



DIRECTIVE NUMBER SS/07/10/2015

In recognition of the development of innovative securities trading platforms in the local financial sector brought about by the advancement of information and communication technology and the globalisation of financial markets, the Securities and Exchange Commission (SECZ) has formulated the following Directive on Alternative Trading Platforms.

The Alternative Trading Platform (ATP) is recognised as an Exchange in terms of the Securities and Exchange Act. The ATP is a lower and second rate Exchange as compared to the national exchange.

The provisions of this Directive are based and premised on the objectives of the SECZ and international best practices gathered as part of the research effort behind their development.

Nothing in this Directive shall be construed as amending the rules and regulations adopted by the Commission on exchange traded securities and other applicable laws.

DIRECTIVE ON ALTERNATIVE TRADING PLATFORMS

INTRODUCTION

Whereas the continuous advancement of information and communication technology and the globalization of financial markets is expected to facilitate the development of innovative securities trading platforms in the local financial industry, which include alternative trading systems, among others;

Whereas alternative trading platforms have become integral to the modern securities markets providing investors with enhanced flexibility, security, transparency and reduced trading costs, as well as competition to the established securities exchanges;

Whereas, pursuant to the mandate of the Commission under the Securities and Exchange Act, to provide high levels of investor protection, to promote market integrity and investor confidence, to prevent market manipulation, fraud and financial crime as well as to ensure transparency in capital an securities markets, the

Commission hereby provides the following directive governing alternative trading platforms for the information and guidance of all concerned.

SECTION I: DEFINITIONS

For the purpose of this directive, the following definitions of terms shall apply unless the context otherwise requires;

Alternative Trading Platform (ATP) refers to any organization, association, person, or group of persons, or system:

1. That constitutes, operates, maintains, or provides an electronic market or otherwise place or facility for bringing together:
 - i. Primary market issuers of securities and investors who wish to purchase those securities;
 - ii. Secondary market sellers and buyers of securities;
 - iii. Primary issuers and buyers, and secondary sellers and buyers of any other securities as may be prescribed or approved by the Commission.

Or for otherwise performing, with respect to securities, the functions commonly performed by a registered exchange or clearing house; and

2. That does not;
 - i. Set rules governing the conduct of participants other than the conduct of such participants trading on such organisation, association, person, group of person, or system; or
 - ii. Discipline participants other than by exclusion from trading.

Affiliate of a participant means any person that, directly or indirectly, controls, is under common control with, or is controlled by, the participant, including any employee.

Commission means the Securities and Exchange Commission of Zimbabwe (SECZ)

Participant means any person, organization or association apart from a recognized exchange company or clearing house that has entered into a contractual agreement with an ATP to access the latter for the purpose of effecting transactions in securities or submitting, disseminating, or displaying orders on such ATP, including a customer, member, user or participant therein.

SECTION II: REQUIREMENTS FOR ALTERNATIVE TRADING SYTEM

A. REGISTRATION REQUIREMENTS

No ATP shall be operated unless it complies with the following requirements:

1. The applicant shall be registered / licensed as an ATP in accordance with these rules;

2. To be registered, the applicant shall submit an Application Form, together with the following documents, to the Commission;
 - i. Acceptance procedure for and the description of the types of securities that will be traded in the system;
 - ii. Trading and disclosure rules
 - iii. Business conduct rules;
 - iv. A written description of the software system or program shall include a flowchart showing an actual primary and secondary market transaction and a diagram or matrix showing its applications and functions. An ATP shall be required to prove acquisition and implementation and testing of the Automated Trading; Clearing and Settlement and Surveillance Systems that it shall be using.
 - v. A written description of the hardware component and the communication facility of the system shall include configuration, capacity, interconnection with other ATP or other trading markets and extent of communication ability;
 - vi. Description of the custodian or registrar of the proposed financial products to be traded in the system and the related systems to be used;
 - vii. Copy of the Board's resolution approving and authorising the company's registration as an ATP;
 - viii. Copy of any agreement executed or licence granted pertaining to the operation of the system and to the product/s proposed to be traded. The copy of all other contracts, MOUs entered into with any party by the ATP and any amendment shall be submitted to the Commission for approval;
 - ix. Risk Disclosure Statement discussing the risk factors involved in the operation of the market and the corresponding risks for each specific product that shall be traded in its market. This statement shall discuss the following:
 - a. Process of Identification of the Risks;
 - b. Description of the Risks involved
 - c. Assessment and Valuing of Risks ; and
 - d. Risk Management
 - x. A description of an independent risk control unit that will be responsible for the design and implementation of the company's risk management system;
 - xi. Business plan which shall include a financial plan for the next twelve months or such longer period as the Commission may prescribe; and
 - xii. An undertaking that the board of directors and senior management shall be actively involved in the risk control process and must regard the control as an essential aspect of the business to which significant resources must be devoted.
 - xiii. Any other information that may be requested by the SECZ
3. The applicant shall submit the procedure on the clearing/settlement of the trades undertaken under the ATP including an undertaking that all obligations arising from such trading shall be met. Consequently, should there be a need for a separate clearing agency, the same shall be duly registered in accordance with the Securities and Exchange Act.

