

# Annual Report 2021

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# INTRODUCTION



The Securities and Exchange Commission of Zimbabwe (SECZim) was established through enactment of the Securities Act (Chapter 24:25). Section 3 of the Act provides for the establishment of the Securities and Exchange Commission, which is the regulatory body for the securities and capital markets in Zimbabwe. The Commission's sources of income are a levy of the value traded on the Zimbabwe Stock Exchange (ZSE), Victoria Falls Stock Exchange (VFEX) and Financial Securities Exchange (FINSEC) stock markets, other levies, annual license fees and annual registration fees from licenses as set by statutory instrument 100 of 2020, statutory instrument 108 of 2014, statutory instrument 67 of 2017 and statutory instrument 106 of 2017.



# Our Vision, Mission & Values

## Our Vision is to be:

A regulator of diverse and efficient capital markets anchored on robust institutions by 2030.

## Our Mission is:

To protect investors through effective regulation of capital markets.

## Our Values are:

**Fairness:** Just, consistent, open, and impartial in all our actions and decisions.

**Accountability:** Stewardship and transparency in the use of resources and powers entrusted to us.

**Competence:** Continually upgrading our skills to keep abreast with market developments and best practice.

**Integrity:** Upholding the highest standards of professionalism.

**Teamwork:** Cohesive and high performing team that delivers its mandate.





# GENERAL INFORMATION

FOR THE YEAR ENDED 31 DECEMBER 2021

## REGISTERED OFFICE

20 York Avenue  
Newlands  
Harare

## AUDITORS

**Grant Thornton**  
Camelsa Business Park  
135 Enterprise Road  
Highlands  
Harare

## ATTORNEYS

**Scanlen & Holderness**  
CABS Centre  
74 Jason Moyo Ave  
Harare

## Mawere Sibanda

10<sup>th</sup> Floor Chiedza House  
Corner 1<sup>st</sup> Street/ Kwame Nkrumah Ave  
Harare

## BANKERS

**Stanbic Bank Zimbabwe Limited**  
Nelson Mandela Branch  
64 Nelson Mandela Ave  
Harare

## NMB Bank Limited

First Floor, Unity Court  
Cnr Kwame Nkrumah Ave/First Street  
Harare

## The People's Own Savings Bank

Causeway Branch  
Cnr. 3<sup>rd</sup> St. & Central Ave  
Harare

## CONTACT DETAILS

Ground Floor, Block C  
Smatsatsa Office Park  
Borrowdale Road  
Borrowdale  
Harare

**E-mail:** seczim@seczim.co.zw

**Website:** www.seczim.co.zw

## STATUTORY AUDITORS

### Office of the Auditor General

5<sup>th</sup> Floor, Burroughs House  
Cnr. Fourth Street/ George Silundika Avenue  
Harare

## Coghlan, Welsh & Guest

Cecil House  
2 Central Ave  
Harare

## CBZ Bank Limited

Kwame Nkrumah Branch  
60 Kwame Nkrumah Ave  
Harare

## Nedbank Limited

Jason Moyo Branch  
99 Jason Moyo Avenue  
Harare

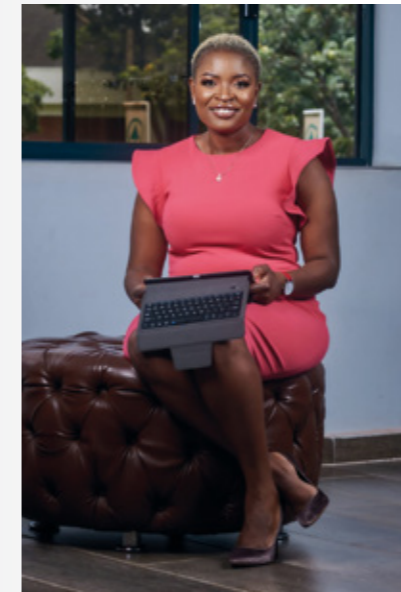
## Central African Building Society

3 Northend Close  
Northridge Park  
Highlands  
Harare



# CHAIRMAN'S STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2021



ACTING BOARD CHAIRPERSON  
ETHEL CHITANDA

“IN ORDER TO PROMOTE INVESTOR EDUCATION, THE COMMISSION LAUNCHED A 12-WEEK RADIO SERIES TO UNPACK THE INVESTMENT 101 HANDBOOK, CHAPTER BY CHAPTER.”

## INTRODUCTION

It is my privilege and honour to present Securities and Exchange Commission's (Commission) financial statements for the year ended 31 December 2021.

## OPERATING ENVIRONMENT

The ongoing Covid-19 situation worsened in 2021 and the mitigation measures to curb the spread of the virus resulted in lasting global economic impact. The Commission was not spared from this turmoil, during the year, the Commission faced immense challenges amid the pandemic, including lockdowns, intermittent supply chain disruptions, and escalating costs to serve. This was compounded by the erosion of value in the local currency. Despite these multi-faceted challenges which caused personal challenges to our staff and had a dampening effect on the Commission's overall well-being. The government made efforts to ensure sufficient provision of vaccines to all Zimbabweans. The Commission's staff took advantage of this provision and most members were vaccinated. I am therefore pleased to report that none of the Commission's staff and Commissioners succumbed to the pandemic.

## MARKET UPDATE

I am pleased to announce that the Commission was admitted as an

associate member of the International Organisation of Securities Commissions (IOSCO) with effect from December 2021. The admittance opens doors to participation at regional and international level under the auspices of IOSCO, as well as further enhances access to technical assistance.

In order to promote investor education, the Commission launched a 12-week radio series to unpack the Investment 101 handbook, chapter by chapter. The Commission also launched Awareness and Investor Education Investment 101 audio Handbook to educate investors.

The Commission's financial inclusion efforts extended to Zimbabweans living in the diaspora. The Commission did "diaspora webinars" for awareness and education targeting the diaspora community in partnership with the Institute of Chartered Accountants of Zimbabwe (ICAZ) and the Zimbabwe Investment and Development Agency (ZIDA), the Ministry of Finance and Economic Development and the Ministry of Foreign Affairs. The Commission also participated in the 9<sup>th</sup> edition of Global Money Week which ran under the theme "Take care of yourself, take care of your money". The Commission also did other webinars to educate the market on new products introduced in the capital markets.

The Commission's other notable achievement was the participation in the drafting of the National Financial







# CHAIRMAN'S STATEMENT (cont'd)

FOR THE YEAR ENDED 31 DECEMBER 2021

## Inclusion Strategy.

The Commission strengthened the capital market infrastructure by the addition of a second Central Securities Depositories (CSD), though this opened the Commission to litigation that remains underway. We were also pleased by the introduction of increased listing of new products such as the exchange traded funds and the introduction of Real estate investment trusts (REITs) in the capital markets.

I am also pleased to advise that there were 4 listings on the Victoria Falls Stock Exchange during the year.

The number of Securities Market Intermediaries (SMIs) also increased by 17% from 146 to 171.

## Management & Directorate

I also want to acknowledge the contributions made by the 2 outgoing commissioners; former Chairman, Livingstone Gwata and Godfrey Manungo whose terms of office expired. I acknowledge their invaluable contribution to the Commission during the office tenures.

We lost an esteemed Commissioner, and renowned legal practitioner, Mrs. Florence Erinah Ziumbe on the 16th of August. She remains sorely missed for her expertise and invaluable contribution as part of the Board. May her soul continue to rest in peace.

We would like to welcome Mr. Clive Mphambela, a senior official in the parent Ministry of Finance and Economic Development to the Board.

The Board remains hamstrung by the inadequate number of Commissioners as it is currently operating below the statutory minimum member of seven.

The Board continued to engage the Ministry regarding the appointment of additional Commissioners.

The Commission also bade farewell to Mr Tafadzwa Chinamo whose 10-year tenure had expired.

## Financial Performance

I am proud of the performance of the Commission during this challenging operating environment. I am pleased to advise that the Commission recorded a surplus of ZWL115.7 million for the 2021 financial year, a 306% growth from the surplus of ZWL28.5 million obtained in 2020. The number of market players and transactions in the capital markets grew resulting in a surge in key revenue lines.

This financial performance was driven by the 112% growth in revenue and the stringent cost control measures which results in operating costs growing only by 73%.

The cost to income ratio improved from 84% in 2020 to 68% in 2021.

## Outlook

The Russian invasion of Ukraine in 2022, is compounding the damage from the COVID-19 pandemic. The invasion has magnified the slowdown in the global economy, and elevated inflation as prices of key commodities have risen. The infection rate of Covid-19 had significantly slowed down, indicating the taming of coronavirus through vaccinations amongst other measures. Consequently, most global economies had started recovering, with industry capacity utilisation growing. We remain hopeful that the new era post Covid-19, will usher investment opportunities to Zimbabwe as it is underserved.

