stock market offers a viable option for both retail and institutional investors to preserve and grow value.

Let us be of service to you by helping you make secure, lasting and worthwhile investment decisions.

For more information on trading and investing, visit [www.piggybankadvisor.com](http://www.piggybankadvisor.com)

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by **Batanai Matsika**

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