

Registration of Investment Management Companies (Asset Managers)

Investment Management Companies are licensed in terms of Section 38(1) (c) of the Securities & Exchange Act [Chapter 24:25], and paragraph D of the Third Schedule to the Securities (Registration, Licensing and Corporate Governance) Rules, 2010. The licensing procedure incorporates registration of Asset Managers in terms of Sections 4,5,6 and 7 of the Asset Management Act [Chapter 24:26]

1. REGISTRATION REQUIREMENTS FOR DEEMED REGISTERED ASSET MANAGEMNET

- a) Memorandum and articles of association - Sec 5(2) of Asset Management Act.
- b) Certificate of incorporation
- c) Capital Adequacy requirements - Sec 5(3) (c) of Asset Management Act and paragraph 6 to the Sixth schedule of SI.100/2010.
 - Capital adequacy requirement of net assets of USD500 000.00
 - The applicant should attach 2013 audited accounts.
 - Applicant should submit current statement of the unaudited accounts.
 - The Applicant must also demonstrate how the firm will fund business operations. A business plan in terms of Section 7 of the Asset Management Act [Chapter 24:26] should be submitted.
- d) Proof of payment of fees of USD3000-00 - Part 1 of Second schedule to the SI.100/2010.
- e) Professional indemnity cover/insurance cover.
- f) Principal Officer, Compliance Officer and key personnel in the company should submit certified copies of the following - Sections 5(3)(b) and 9 of the Asset Management Act, sec 41 of Securities Act and paragraph D to the Third schedule of SI.100/2010)
 - Birth certificates

- National Identity card
- 2 passport size colour photos
- Detailed CVs
- Police clearance certificate
- Academic and professional certificates-these include "O" and "A" level certificates, diploma/ degree certificates and transcripts.

2. LICENSING PROCESS

- a) Applications should be submitted to the Securities & Exchange Commission.
- b) In line with Section 38 of the Securities Amendment Act, a person who immediately before the commencement of the Amendment Act was registered in terms of the Asset Management Act [Chapter 24:26] shall be deemed, for a period of twelve months to be a holder of an appropriate licence under Section 38 of the Securities & Exchange Act. The twelve months will run up to 30 September 2014.
- c) To ensure that all persons are afforded a reasonable opportunity to obtain the appropriate licence, all asset managers should have obtained a licence by 30 September 2014.
- d) The Commission will publish the list of licensed players in the Gazette as provided in Section 5(5) of the Asset Management Act. The Commission may also publish the list in other local media.
- e) Everyone should adhere to this deadline and full applications should be submitted in time to meet the deadline.
- f) The Commission will issue licences which are renewed yearly. Failure to meet renewal conditions may result in suspension or cancellation of the licence. The Commission will publish the names of those that would have successfully renewed their licences on a yearly basis. Where an application is received late and the licence subsequently issued, SECZ has no obligation to publish the names of licences granted out of time in other local media. Publication will be done in the gazette only as required in Section 5(5) of the Asset Management Act. For 2014, names will be published soon after 30 September 2014.

- g) Licensing period is 1 January to 31 December. The deadline of 30 September 2014 is for 2014 licences. Asset Managers should renew their licences for 2015 by 31 January 2015.

3. CAPITAL

The Securities & Exchange Commission of Zimbabwe (SECZ) is cognizant of the need to come up with appropriate minimum capital for the Securities (Investment Management) Companies (Asset Managers). Currently, Investment Managers are required to have a prescribed minimum capital of USD 500 000. The general view of the Investment managers is that, the fixed minimum capital balance of USD 500 000 is way in excess of operating costs for the majority of the Investment Managers.

Investment managers have proposed a substitution of the minimum capital of USD 500 000 with a minimum capital requirement sufficient to meet 3 months' operating costs. This capital structure is similar to what is being applied to Securities dealing firms in terms of the Sixth Schedule (Rule 53), Section 4(1)(a) of S.I.100 of 2010, wherein, the capital shall be based on-

- a) **Tier 1 Capital**, namely liquid capital equivalent to-
 - i. the company's operational costs over a minimum of thirteen (13) weeks; or
 - ii. one hundred and fifty thousand United States Dollars; whichever is the higher; and
- b) **Tier 2 Capital**, namely capital assets as defined in the S.I. 100 of 2010; and
- c) **Tier 3 Capital**, determined by the risk to which the company exposes itself through the nature of its business.

The Commission recommends this capital structure for Securities (Investment management) companies in terms of Section 6(1) of S.I. 100 of 2010. The capital structure may be adopted with a slight variation on Tier 2 capital, where assets shall be a function of the liabilities the firm is carrying at any given point in time. For example, assets can be two (2) times the firm's liabilities or Assets must exceed total liabilities and the nature of assets to be included shall be defined by SECZ.

The liquid capital, as currently being applied, is in the form of a fixed deposit or money market deposit with a registered financial institution and it must have a very high degree of permanency.

SECZ shall establish a Risk Based Capital framework (RBCA) Steering Committee to spearhead the formulation of the proposed new capital framework for the Securities (Investment management) companies, which shall also incorporate the risks being carried by firms. This committee shall comprise of at least 3 representatives from the Securities (Investment management) companies and representatives from SECZ. The proposed framework should be implemented as from the 1st October 2014. Before this date the current prescribed minimum capital of USD 500 000 shall apply for both the deemed licensed firms and the new applications.

4. UNIT TRUSTS

4.1 Audited Financial Statements

All firms with outstanding audits are required to have audited financial statements for all the funds backdated from the last audited financial statements to the just ended financial year, 2013. The annual reports must be submitted to SECZ before 30th June 2014.

4.2 Registration of funds assets

Assets for both money market and equity funds must be registered in the name of the funds and must be handed over to the licensed custodians by the 30th April 2014.

4.3 Operating Accounts

These must be under the control of the Trustees and Custodians. All firms who still have control over the operating accounts must hand over these to the trustees and custodians of the funds by the 28th February, 2014.

4.4 Dormant funds.

These are funds which were successfully registered but have not been launched since registration. SECZ requires detailed explanations on why those funds have not been launched by the 28th February 2014.

5. CODE OF PRACTICE AND RULES

Sections 21 and 24 of the Asset Management Act requires SECZ, in consultation with the Asset Managers and the Minister, to devise a code of practice regulating the conduct of Asset Managers and regulations, necessary or convenient to be prescribed for carrying out or giving effect to the Asset Management Act.

The Commission is working towards having a Code of Practice by the 4th quarter of 2014.

6. SUPERVISORY PLAN

The Commission shall be carrying out prudential visits, beginning the first week of February 2014. Areas of focus include review of firms' operations, custody arrangements of clients' assets and registrations, readiness to Central Securities Depository, internal and external audits, risk management and capitalization.

7. REALIGNMENT OF LAW

The Securities & Exchange Commission is working towards harmonizing the following pieces of legislation.

- Securities and Exchange Act [Chapter 24:25]
- Asset Management Act [Chapter 24:26]
- Collective Investment Schemes Act [Chapter 24:19]
- Rules

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