## Appreciation

I want to thank the Ministry of Finance and Economic Development for their unwavering support. I also want to thank our capital market players for their continued participation. I want to express heartfelt appreciation to my fellow commissioners who continuously inspire, guide and support the efforts of the Commission's management. In these extraordinary times, I would like to extend my profound gratitude to the management and staff for their efforts and resolve that ensured we were able to meet the challenges set by the operating environment.

The Commission is committed to ensuring its sustainability into the future and to also making a positive and significant impact on the nation.

E. R. Chitanda  
A/Chairman



# SECZim Governance

## Board and Board Meetings

The Board draws guidance particularly from the Public Entities and Corporate Governance (PECOG) Act (Chapter 10:31) and the Regulations. This legislation provides the framework for governance for State Enterprises and Parastatals in Zimbabwe. The Corporate Governance Unit that is mandated to implement PECO, periodically issues guidance that is observed adhered to by the Board. In this regard, the SECZim was assessed for compliance in 2020 and the Board undertook to ensure improved compliance for the year 2021. The Compliance Officer continued to avail compliance checklists on a quarterly basis, through the Audit and Risk Management Committee.

There were 7 Commissioners at the beginning of the year and another one, Commissioner C. Mphambela was added in mid-April. The Chairman Comm. L.T. Gwata stepped down from the Board at the end of April, after serving his initial four-year term. Commissioner F.E. Ziumbe sadly passed on in August. As the year closed, the number was down to 5; 2 Commissioners short of the stipulated minimum of 7. The number would be further reduced to 4, following the retirement of Comm. G.P. Manungo on 31 December, after serving his final four-year term. Commissioner Chitanda was co-opted as the Acting Chairman in June, pending the appointment of a Chairman and Vice Chairman by the Minister.

The Board discharged its mandate through 4 Committees, namely Audit & Risk Management, Licensing, Litigation & Legislative, Investor Education and Human Resources. The inadequate number of Commissioners since July 2020 contributed to a very large extent, to the SECZim's governance structures and therefore compliance, not being at optimal levels.

In 2021, the Board met 5 times, inclusive of the AGM and another 4 times in special meetings. The special meetings were convened to enable the Board to fulfil statutory requirements such as approving the Strategic Plan, financial statements and considering a complaint from a

strategic market intermediary. One of the ordinary meetings held was the AGM, on 08 September 2021. The Board is mandated to meet at least once quarterly, in addition to holding an AGM and it fulfilled this statutory obligation.

## Committee Meetings

### Audit & Risk Management Committee

The Committee's mandate is to assist the SECZim Board in discharging its duties relating to the safeguarding of assets, the operation of adequate systems and controls, the assessment of going concern status, the reviewing of financial information and preparation of annual financial statements which shall be provided to all stakeholders. It is also responsible for the risk management function.

The Committee was chaired by Comm. Chitanda, with Commissioners Banda and Paradza being the other members.

The Committee met 4 times in ordinary meetings and twice in special meetings.

### Licensing, Litigation & Legislative Committee

The Committee's mandate is to assist the Board in providing oversight on litigation and legislative processes of the SECZim and making recommendations to the Board. Additionally, it supervises the CEO and other members of the SECZ staff regarding the issuing, renewal, amendment, suspension and cancellation of licences in terms of the Act.

The Committee Chairman was Comm. Ziumbe until August, before Comm Paradza took over. Other members of the Committee were Commissioners Chitanda, Banda and Manungo.

The Licensing, Litigation & Legislative Committee met 4 times. In terms of the Act, the Audit & Risk Management and

the Licensing, Litigation and Legislative Committees shall meet as often as necessary to carry out their functions.

### Human Resources Committee

The Committee's mandate is to assist the SECZim Board in ensuring that the SECZim senior management and staff are appropriately rewarded for their work in a manner that will ensure, as far as possible, the recruitment, retention and motivation of people with skills that the organisation needs.

The membership of the Committee comprised Commissioner Manungo as the Chairman. The other members were Commissioners Paradza and Mphambela, with effect from April. Commissioner Ziumbe also served on the Committee until her untimely death in August.

The Human Resources Committee met 4 times during the year, in compliance with its Terms of Reference.

### Investor Education Committees

The Committee's mandate is to assist the SECZim Board in overseeing the promotion of investor education through initiatives and processes of the SECZim; its main objective in terms of the governing legislation. This entails reviewing the quality and adequacy of the investor education portfolio of the SECZim.

Comm. Banda was the Chairman of the Committee together with Commissioners Chitanda, Manungo, Paradza and Ziumbe (up to August). Comm. Mphambela joined this Committee upon appointment. The fact that almost all Commissioners were in this Committee underpins the fundamental role that it plays in discharging the entity's main mandate, that of investor protection.

The Committee met 4 times during the year, as provided in its Terms of Reference.





## SECZim Governance (cont'd)



I certify that, to the best of my knowledge and belief, the entity has lodged with the Corporate Governance Unit all such returns as are required to be lodged by a State Entity in terms of the Public Entities Corporate Governance Act (Chapter 10:31) of the Republic of Zimbabwe, and that all such returns are true, correct and up to date.

CORPORATE SECRETARY  
CORDELIA MUTANGADURA



## SECZim Governance (cont'd)

### SECZ Commissioners



Board Acting Chairperson  
Ethel Chitanda



Commissioner  
Yona Banda



Commissioner  
Paradza Paradza



Commissioner  
Clive Mphambela







# CHIEF EXECUTIVE OFFICER'S REPORT



ACTING CEO  
GERALD DZANGARE

“ IN 2021 SECZIM CONTRIBUTED TO NATIONAL PRIORITIES IN NDS 1 THE BUILDING BLOCK TO OUR NATIONAL VISION 2030

Enacted in 2008 by Parliament of Zimbabwe a representation of the people of Zimbabwe SECZim continued to execute its statutory objectives in 2021. SECZim is playing a significant role in the attainment of Zimbabwe's vision 2030 to be an upper-middle income society by 2030. SECZim's vision to be a regulator of diverse and efficient capital markets anchored on robust institutions by 2030 is a key component to attainment of the National Vision 2030. SECZim mission to protect investors through effective regulation of capital markets is a catalyst in the achievement of National Development strategy 1 which runs from 2021 to 2025. In 2021 SECZim contributed to national priorities that are in the National Development Strategy 1 the building block to vision 2030 which delivers the first vision 2030 milestone in 2025.

Despite the effects of COVID-19 in 2021 the world was on a recovery path although there were still some lock downs. Vaccination drives undertaken by the government ensured an earlier

than expected return to physical work. Zimbabwe's capital markets were already ahead of the curve because over the years they have become largely automated. Trading and working remotely was already embedded in infrastructure of automated trading and settlement systems that had been put in place in Zimbabwe's capital markets over the years. SECZim continued to adapt new ways of remote working and regulation and so was able to deliver its statutory objectives in the face of upheavals brought by exogenous factors from the external operating environment coupled with SECZim's internal capacity constraints.

### Statutory operational objectives attainment in 2021

Section 4 of the Securities Act lists SECZim's objectives and these were achieved in 2021 as follows.

#### 1. Provision of high levels of investor protection

In 2021 various legislation was amended to better protect



# CHIEF EXECUTIVE OFFICER'S REPORT (cont'd)

investors, SECZim amended various statutory instruments that provide for licensing and registration fees for market intermediaries. These included Securities (Alternative Trading Platform) (Amendment) Rules, SI 154/2021; Securities (Registration, Licensing and Corporate Governance) (Amendment) Rules, 2021, SI 155/2021; Collective Investment Schemes (Fees) Rules, 2021, SI 156/2021; Securities (Victoria Falls Stock Exchange) (Levies, Fees and Charges) (Amendment) Rules, 2021 SI 232/2021. The SI 232/2021 introduced special fees, levies and charges for trading of Depository Receipts and Collective Investment Schemes on the Victoria Falls Stock Exchange. The rules offer reduced trading costs for investors.