4. The ATP shall be limited to the trading of the products described in the application unless a request for inclusion of changes hereto is filed to and approved by the Commission.
5. The Commission may impose other requirements and/or other conditions for the registration of the ATP, as may be deemed necessary to protect the investing public.
6. Applicant should submit its shareholding structure. The applicant's shareholding structure will be required to comply with Zimbabwe's indigenisation laws.
7. Board of Directors
 - a. The board should consist of not fewer than three members with diverse skills. Directors shall be subjected to the fit and proper test.
 - b. To enable the Commission to assess the eligibility of the candidates, the following information should be submitted for each candidate;
 - i. Birth certificates (Certified copy)
 - ii. National Identity card (Certified copy)
 - iii. Two passport size colour photos
 - iv. Detailed CV
 - v. Police clearance certificate
 - vi. Academic and professional certificates-these include "O" and "A" level certificates, diploma / degree certificates and transcripts or equivalents. (Certified Copies)
 - vii. Two business references
 - viii. Proof of net worth
 - ix. Declaration of interests in listed companies

8. Board Committees

The Composition and terms of reference of the following committees should be submitted

- Audit Committee
- Risk Management Committee

9. Management

Information mentioned in 7 item (a) to (f) should be submitted for the mentioned staff

- CEO
- Compliance person
- Other key staff

10. Capital and Insurance requirements are provided in the annexure attached hereto.

B. OPERATIONAL REQUIREMENTS

The ATP shall comply with the following requirements:

1. Fair access

- i. An ATP shall;
 - a. Establish written standards for granting or denying access to trading on its system;
 - b. Not unreasonably prohibit or limit any person with respect to access to services offered by such ATP by applying the standards established under part (B)(1)(i)(a) of this section in an unfair or discriminatory manner; and
 - c. Make and keep records of;
 - 1) All grants of access including, for all subscribers, the reasons for granting such access; and
 - 2) All denials or limitations of access and reasons, for each applicant, for denying or limiting access
 - d. Report the information regarding grants, denials and limitations of access to SECZ within a period of two weeks,

2. Capacity, integrity, and security of automated systems

- i. With respect to the systems that support order entry, order routing, order execution, clearing, settlement, transaction reporting, trade comparison and surveillance, the ATP shall;
 - a. Establish and locate the data centre of the ATP in Zimbabwe and SECZ shall have jurisdiction over all matters in connection with that system.
 - b. Establish reasonable current and future capacity estimates;
 - c. Set up and maintain a comprehensive set of online market monitoring system and make the same accessible to the Commission. At no time shall the ATP represent to the subscribers and investors that the Commission's market monitoring activities reduce the risks described in the filling of the Risk Disclosure Statement.
 - d. Conduct periodic capacity stress of critical systems to determine such systems' ability to process transactions in an accurate, timely and efficient manner;
 - e. Develop and implement reasonable procedures to review and keep current its system development and testing methodology;
 - f. Review vulnerability of its systems and data centre computer operations to the internal and external threats, physical hazards, and natural disasters;
 - g. Establish adequate contingency, disaster recovery, and back up disaster recovery plans;

- h. On an annual basis , allow an independent review, in accordance with established audit procedures and standards, of such ATP's controls to ensure that paragraphs (B)(2)(i)(a) through (e) of this section are met, the report of which containing its recommendations and conclusions, shall be reviewed by senior management; and

3. Full Disclosure of Available Information over the Products.

The ATP shall ensure that all available information from reputable or credible sources to the product/s being traded in the system is provided to the investors.

4. Procedures to ensure the confidential treatment of trading information

- i. The ATP shall establish adequate safeguards and procedures to protect subscribers' confidential trading information. Such safeguards and procedures shall include:
 - a. Limiting access to the confidential trading of information of subscribers to those employees of the ATP who are operating the system or responsible for its compliance with these or any other duplicate rules; and
 - b. Implementing standards for controlling affiliates of the ATP for their own accounts.
- ii. The ATP shall adopt and implement adequate oversight procedures to ensure that the safeguards and procedures established pursuant to paragraph (B)(4)(i) of this section are followed.

C. REGISTRATION OF SECURITIES

1. The ATP must obtain prior approval from the Commission for all securities proposed to be offered and/or traded on the ATP.
2. Suspension or termination of securities traded on the ATP shall be done with approval from the Commission.

D. INITIAL OFFERING

The ATP must codify initial offering procedure for all securities. The Commission shall review and approve these procedures before operations begin.

E. SECONDARY TRADING

1. The ATP must codify Secondary trading procedures for all market participants. The Commission shall review and approve these procedures before operations begin.
2. Brokers and dealers who are subscribers shall obtain the appropriate approvals from the Commission before they transact in the ATP for themselves or on behalf of customers

3. Any broker or dealer that engages in prohibited market practices (such as front running or market manipulation) shall be subject to disciplinary action by SECZ in terms of the Securities and Exchange Act.

