



## **DIRECTIVE NUMBER: SS 15/10/2021**

### **DIRECTIVE TO SECURITIES MARKET INTERMEDIARIES ON MIGRATION OF REGISTERS BETWEEN CENTRAL SECURITIES DEPOSITORIES (CSDs)**

The Securities & Exchange Commission of Zimbabwe (SECZ) hereby issues this Directive in terms of paragraph 21 of the First Schedule, as read with section 4 of the Securities and Exchange Act [Chapter 24: 25]. The Directive is being issued in line with the Commission's mandate of regulating the capital markets with the objectives of providing high levels of investor protection, encouraging free, fair, and orderly capital markets as well as reduction of systemic risks particularly in the trading, clearing and settlement ecosystem.

Following the licensing of multiple Central Securities Depositories (CSDs), the Commission hereby issues this directive with the aim of ensuring a smooth migration of deposited securities from one CSD to another.

#### **Migration Process**

In terms of Section 159 subsections (1), (2) and (8) of the Companies and Other Business Entities Act [Chapter 24:31], "COBE", the company, herein referred to as participating issuer of listed securities, is required to keep and maintain a register of its members at its registered office or its appointed agent(s). Where the participating issuer of listed securities elects to migrate from one CSD to another, the following steps shall be taken:

## **1. Required Approvals**

- a. Section 218 of the COBE gives the board of directors of the company the responsibility to make decisions on all matters except to those reserved to the shareholders by COBE or by the company's constitutive documents.
- b. Subject to section 1(a), a resolution by its board of directors shall give the participating issuer the responsibility to appoint or change a CSD licensed in terms of the Securities and Exchange Act [Chapter 24:25] to maintain its electronic share register.
- c. The participating issuer shall notify the CSD concerned in writing of its decision to appoint or move its electronic register and furnish the depositories with the requisite resolution(s) authorising such a migration of its securities.
- d. The participating issuer shall publish a notice to shareholders on the migration to the new depository. The notice shall also specify the cut-off date to allow for all transfers, settlements including dematerialisations and rematerialisations to settle on the "effective date" being the migration date.

## **2. Electronic Transfer of Securities**

- a) All investors whose securities are deposited with a transferring or terminating CSD shall have their securities withdrawn from the transferring CSD. The transferring CSD shall prepare an electronic file of all the securities holders and submit the file to the issuer's Securities Transfer Secretary for reconciliation purposes.
- b) The issuer's Transfer Secretary shall reconcile the electronic file of the withdrawn securities and the full securities register and thereafter submit the file to the assuming or receiving CSD. This submission will fulfill the deposit of the securities with the assuming CSD.
- c) As soon as possible after receiving the electronic securities deposit file from the Transfer Secretary, the assuming CSD shall issue to each investor, a confirmation note specifying the quantity, amount and the description of the

withdrawn and deposited securities and any other relevant information concerning the transaction.

- d) For the avoidance of doubt, all investors' securities holdings shall be transferred to the assuming CSD by way of electronic means in book entry form.
- e) The terminating CSD shall ensure that all transfers, dematerialisations, rematerialisations, outstanding trades and any other related transactions are cleared and settled by the effective date of termination to facilitate migration to the assuming CSD.
- f) Any outstanding dematerialisations, transfers, securities pledges and any other related documents with the terminating CSD shall be transferred to the receiving CSD for reprocessing by the receiving CSD.

### **3. Charges imposed for the transfer of securities**

- a) The terminating CSD may impose charges associated with the migration of securities. The charges, to be paid by the participating issuer, shall be 0.0005% of the market capitalization of the participating issuer at the transfer date. The amount paid by the issuer shall be shared equally between the terminating CSD and the transfer secretary concerned and shall not exceed ZWL\$500,000 per issuer.

### **4. Reconciliation of Investors' records**

- a) On the effective date of termination, the Transfer Secretary and the terminating CSD shall ensure that the Issuer's share register is up to date. Proper and robust reconciliation of Issuers' securities shall be made to ensure the accuracy and integrity of Issuer's respective records or holdings.
- b) The Issuer shall specify the date upon which it intends to transfer its securities.
- c) The Transfer Secretary shall be responsible for communicating the final electronic share register with regards to client balances and details to the assuming CSD.
- d) The assuming CSD shall also send the records to the respective Custodians who shall confirm the take on balances for their clients.

- e) The terminating CSD shall submit a report to the Commission detailing the migration, how the outstanding trades settled and the final date that they seized to maintain the register of the Issuer.
- f) Should investors wish to rematerialise their deposited securities, this will be done voluntarily through the assuming CSD subject to section 78 of the Securities and Exchange Act [Chapter 24:25].

#### **5. Linkages between CSDs**

- a) The CSDs shall allow for fair, open, and non-discriminatory access to its services based on reasonable risk-related access requirements.

Be guided accordingly.

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



T. Chinamo

**Chief Executive Officer**

**Date: 15/10/2021**