#### 2. Reducing systemic risk, the risk that a failure on the part of one or more registered securities exchanges or licensed persons to meet their obligations may result in other registered securities exchanges or licensed persons being unable to meet their respective obligations

In 2021 SECZim strengthened its in-depth assessment of systemically important institutions by identifying potential risks and threats to the capital and financial system that could adversely affect the risk profile of individual Securities Market Intermediaries. Through supervision SECZim ensured that SMIs have a sound risk culture, effective risk governance frameworks as well as proper and adequate Adjusted Liquid Capital (ALC). This ensured strong institutions that ensure safety of investors' assets and funds. All the systemically important institutions, namely 3 Securities Exchanges, 2 Central Securities Depositories, Custodians and

Asset Management companies closed the year largely compliant with required capital levels. In 2021 the Market achieved 100% settlement of trades and no investor assets were lost during the period.

#### 3. Promotion of market integrity and investor confidence

In 2021 the capital markets witnessed timely reporting and disclosures in line with International Financial Reporting Standards (IFRS) this improved investor confidence in a significant way. The whole market was affected by an audit qualification on the Financial Statements for non-compliance with IAS 21 - "The Effects of changes in Foreign Exchange Rates". Timely transparency through financial reporting was achieved through enforcement of securities exchanges' rules and supervision which ensured timely cautionary statements to protect market integrity which is critical for investor protection.

#### 4. Prevention of market manipulation, fraud, and financial crime

To shield the investor from harm SECZim protected the market from contamination. The 2021 hyperinflationary environment presented challenges for market direction and monitoring of trends. Capital markets were monitored by SECZim daily with focus on trading by those with privilege to companies' operations and financial information. SECZim applied various surveillance tools including but not limited to analysis of traders and investors trading patterns. Subjecting unusual trades to further scrutiny with some leading to partial or full-scale investigation. 48

key Surveillance reports were produced on a post trading basis and no market abuse cases were noted. One case on alleged illegal foreign currency dealing was brought through a Whistle-blower towards the end of 2021 and concluded in 2022.

#### 5. Ensuring transparency in capital and securities markets

In 2021 there was marked improvement in transparency through timely disclosures of information which has an impact on pricing and trading in securities listed on exchanges. Issuers of securities and securities exchanges met required minimum disclosure requirements. Retail and institutional investors had access to issuer, pre-trade and post-trade data as they traded securities. Innovations of mobile device and online trading platforms such as C-Trade and ZSE-direct continue to enhance transparency in Zimbabwean capital markets.

#### 6. Promotion of investor education.

SECZim maintains the view than an informed investor is a protected investor. 10 investor education campaigns were carried out in 2021 against a target of 7. The positive variance is testimony to the drive to educate potential and active investors. 2021 promotion of investor education was to raise participation in the capital markets through tailored content which appeals to various target investors from all walks of life provided via digital platforms and in-person outreach. This is so that no person or place is left behind in the sphere of financial literacy and basic knowledge on investments.





# Be sure to protect what is important to you by investing with licensed investment entities.

Our mandate is to protect investors who have entrusted their investments with Securities Market Intermediaries (SIMs) who are regulated by the Securities and Exchange Commission of Zimbabwe.

For more information visit: [www.seczim.co.zw](http://www.seczim.co.zw)



In collaboration with:



## 2021 performance on strategic objectives

To effectively discharge its mission SECZim strategy spans from 2021 to 2025 in line with the NDS 1. Strategic performance for 2021 was as follows:

Strategic goal	Strategic outcome	KPI	2021 target	2021 result	Variance	Reason	Further action
Capital markets regulation	Rules and regulations developed	Rules & regulations developed	5	4	(1)	Limited new products	continuous research and sand box innovation hub
Capital markets regulation	Research on capital markets	Research papers	4	4	-	Research areas were met	Upload of research output to the website for external consumption and input
Capital markets regulation	Automate SECZim processes	SECZim processes automated	5	4	(1)	System development timeframes under estimated.	Conclude SMI related processes
Capital markets regulation	Develop staff	Staff training	37	37	-	All staff were sent for training	Training secondments being sought
Capital markets regulation	Develop staff	Staff development	42	39	(3)	High staff turnover caused vacancies	Improve conditions of service for staff
Capital markets regulation	Cooperate and collaborate with peer regulators	Regulator joint initiatives	2	2	-	All planned collaborations took place	Enhanced cooperation and collaboration
Capital markets regulation	Cooperate with IOSCO	Membership attained	1	1	-	IOSCO associate membership attained	Alignment of laws
Capital markets regulation	Cooperate with FATF	Compliance	100%	70%	-30%	Lack of an AML/CFT/PF Unit, Understaffing from inadequate finance	Streamlining Prudential and AML/CFT/PF supervision, Resourcing of AML/CFT function in line with AML/CFT requirements.
Capital markets regulation	Increased participation in capital markets	Active securities market intermediaries	215	219	4	Enabling environment	Product development and enhanced engagement







## 2021 performance on strategic objectives (cont'd)

Strategic goal	Strategic outcome	KPI	2021 target	2021 result	Variance	Reason	Further action
Investor education	Increased participation in capital markets	Investor education campaigns	7	10	3	Greater appetite for investor education	Build on campaigns
Investor education	Increased participation in capital markets	Daily stock markets turnover in USD	600,000	400,000	(200,000)	Continued suspension of Old Mutual & PPC, low Foreign Portfolio investment, increase and misalignment of Capital Gains Tax on securities trading.	Resolve Old Mutual PPC continual suspension, Investor education campaigns and International investor engagements/forums.
Investor education	Increased participation in capital markets	Active investors on exchanges	15,798	31,700	15,902	Impact of SMI / SECZim awareness campaigns	Continue awareness campaigns
Investor education	Increased participation in capital markets	Active investors not on exchanges eg unit trust holders	157,500	119,167	(38,333)	Lower investable income	Promote digital platforms

Achievement of SECZim 2021 statutory objectives and strategic goals would not have been possible without a dedicated team always putting in their best. My heartfelt gratitude goes to all the team members at team SECZim. Thank you for your hard work under such trying times of limited resources and significantly constrained capacity.



## Sustainability Reporting



SECZIM IS ALSO IMPLEMENTING ERP SYSTEMS FOR ELECTRONIC FILING, INTEGRATION, AND REPORTING WHICH ARE TARGETED AT REPLACING FOR EXAMPLE THE TRADITIONAL FILING CABINET SYSTEM AND PAPER.

SECZim follows the Global Reporting Initiative and applies its standards for environmental, social, and governance reporting.

**Climate**  
SECZim in its commitment to the environment, has embarked on a solar project that seeks to replace generator use whenever the national grid goes off. Furthermore, the organisation targets to have a paperless environment and to date have reduced the number of printers by 70% which in turn reduces the costs of printing and stationery proportionally. SECZim is also implementing ERP systems for electronic filing, integration, and

reporting which are targeted at replacing for example the traditional filing cabinet system and paper.

**Social**  
SECZim promotes diversity in the workplace and has demonstrated this through a staff compliment which consist of 52% females and 48% males. In the same vein, the Commission is committed to career development of its staff and achieves this by covering tuition, fees, professional subscriptions, and workshop programmes relevant to their work. It targets to have a highly skilled workforce that is determined to serve the market to the best of their ability.



SECZim prioritizes employee wellness and promotes work life balance (The Seczim and ZSE sports day in 2021)







# LICENSING, SUPERVISION AND SURVEILLANCE



HEAD OF LICENSING, SUPERVISION AND SURVEILLANCE  
NORMAN MAFEREFA

“ IN 2021 SECZIM STRENGTHENED ITS IN-DEPTH ASSESSMENT OF SYSTEMICALLY IMPORTANT INSTITUTIONS ”

## 1.1 LICENSEES REGISTERED AS AT 31 DECEMBER 2021

The architecture of the Securities Market consists of Capital Market Infrastructures (CMIs) and Securities Market Intermediaries (SMIs). The capital market infrastructures include 3 Stock Exchanges and 2 Central Securities Depositories (CSDs). These institutions are responsible for ensuring brokering, management, custody, trading, clearing and settlement of publicly traded securities.