F. CLEARING AND SETTLEMENT

1. The ATP must submit for approval its procedures on the clearing and settlement of primary offerings, and the secondary trades.
2. The issuer must sign an undertaking that all obligations arising from its issuance will be met.
3. Subject to its standard requirements, the ATP shall admit and register custodial institutions, and transfer secretaries to facilitate in the clearing and settlement of the securities.
4. The securities to be traded must be dematerialised and digitised.
5. The custodial and transfer secretary records must reflect the beneficial ownership of the securities.

G. REPORTING AND OTHER REQUIREMENTS

1. Operational Report

- i. The ATP shall make and keep current the following records
 - a. A record of participants (identifying any affiliations between and among participants to the ATP, including directors, officers or shareholders);
 - b. Daily trading summaries, in electronic form, including:
 1. Securities for which transactions have been executed;
 2. Transaction volume, expressed with respect to equity securities in:
 - i. Number of trades
 - ii. Number of securities traded; and
 - iii. Total settlement value
 3. Transaction volume, expressed with respect to debt securities in:
 - i. Number of trades; and
 - ii. Total value
 - c. Time -sequenced records of order submission and execution information in the ATP, including:
 1. Date and time (expressed in terms of hours, minutes and seconds) the order was received;
 2. The security (share) code;
 3. The number of shares or contracts, or the principal amount of fixed-income instruments to which the order applies;
 4. The designation of the order as a buy and sell order
 5. The designation of the order as a short sale order
 6. The designation of the order as a market order, limit order, or any other type of order.
 7. The limit or stop price prescribed by the order

8. The date on which the order expires and if, the limit in force is less than one (1) day, the time when the order expires.
 9. The time limit which the order is in force
 10. Any instruction to modify or cancel the order;
 11. The type of account, i.e., retail, wholesale, affiliate, proprietary, or any other type of account designated by the ATP, for which the order is submitted;
 12. The date and time (expressed in terms of hours, minutes and seconds) that the order was executed
 13. The price at which the order was executed
 14. The size of the order executed(expressed in number of shares or units or principal amount);and
 15. The identity of the parties to the transaction
- ii. The ATP shall obtain prior approval from the Commission at least twenty-one (21 days) prior to implementing a material change to its operation.

2. Other Continuing Reporting Requirements

- i. Submit a Report on Proposed Changes on the System which shall be due ten(10) business days before such change is implemented
- ii. Submit Audited Financial Statements which shall be due within ninety (90) days after the end of the financial year;
- iii. Submit a Report on Material System Errors/Upgrades which shall be due within twenty four(24) hours after such error or upgrade; and
- iv. Such other report as maybe required by the Commission

3. Record Preservation Requirements for ATP

An ATP shall preserve the following records;

- a. For a period of not less than seven years, in an easily accessible place, an ATP shall preserve:
 1. All rules required to be made pursuant to these rules;
 2. All notices provided by such ATP to subscribers generally, whether written or communicated through automated means, including, but not limited to, notices addressing hours of system operations, system malfunctions, changes to the system procedures, maintenance of hardware and software, instructions pertaining to access to market denials of, or limitations on, access to the ATP.
 3. At least one copy of all documents made or received by the ATP in the course of complying with the requirements set out in these rules, including all correspondence, memoranda, papers, books, notices, accounts, reports, test scripts, test results, and other similar records.
- b. During the life of an ATP, it shall preserve:

1. All articles of incorporation, by-laws and their amendments, minutes of meetings, stock and transfer book, and all other corporate records; and
2. Copies of reports filed with the Commission to be maintained and preserved.
 - i. The records that shall be maintained and preserved must be produced, reproduced, and maintained in paper form or in any forms permitted by the Commission; and
 - ii. Every ATP shall furnish the Commission promptly upon request, eligible, true and complete copies of those records that are required to be preserved under this section.

4. Taxes

The ATP shall be responsible for entering into an appropriate arrangement with ATP participants, brokers, customers, clearing and settlement agents, and other relevant parties to ensure the proper and timely collection of taxes. The same shall be subject to endorsement by the Zimbabwe Revenue Authority (ZIMRA).

5. Corporate Governance

The ATP must prepare and submit to SECZ a manual on Corporate Governance in accordance with the Principles of Good Corporate Governance (Schedule 3 of SI 100 of 2010) or any amendment thereto.

SECTION III: QUALIFIED INVESTORS /TRADERS

- A. Unless the Commission deems otherwise, the ATP shall be required to submit to the Commission for approval, an effective screening mechanism that would ensure that only qualified investors/traders are allowed to buy or sell securities through the system.
- B. An ATP shall comply with Know Your Customer Rule under the requirements of Anti-Money Laundering Laws and its implementing rules and regulations, and such other pertinent laws

SECTION IV: FEES AND PENALTIES

1. The ATP shall use the gazetted Transaction fees in SI.100/2010 as read with S1.108/2014 and seek approval on any other charges levied to the investing public.
2. The charges for penalties imposed to the traders shall be approved by the commission.
3. The initial registration fee shall be USD\$ 5,000 and an annual renewal fee of \$ 4, 000.
4. The ATP shall pay levies to the SECZ as stipulated in S.I. 100 of 2010.

For and on behalf of the Securities and Exchange Commission of Zimbabwe



T. Chinamo

Date: 07/10/2015

Chief Executive Officer