	Licence Category	Significance/ Systemic importance	# of SMIs 2020	# of SMIs 2021
1	Securities Exchanges	Critical	3	3
2	Central Securities Depositories	Critical	1	2
3	Securities Asset/ Investment Management firms	Critical	22	25
4	Securities Stockbroking/Dealing firms	Critical	18	20
5	Securities Custodial Firms	Critical	4	5
6	Securities Trustee firms	Critical	3	4
7	Securities Transfer Secretarial firms	Medium	3	3
8	Securities Investment Advisory firms	Low	44	56
9	Collective Investment Schemes Funds	Critical	48	56
	Total			171
1	Critical			113
2	Medium			3
3	Low			56
	Total			171

# LICENSING, SUPERVISION AND SURVEILLANCE (cont'd)

## 1.2 REVIEW OF THE FINANCIAL CONDITION FOR SECURITIES MARKET INFRASTRUCTURES

### 1.2.1 ZIMBABWE STOCK EXCHANGE (ZSE)

Table 1: ZSE Financial Highlights

	31 December 2021	31 December 2020	% Change
	ZWL	ZWL	
Total Income	310,535,396	66,212,277	369.00%
Profit/(Loss) for the period	67,959,833	15,741,081	331.74%
Total expenditure	242,575,563	50,471,196	380.62%
Staff Costs	152,980,630	25,915,940	490.30%
Net Assets/Shareholders funds	287,025,594	158,720,602	80.84%

#### 1.2.1.1 Earnings

The ZSE's earnings were rated 1 i.e., Strong. ZSE reported total income of \$310.54 million, an increase of 369% from \$66.21 million recorded in the prior comparative period. The key revenue lines included annual listing fees which contributed 30.45% and ZSE trading Levy contributed 42.17% of the total income. The Exchange's operating profit grew by 331.74% to \$67.96 million from \$15.74 million recorded in December 2020. During the same period, total operating expenditure rose by 380.62% to \$242.58 million from \$50.47 million.

Staff costs to total expenditure ratio increased from 51.35% to 63.07% for the period under review.

#### 1.2.1.2 Capital

Capital adequacy was rated 1 i.e., Strong. As at 31 December 2021, the Exchange had a net asset value (NAV) of \$287.03 million which was above the minimum regulatory capital requirement of USD1million (ZWL108 million). The NAV increased by 80.84% from \$158.72 million reported as at 31 December 2020.







# LICENSING, SUPERVISION AND SURVEILLANCE (cont'd)



## 1.2.2 VICTORIA FALLS STOCK EXCHANGE (VFEX)

Table 2: VFEX Financial Highlights

	31 December 2021		31 December 2020		% Change
	USD	USD	USD	USD	
Total Income	45,197	15,400	15,400	15,400	193.49%
Profit/(Loss) for the period	(356,758)	(79,777)	(79,777)	(79,777)	347.19%
Total expenditure	401,955	95,177	95,177	95,177	322.32%
Net Assets/Shareholders funds	(468,331)	-73,141	-73,141	-73,141	540.31%

### 1.2.2.1 Earnings

The VFEX's earnings were rated 5 i.e., Critical. VFEX reported total income of \$45,197 and total expenditure of \$401,955. The institution recorded a net loss position of \$356,758 for the period.

### 1.2.2.2 Capital

Capital adequacy was rated 4 i.e., Weak. As at 31 December 2021, The Exchange had a negative net asset value (NAV) of USD468,331 (ZWL 50,579,748) which was lower than the minimum regulatory capital requirement of USD1 Million (ZWL108,000,000). The NAV decreased by 540.31% from (\$73,141) reported as at 31 December 2020. The Exchange remains under the support from the parent company to fully recover from the sunk costs.



# LICENSING, SUPERVISION AND SURVEILLANCE (cont'd)

## 1.2.3 FINANCIAL SECURITIES EXCHANGE (FINSEC)

Table 3: Financial Highlights

	31 December 2021		31 December 2020		% Change
	ZWL	ZWL	ZWL	ZWL	
Total Income	9,853,112	5,440,990	5,440,990	5,440,990	81.09%
Profit/(Loss) for the period	312,946	1,194,860	1,194,860	1,194,860	(73.81%)
Total expenditure	9,540,166	4,246,130	4,246,130	4,246,130	124.68%
Staff Costs	4,395,880	1,792,898	1,792,898	1,792,898	145.18%
Net Assets/Shareholders funds	175,023,183	6,807,892	6,807,892	6,807,892	2,470.89%

### 1.2.3.1 Earnings

FINSEC's earnings were rated 3 i.e., Fair. FINSEC's total income increased by 81.09% to close at \$9.85 million from the previous year's profit of \$5.44 million. The firm's total operating expenditure increased by 124.66%, resulting to an operating profit of \$312,946 which was a 73.81% decrease from year ended 31 December 2020. Staff costs to total expenditure stood at 46.08% against a prior year ratio of 42.2%.

### 1.2.3.2 Capital

Capital adequacy was rated 2 i.e., Satisfactory. As at 31 December 2021, FINSEC had a Net Asset Value (NAV) of \$175.02 million which was significantly above the minimum regulatory capital required of USD1 million (ZWL108 million), a 2,470.89% increase from last year's NAV of \$6.81 million. The firm's balance sheet growth value has been necessitated by revaluation of the company's tangible assets.

## 1.2.4 CHENGETEDZAI DEPOSITORY COMPANY (CDC)

Table 4: CDC Financial Highlights

	31 December 2021		31 December 2020		% Change
	ZWL	ZWL	ZWL	ZWL	
Total Income	148,161,223	40,029,414	40,029,414	40,029,414	270.13%
Profit/(Loss) for the period	64,848,498	18,379,173	18,379,173	18,379,173	252.84%
Total Operating Expenditure	83,312,725	21,650,241	21,650,241	21,650,241	284.81%
Staff Costs	51,859,863	12,448,843	12,448,843	12,448,843	316.58%
Net assets/Shareholders funds	440,482,923	22,054,300	22,054,300	22,054,300	1,897.27%

### 1.2.4.1 Earnings

Chengetedzai Depository Company's (CDC) earnings were rated 1 i.e., Strong. The firm's revenue increased by 270.13% to close at \$148.16 million from \$40.03 million in 2020. Total operating expenditure went up by 284.81% to \$83.31 million from \$21.65 million. The institution recorded a 252.84% increase in operating profit from \$18.37 million to \$64.84 million.







# LICENSING, SUPERVISION AND SURVEILLANCE (cont'd)

## SECURITIES DEALING (STOCKBROKING) FIRMS

### 1.2.4.2 Capital

As at 31 December 2021, CDC's Capital position was rated 1 i.e. Strong. The institution was adequately capitalized with a Net Assets Value (NAV) of \$440.48 million which was above the minimum threshold of USD1 million (ZWL108 million).

### 1.2.4.3 Brokerage

According to the ZSE Brokerage statistics, Table 5 showed Morgan & Co Stockbrokers as the top broking firm, while Remo Stockbrokers reported the lowest brokerage.

**Table 5: BROKERAGE COMMISSION AND MARKET SHARE**

Member Firm	Brokerage Commission (ZWL) 2020	Market Share % 2020	Brokerage Commission (ZWL) 2021	Market Share % 2021
Morgan & Co	22,614,896	7%	150,529,406	15%
FBC Securities	11,727,299	4%	131,293,408	13%
Platinum Securities	54,589,455	17%	103,834,842	10%
EFE Securities	15,339,597	5%	95,152,717	9%
Imara Securities	15,292,571	5%	72,751,462	7%
Invictus Securities	2,305,968	1%	66,457,365	7%
IH Securities	41,375,749	13%	58,719,653	6%
L/Edwards Securities	15,384,040	5%	53,019,405	5%
Old Mutual Securities	18,071,902	6%	50,358,564	5%
Akribos Securities	33,354,062	11%	39,881,150	4%
ABC Securities	1,309,632	0%	37,651,855	4%
MMC Capital	9,935,104	3%	37,553,491	4%
Jemina Capital	-	-	34,472,908	3%
Wealth Access	16,100,692	5%	34,425,125	3%
Fincent Securities	27,136,312	9%	18,574,371	2%
Bethel Securities	3,273,227	1%	13,815,250	1%
Ingenium Capital	-	-	9,008,776	1%
MAST Stockbrokers	2,251,503	1%	7,542,612	1%
S/Trust Securities	1,560,580	0%	3,556,411	0%
Remo Securities	21,128,725	7%	2,979,867	0%
<b>Total Brokerage</b>	<b>119,425,101</b>		<b>1,021,578,638.37</b>	



# LICENSING, SUPERVISION AND SURVEILLANCE (cont'd)

## 1.2.4.4 Earnings

The sector's earnings were rated 2 i.e., Satisfactory for the year ended 31 December 2021. Nineteen (19) out of twenty (20) operating securities dealing firms recorded positive earnings, except for Remo Securities which reported a loss of \$2.05 million. EFE Securities reported the highest earnings of \$154.50 million and the industry averaged \$41.32 million.

**Table 6: Profitability of Securities Dealing Firms (SDF)**

Security Dealing firms	Operating Profit (ZWL) 2020	Operating Profit (ZWL) 2021	% Change
EFE Securities	14,514,976	154,497,624	964%
Morgan & Co	1,400,447	130,717,575	9,234%
FBC Securities	1,464,115	102,538,983	6,903%
Old Mutual Securities	8,874,892	72,287,615	715%
MMC Capital	39,763,333	61,406,977	54%
Imara Securities	11,143,985	53,817,452	383%
Invictus Securities	4,721,756	51,022,158	981%
S/Trust Securities	983,234	42,088,448	4,181%
Platinum Securities	1,025,503	35,702,598	3,381%
Akribos Securities	18,598,254	29,185,805	57%
ABC Securities	(179,302)	22,136,875	12,446%
IH Securities	(1,070,677)	22,003,678	2,155%
Jemina Capital	-	15,772,018	-
Ingenium Capital	-	14,926,525	-
MAST Stockbrokers	1,765,583	5,882,278	233%
Wealth Access	7,785,533	4,304,150	-45%
Bethel Securities	606,544	3,944,318	550%
Fincent Securities	761,209	3,107,099	308%
L/Edwards Securities	33,866,313	3,027,682	-91%
Remo Securities	765,593	(2,045,793)	-367%
<b>Industry Average</b>	<b>8,155,072</b>	<b>41,316,203</b>	





# LICENSING, SUPERVISION AND SURVEILLANCE (cont'd)

## 1.2.4.5 Capital

The capital for the sector as at 31 December 2021 was rated 2 i.e., Satisfactory. All securities dealing firms, except IH Securities, were adequately capitalised. Table 15 shows capital adequacy status of Securities Dealing firms as at 31 December 2021.

**Table 7: Capital Adequacy Status for Securities Dealing Firms as at 31 December 2021**

Name of Institution	13 weeks Operational Costs	Adjusted Liquid Capital	Total Requirement	CAR	Comments
ABC Securities	2,444,612	20,973,741	5,399,216	3.88	Adequate
Akribos Securities	6,681,194	45,461,310	11,494,966	3.95	Adequate
Bethel Securities	1,225,348	4,400,006	2,695,750	1.63	Adequate
EFE Securities	2,906,630	157,750,496	44,989,420	3.51	Adequate
FBC Securities	19,210,171	78,961,396	52,695,028	1.50	Adequate
Fincent Securities	989,082	13,217,664	989,082	13.36	Adequate
IH Securities	17,516,427	12,482,889	20,127,202	0.69	Inadequate
Imara Securities	12,191,196	36,615,050	25,755,328	1.42	Adequate
Ingenium Capital	1,208,912	24,035,563	10,732,013	2.24	Adequate
Invictus Securities	2,469,139	55,285,547	21,130,735	2.62	Adequate
Jemina Capital	2,498,336	11,880,856	3,485,873	3.41	Adequate
L/Edwards Securities	8,000,653	57,074,894	18,700,707	3.05	Adequate
MAST Stockbrokers	1,421,610	8,156,905	3,895,006	2.09	Adequate
MMC Capital	9,635,784	47,117,508	14,519,047	3.25	Adequate
Morgan & Co	25,524,261	72,106,126	49,437,988	1.46	Adequate
Old Mutual Securities	9,582,376	98,269,672	42,474,281	2.31	Adequate
Platinum Securities	5,124,735	29,774,420	15,059,164	1.98	Adequate
Remo Securities	703,368	9,001,097	703,368	12.80	Adequate
S/Trust Securities	361,653	21,105,317	16,123,432	1.31	Adequate
Wealth Access	7,751,188	11,274,061	9,839,006	1.15	Adequate
<b>Total</b>	<b>137,446,674</b>	<b>814,944,520</b>	<b>370,246,612</b>		
<b>Average</b>	<b>6,872,334</b>	<b>40,747,226</b>	<b>18,512,331</b>	<b>3.38</b>	



# LICENSING, SUPERVISION AND SURVEILLANCE (cont'd)

## 1.2.5 INVESTMENT (ASSET) MANAGEMENT COMPANIES

### 1.2.5.1 Funds under Management

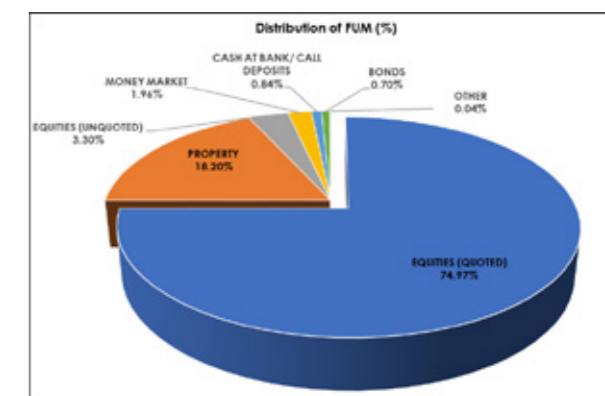
Funds under Management (FUM) for the industry as at 31 December 2021 stood at \$534.07 billion representing a 241.17% increase from the \$156.54 billion reported on 31 December 2020. The industry average for the twenty-one (22) investment managers stood at \$25.43 billion and Old Mutual Investments Group (OMIG) dominated the market with a 43.45% share of the total funds under management (FUM).

**Figure 1: Funds Under Management Trends**



The sector's exposure to the stock markets was 74.97% in December 2021 up from 61.33% reported in December 2020. The increase was mainly due to the bullish environment emanating from the inflationary pressures in the economy.

**Figure 2: Distribution of Funds under Management as at 31 December 2021**







# LICENSING, SUPERVISION AND SURVEILLANCE (cont'd)

## 1.2.5.2 Earnings

The sector's earnings were rated 2 i.e., Satisfactory. The industry average operating profit for the period under review amounted to \$155.38 million. Sixteen (16) securities investment management companies were profitable. Aramis Capital, MHMK Capital Asset Management, Nyaradzo Asset Management, First Mutual Life Wealth and Nurture Asset Management reported losses.

Table 17: Profitability for Investment Management Companies

Investment Management Firms	Operating Profit 2020 (ZWL)	Operating Profit 2021 (ZWL)	% Change
Equivest Asset Management	136,038,165	690,351,653	407.47%
ABC Asset Management	158,383,972	667,331,476	321.34%
Old Mutual Investment Group	189,915,804	662,204,746	248.68%
CBZ Asset Management t/a Datvest	97,158,000	359,637,000	270.16%
Invesci Asset Management	78,420,035	334,414,251	326.44%
Imara Asset Management	22,240,737	146,271,740	558.00%
Platinum Investment Managers	66,340,426	140,351,398	111.56%
TN Asset Management	36,600,128	122,049,611	233.47%
Smartvest Investment Managers	16,467,277	83,346,510	406.13%
Fidelity Life Asset Management	28,324,272	80,813,447	185.32%
Alpha Asset Management	4,219,233	64,469,931	1,428.00%
Akribos Capital	31,834,676	63,530,480	99.56%
Zimnat Asset Management	5,094,520	35,737,695	601.49%
Purpose Asset Management	1,840,941	22,787,909	1,137.84%
Atria Investment Managers	(1,011,183)	2,363,090	333.70%
Quant Africa Asset Management	411,911	1,416,714	243.94%
Aramis Capital	35,323	(88,645)	-350.96%
MHMK Capital Asset Management	(444,490)	(10,528,402)	-2,269%
Nyaradzo Asset Management	(3,778,011)	(12,956,073)	-242.93%
First Mutual Life Wealth	(7,074,400)	(16,094,005)	-127.50%
Nurture Asset Management	87,187	(18,869,250)	-21,742%
<b>Average</b>	<b>41,943,189</b>	<b>155,388,240</b>	<b>312.98%</b>



# LICENSING, SUPERVISION AND SURVEILLANCE (cont'd)

## 1.2.5.3 Capital

As at 31 December 2021, the sector's capital was rated 2 i.e., Satisfactory. Twenty (20) out of twenty-one (21) asset managers were adequately capitalised as at 31 December 2021. Simuka Asset Management was inadequately capitalised as its adjusted liquid capital could not cover their total capital requirement. Simuka Asset Management is a newly licensed entity and has been making losses which resulted in a negative equity position that has impacted its capitalisation level. The industry average capital adequacy ratio (CAR) was 3.28x. Table 18 shows the capital adequacy status for Investment Management Firms.

Table 18: Capital Adequacy Status for Investment Management Firms as at 31 December 2021

Name of Institution	ALC / Total Requirement			CAR	Comments
	13 weeks Operational Costs	Adjusted Liquid Capital	Total Requirement		
ABC AM	27,120,786	780,795,805	265,981,020	2.94	Adequate
Akribos	8,087,862	77,259,630	11,665,404	6.62	Adequate
Alpha	8,103,216	262,335,038	53,344,937	4.92	Adequate
Atria	760,330	14,873,392	904,301	16.45	Adequate
CBZ t/a Datvest	47,762,650	229,942,578	81,085,839	2.84	Adequate
Equivest	3,396,007	833,138,544	333,901,603	2.50	Adequate
First Mutual Wealth	9,740,655	65,590,822	33,012,932	1.99	Adequate
Fidelity Life AM	1,988,497	117,795,119	28,069,546	4.20	Adequate
Imara	29,687,075	60,250,099	43,294,187	1.39	Adequate
Invesci	10,052,603	406,650,031	163,940,916	2.48	Adequate
MHMK	5,630,027	74,141,284	32,892,558	2.25	Adequate
Nurture	185,339	452,560	185,339	2.44	Adequate
Nyaradzo	1,827,081	62,320,354	28,410,057	2.19	Adequate
Old Mutual IG	199,248,511	711,694,445	326,056,951	2.18	Adequate
Platinum Investment	14,364,296	179,357,402	28,221,203	6.36	Adequate
Purpose Asset M	2,108,035	10,529,381	3,262,233	3.23	Adequate
QuantAfrica	3,570,368	28,143,534	9,014,129	3.12	Adequate
Simuka Capital	473,586	(2,813,052)	473,586	(5.94)	Inadequate
Smartvest	5,730,199	110,968,477	39,422,188	2.81	Adequate
TN Asset M	11,328,106	138,558,060	48,406,820	2.86	Adequate
Zimnat	21,166,474	25,273,747	24,224,443	1.04	Adequate
<b>Total</b>	<b>412,331,705</b>	<b>4,187,257,250</b>	<b>1,555,770,191</b>		
<b>Average</b>	<b>19,634,843</b>	<b>199,393,202</b>	<b>74,084,295</b>	<b>3.28</b>	





# LICENSING, SUPERVISION AND SURVEILLANCE (cont'd)

## 1.2.6 SECURITIES TRANSFER SECRETARIES

Table 20: Transfer Secretaries' Profitability Highlights for the year ended 31 December 2021.

Transfer Secretary firms	Operating Profit 2020 (ZWL)	Operating Profit 2021 (ZWL)	% Change
Corpserve	15,620,042	43,862,523	180.81%
FTS	32,694,497	108,172,662	230.86%
ZB	22,323,624	47,495,264	112.76%
<b>Industry Average</b>	<b>23,546,054</b>	<b>66,510,150</b>	

### 1.2.6.1 Earnings

The sector's earnings were rated 1 i.e., Strong. The sector reported an average revenue of \$112.01 million and an average operating expenditure of \$45.50 million. The resultant average operating profit was \$66.51 million, and all the three firms reported positive earnings during the period under review. First Transfer Secretaries had the highest operating profit of \$108.17 million followed by ZB Transfer Secretaries, \$47.50million and Corpserve Registrars (\$43.86million).

### 1.2.6.2 Capital

The sector's capital rating was 1 i.e., Strong. As at 31 December 2021, all the three (3) Transfer Secretaries were adequately capitalised, with capital reserves above the minimum requirement of USD150,000 (ZWL 16,200,000). Table 21 shows the capital adequacy status for Transfer Secretaries.

Table 21: Capital Adequacy Status for Transfer Secretaries as at 31 December 2021

	Shareholders' Funds (ZWL)	Total Assets (ZWL)	Minimum Requirement (ZWL)	Status
Corpserve Registrars	99,646,807	126,679,626	16,200,000	Adequate
First Transfer Secretaries	119,281,008	135,720,247	16,200,000	Adequate
ZB Transfer Secretaries	65,488,450	76,007,881	16,200,000	Adequate
<b>Average</b>	<b>94,805,422</b>	<b>112,802,585</b>	<b>16,200,000</b>	



# LICENSING, SUPERVISION AND SURVEILLANCE (cont'd)

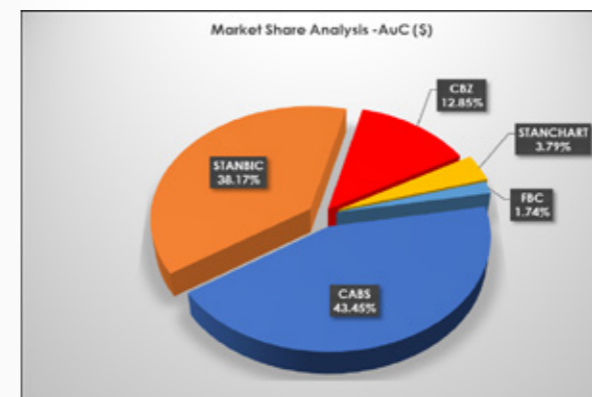
## 1.2.7 CUSTODIAL SERVICES PROVIDERS

### 1.2.7.1 Assets under Custody

As at 31 December 2021, Total Assets under Custody (AUC) amounted to \$533.26 billion. CABS accounted for 43.45% of total value of AUC whilst Stanbic Custodial Services, CBZ Custodial Services, Standard Chartered and FBC accounted for 38.17%, 12.85%, 3.79% and 1.74% respectively. Local clients held 80.60% of AUC whilst foreign clients accounted for 19.40% of the assets. Figure 3 highlights the market share by AUC.

Custodial Banks	2020 Asset Under Custody (ZWL)	2021 Asset Under Custody (ZWL)	% Change
CABS	70,111,697,035	231,725,347,379	230.51%
CBZ	23,561,719,887	68,511,172,168	190.77%
FBC	1,889,426,059	9,261,391,716	390.17%
STANBIC BANK ZW	48,758,215,509	203,566,702,648	317.50%
STANDARD CHARTERED BANK	4,925,515,139	20,196,200,958	310.03%

Figure 3: Market share by Assets Under Custody



### 1.2.7.2 Capital

All the five (5) Securities Custodians were adequately capitalised as at 31 December 2021. The parent companies, who are all banking institutions, met minimum capital requirements set by the Reserve Bank of Zimbabwe.







# LICENSING, SUPERVISION AND SURVEILLANCE (cont'd)

## 2 COLLECTIVE INVESTMENT SCHEMES

### 2.1 COLLECTIVE INVESTMENT SCHEMES INDUSTRY

The number of registered Collective Investment Schemes (CIS) as at 31 December 2021 was 56, which is a 12% increase from 48 funds recorded as at 31 December 2020. The slight increase was mainly attributed to the registration of Zimnat Retail Property Professional Fund, Zimnat Savings Scheme, Old Mutual ZSE Top Ten Exchange Traded Fund, OMIG Money Market and Gross Tax-Free USD Funds. Three funds namely Tetrad Capricorn, Venus and Jupiter which were managed by Aurifin the liquidator were transferred to Zimnat Asset Management Company during the year and are now actively managed by the asset management company. As at 31 December 2021, 41 of the 56 funds were actively managed whilst 15 funds were dormant as shown below.

Table 22: Number of funds managed as at 31 December 2021

Asset Management firms	2020 numbers of funds	2021 number of funds	% Increase
ABC	5	5	-
AKRIBOS	5	5	-
ATRIA	1	1	-
DATVEST	3	3	-
FLAM	4	4	-
FMWM	3	3	-
INVESCI	5	5	-
OLD MUTUAL	7	10	43%
PLATINUM	4	4	-
SMARTVEST	4	4	-
ZIMNAT	7	12	70%

### 2.2 CIS FUNDS UNDER MANAGEMENT

The value of Funds Under Management in Collective Investment Schemes as at 31 December 2021 was ZWL5,668,692,464, a 676% increase from ZWL730,246,168 recorded as at 31 December 2020. The massive increase is attributed to the registration of new funds, growth in the values of the financial instruments in which the CIS funds invested in and the three Tetrad funds whose values had not been recorded since the appointment of the liquidator, Aurifin. Tetrad CIS funds collectively contributed 21% whilst the newly registered funds accounted for 11% of the total CIS funds under management. The total funds managed under Collective Investment Schemes as at 31 December 2021 was 1.06% of the Funds Under Management for the Asset Management industry and this was a slight increase from 0.47% recorded for 2020 fourth quarter. The number of unit holders as at 31 December 2021 was 74,843 which is approximately 27% increase from 58,930 recorded for the fourth quarter of 2020.

Table 23: CIS funds under management as at 31 December 2021

Asset Management firms	2020 funds under management (ZWL)	2021 funds under management (ZWL)	% Change
ABC	13,667,173	61,221,267	348%
ATRIA	25,989,056	50,791,908	95%
DATVEST	20,268,815	83,558,734	312%
FLAM	7,466,656	48,095,049	544%
FMWM	6,847,878	44,632,848	552%
OLD MUTUAL	370,808,361	3,011,321,621	712%
PLATINUM	4,082,102	18,118,120	344%
SMARTVEST	20,934,354	202,919,633	869%
ZIMNAT	260,181,773	2,148,033,285	726%

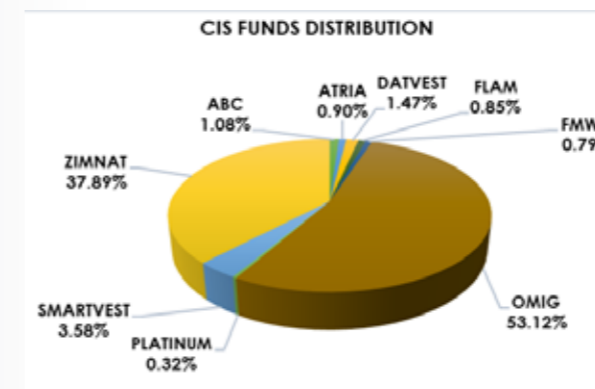


# LICENSING, SUPERVISION AND SURVEILLANCE (cont'd)

## 2.3 CIS FUNDS DISTRIBUTION

As at 31 December 2021, 53.12% of CIS funds were managed by OMIG whilst 37.89% were under the management of Zimnat Asset Management indicating high concentration risk. The rest of the asset managers were collectively managing a paltry 8.99% as shown in figure 4.

Figure 4: CIS Funds Distribution



## 3 ANTI-MONEY LAUNDERING, COMBATING TERRORISM FINANCING AND COUNTER PROLIFERATION FINANCING

### 3.1 AML/CFT/CPF ANNUAL RISK ASSESSMENT

In terms of Part 11 (18), First Schedule of the Money laundering and Proceeds of Crime Act [9:24], SECZim is a Competent Supervisory Authority responsible for overall supervision of the Securities Industry in Zimbabwe. During 2021, the AML/CFT/CPF Supervision team carried out several activities for the Commission to fulfill its AML/CFT/CPF mandate.

The AML/CFT/CPF Supervision team undertook and completed four (4) Risk-Based on-site inspections on the following SMIs for the year under review:

- Old Mutual Investment Group
- Lynton-Edwards Stockbrokers
- CBZ Custodial Services
- CABS Custodial Service,

Reports on these on-site examinations have been submitted to the SMIs concerned for their comments on the findings and recommendations. Post inspection report audit meetings with the institutions' management were conducted and all the institutions submitted their Action Plans and road maps to rectify the deficiencies identified during the inspections.

Among the issues identified were:

- Deficiencies in Suspicious transactions monitoring and reporting
- Weak Enhanced due diligence
- Unavailability of UN Sanction list register
- Deficiencies in Ongoing monitoring
- Weak monitoring process of high-risk clients
- Irregular training for Staff
- Gap in training content on risk assessments





# LICENSING, SUPERVISION AND SURVEILLANCE (cont'd)

## 3.2 RESPONSE TO FINANCIAL INTELLIGENCE UNIT (FIU) REQUESTS AND DIRECTIVES

The AML/CFT/CPF Supervision team met all requests and directives from the FIU during the year under review. The requests and directives were in respect of linking and disseminating information from the FIU to SMIs. Further, the team has been meeting FIU's requests for input into Zimbabwe's Progress Report submitted to International Cooperation Review Group (ICRG) of Financial Action Task Force (FATF) periodically.

Table 24 : AML/CFT/CPF Risk Assessment Matrix 1 January - 31 December 2021

Sub Sector	INHERENT RISKS MONEY LAUNDERING RISK					TF risk	PF risk	AML/CFT/CPF Controls	Residual Risk
	Nature, size, and complexity of business	Products and services	Delivery channel	Customer types	Country risk				
Securities Custodians	Medium-High	High	Medium-Low	Medium-Low	Medium-Low	Low	Low	Strong	Medium
Securities Investment Managers	Medium	Medium-High	Medium	Medium-Low	Medium-Low	Low	Low	Satisfactory	Medium
Securities Dealing Firms	Medium	Medium	Medium-Low	Medium	Medium-Low	Low	Low	Strong	Medium
Securities Exchanges	Medium	Medium	Low	Low	Low	Low	Low	Satisfactory	Medium-Low
<b>Overall Securities Market</b>									<b>Medium</b>

## 3.3 CONDUCT OF SECURITIES MARKET INTERMEDIARIES' AML/CFT/CPF RISK ASSESSMENT

The Commission's AML/CFT/CPF Supervision team conducted four off-site AML/CFT/CPF risk assessment for Securities Custodians, Securities Investment Managers, Securities Dealing Firms and Securities Exchanges. The assessment was based on a risk-rating scale of High, Medium-High, Medium, Medium-Low, or Low. The key risk variables used comprise the nature, size, and complexity of business; customer types; products/services; delivery channel for products and services and country risk. Table below shows summarised outcome of the risk assessment for ML/TF/PF risk rating and score of the four sub-sectors.



# LICENSING, SUPERVISION AND SURVEILLANCE (cont'd)

## 3.4 Table 25: Overall Rating and Scoring 1 January- 31 December 2021

Overall Securities Sector Annual Aml/Cft/Cpf Rating & Score				
Category	Rating	Score	Weighting	Overall
Asset Managers	Medium	0.43	0.26	0.11
Securities Dealing	Medium	0.41	0.25	0.10
Custodians	Medium	0.43	0.26	0.11
Securities Exchanges	Medium-Low	0.38	0.23	0.09
<b>Overall</b>	<b>Medium</b>			<b>0.41</b>

3.4.1 ML/TF/PF risk for all the institutions ranked between medium-low and medium. The overall securities sector ML/TF/PF risk rating was medium at a risk score of 0.41 for the year ended 31 December 2021, an improvement from a risk score of 0.42 for the same period in 2020. Securities Custodians and Securities Investment Managers were highest ranking industries followed by Securities Dealing Firms, all at medium ratings. The Securities Exchange industry was lowest rated with medium-low rating respectively. The following sections are summary descriptions of securities sector individual industries' ratings and risk scores for the year ended 31 December 2021 in comparison with same period in 2020

## 3.5 Industry risks assessment-Securities Investment Managers

Industry Category		Rating	Score
21 institutions assessed	Securities Investment Managers 31 December 2021	MEDIUM	0.43
18 Institutions assessed	Securities Investment Managers 31 December 2020	MEDIUM	0.42

As at 31 December 2021, Securities Investment Managers were rated at an annual average risk score of 0.43, a deterioration from a risk score of 0.42 for the same period in 2020. The industry's high-risk score emanated from products/services, nature, size, complexity of business and delivery channels for products and services. For the year 2021, Imara Asset Management, Old Mutual Investment Group Zimbabwe and Zimnat Asset Management were on average highest-ranking institutions with risk scores of 0.57, 0.55 and 0.55 respectively. On the other hand, Akribos Wealth Managers was lowest ranking institution at a risk score of 0.35 during the year.







# LICENSING, SUPERVISION AND SURVEILLANCE (cont'd)

## 3.6 Industry risks assessment-Securities Custodians

Industry Category	Rating	Score
5 institutions assessed Securities Custodians 31 December 2021	MEDIUM	0.43
5 Institutions assessed Securities Custodians 31 December 2020	MEDIUM	0.47

The Securities Custodians were rated at an annual average risk score of 0.43 for the year ended 31 December 2021, 0.04 points upgrade from a risk score of 0.47 reported same period in 2020. The nature, size, complexity of business, and product/service inherent risk remains high in this industry. The industry continues to put in place viable AML/CFT/CPF controls to combat ML/TF/PF risks. For the year 2021, CABS Custodial Services and CBZ Bank Limited, were on average highest-ranking institutions with risk scores of 0.55 and 0.50 whilst FBC Custodial Services presented the lowest risk rating in the industry at a risk score of 0.35.

## 3.7 Industry risks assessment -Securities Dealing Firms

Industry Category	Rating	Score
20 institutions assessed Securities Dealing Firms ~ 2021	MEDIUM	0.41
18 Institutions assessed Securities Dealing Firms ~ 2020	MEDIUM	0.38

For the year ended 31 December 2021, Securities dealing firms industry was ranked third in the securities sector, at a risk score of 0.41, 0.03 points above 0.38 reported for the year ended 31 December 2020. Most of the institutions in the industry provide not more than two products, hence resulting in most of them being low-risk institutions. However, the liquidity nature of the product/service offered in this industry and geographical distribution of some clients presented a medium risk score for few institutions in this industry. FBC Securities and Lynton-Edwards Stockbrokers were on annual average highest-ranking institutions in the industry at risk scores of 0.56 and 0.53 whereas Jemima Capital was lowest ranking institution in the industry at a risk score of 0.26.

## 3.8 Industry risks assessment -Securities Exchanges

Industry Category	Rating	Score
3 institutions assessed Securities Exchanges ~ 2021	MEDIUM	0.38
2 Institutions assessed Securities Exchanges ~ 2020	MEDIUM	0.39

The Securities Exchanges industry was ranked lowest for the year ended 31 December 2021, at a risk score of 0.38, a 0.01point improvement from a score of 0.39 recorded during the same period in 2020. Zimbabwe Stock Exchange was on annual average highest-ranking institution in the industry at risk score of 0.41, followed by Financial Securities Exchange (FINSEC) at a risk score of 0.37 and Victoria Falls Stock Exchange (VFEX) was lowest-ranking institution at a risk score of 0.35.



# LICENSING, SUPERVISION AND SURVEILLANCE (cont'd)

## 3.9 Capacity building for Anti-Money Laundering Reporting Officers (AMLROs)

The Commission's AML/CFT/CPF Supervision team completed three virtual trainings for the year ended 31 December 2021. The trainings conducted are shown on Table 26:

**Table 26: Trainings conducted in the year ended 31 December 2021**

Date of Training	Nature of the Training	Mode used for the training	Number of Attendees
22-April-2021	Pre-empting Financial Action Task Force (FATF) Guidance on Counter Proliferation Financing	Virtual (Teams Meeting)	SIMs=81 SECZ=5 FIU=3
28-July-2021	Compliance Training: Risk-Based Approach to AML & CFT	Virtual (Teams Meeting)	SIMs=86 SECZ=5 FIU=2
10-September-2021	AML/CFT Induction Training for new market players and refresher for some existing players	Virtual (Teams Meeting)	SIMs=8

Further, to ensure AML/CFT/CPF awareness among the Securities Market Intermediaries, the team ensured that the Capital Markets Newsletter extensively covered the AML/CFT/CPF issues under the Market Updates section.

## 4 SANCTIONS IMPOSED ON AML/CFT VIOLATIONS

For the year ended 31 December 2021, three institutions were penalised for violation of the Directive on Prudential & AML-CFT Returns and Penalties for Non-Compliance of 2019. These institutions submitted their returns after the due date lapsed, that is, beyond 14th day after the end of the quarter. The penalised institutions are as follows:

**Table 27: Institutions penalised for late submission of returns during the year**

Institution	Date return submitted	Late Submission Penalty (ZWL)
MMC Stockbrokers	28-Jan-21	1,200.00
Remo Securities	22-Apr-21	800.00
Old Mutual Securities	26-Apr-21	2,400.00
Remo Securities	26-Jul-21	2,200.00

In addition to the above penalties, the Commission issued a warning to MMC Stockbrokers for continuously violating Directive Number 01/2019 on the 1st of April 2021. However, the team is working to put together an AML/CFT/CPF Administrative Sanction which is more stringent to enforce compliance in the Securities Sector

## 4.1 CHALLENGES/CONSTRAINTS IN AML/CFT/CPF SUPERVISION

- Due to inadequate staff, the team was unable to conduct Risk-Based Supervision in a full scale.
- Lack of software for analysis of AML/CFT/CPF data collected from the Market.
- Failure of some SIMs to submit Institutional Risk Assessment (IRA) reports to the Commission as well as to regularly attend the Commission's scheduled trainings.





# LICENSING, SUPERVISION AND SURVEILLANCE (cont'd)

## 4.2 ESAAMLG MEETINGS

Mr Tirivafi Nhundu (Manager-Supervision and Licensing) was unanimously re-elected Chairman of ESAAMLG Working Group on Risk Compliance, and Financial Inclusion for a period of another three years.

The Working Group on RCFI is working on De-risking Monitoring, Regional Workshop on Risk-Based Supervision (RBS) for supervisors of Designated Non-Financial Businesses and Professions (DNFBPs), Beneficial Ownership Project, 5<sup>th</sup> ESAAMLG Public-Private Sector Dialogue (PPSD), Survey on Virtual Assets (VAs) and Virtual Assets Service Providers (VASPs)

## 5 LICENSING AND ENFORCEMENT

The Securities and Exchange Commission of Zimbabwe advises that the following have been licensed in terms of the Securities and Exchange Act [Chapter 24:25], the Asset Management Act [Chapter 24:26] and the Collective Investment Schemes Act [Chapter 24:19].

### 5.1 The following licences were approved during the year 2021

#### 5.1.1 Securities Investment Firms

- Nurture Asset Management Pvt Limited
- Cass Saddle Asset Management (Private) Limited

#### 5.1.2 Securities Advisory Firms

- Wealth Access Advisory Pvt Limited
- Opus Capital Pvt Limited
- James Andrewes & Associates (Private) Limited
- Bard Santner Markets Incorporated (Private) Limited
- Brooks & Oracles (Private) Limited

#### 5.1.3 Securities Dealing Firms

- Jemina Capital Private Limited
- Ingenium Capital (Private) Limited

#### 5.1.4 Securities Dealers

- Brenda Mwaturura
- Coreen Madanha
- Kudzanai Samudzi

#### 5.1.5 Central Securities Depository

- Zimbabwe Stock Exchange Central Securities Depository

#### 5.1.6 Collective Investment Schemes

- Old Mutual USD Money Market.
- Old Mutual USD Gross Money Market
- Mombe Mari Unit Trust Fund
- Morgan & Company Multi Sector Exchange Trade Fund
- Zimnat Retail property Professional Fund
- Zimnat Savings Scheme



# INVESTOR EDUCATION



HEAD OF INVESTOR EDUCATION  
FARAI MPOFU

## Investor Education January to December 2021

The Investor Education department ran 10 campaigns against a target of 7. An activity summary is provided below:

CAMPAIGN	STAKEHOLDER	MEDIA	DETAILS
Investment 101 Handbook campaign extensions	Public SMIs	Radio Classic263 "Business Alley"	SECZim completed a 12-week chapter by chapter radio series to unpack the Investment 101 Handbook. SECZim provided background and context for the first show; subsequent shows featured SMIs in rotation, as part of the SECZim mandate to make investor education the responsibility of the industry.
Awareness and Investor Education Investment 101 Handbook Audio (English)	Schools Universities Work hubs / informal activity clusters	Website YouTube Flash-drive	While the Investment 101 hard copy is available for download from the website, the Audio book enables those with eye-sight impairment to consume the content, as well as allowing the content to be shared while the audience is working, such as in a factory setting. Audio book reduces cost and allows those with data limitations to play it via flash stick.
Awareness and Investor Education Investment 101 Handbook Audio "lite"	Public Investors Youth Women	WhatsApp	This campaign targeted youth; through WhatsApp platform the content is "lite" on data bundles.

“ SECZIM COMPLETED A 12-WEEK CHAPTER BY CHAPTER RADIO SERIES TO UNPACK THE INVESTMENT 101 HANDBOOK.”





## INVESTOR EDUCATION (cont'd)

CAMPAIGN	STAKEHOLDER	MEDIA	DETAILS
Awareness and Investor Education Investment 101 Handbook Translations	Local language speakers All ages	Book (hard copy)	For the first time capital markets information is summarized for translation into Shona and Ndebele languages
Awareness and Investor Education Social Media	Online community	Social media Platforms i.e. Facebook Twitter LinkedIn Instagram	Educational and informative content about the capital market was created based upon a curated monthly content plan and shared on all platforms for continuous engagement with and development of the online community to support investor protection and education objectives. As at 31 December 2021 the social media community was as follows: Facebook 9,645 followers Twitter 6,377 followers LinkedIn 534 connections YouTube 219 subscribers Instagram 1,810 followers
Awareness and Investor Education Diaspora Webinars	The Diaspora Public Students	Online	The Institute of Chartered Accountants of Zimbabwe (ICAZ) teamed up with SECZim and the Zimbabwe Investment and Development Agency (ZIDA), the Ministry of Finance and Economic Development and the Ministry of Foreign Affairs, through the ambassadors posted to the selected countries / regions, to hold conversations with Zimbabwean professionals in the Diaspora to profile local investment options.
Awareness and Investor education ZITF	Investing public	Face-to-face	SECZim participated at the ZITF which ran from 21st – 24th September 2021 under the theme “Showcasing the new normal for business and industry – realities and opportunities.” Capital markets presentations were done and Investor education content was unpacked, including Ayoba Mkoba radio drama and Grain of Fortune video series.
Awareness and Investor education SECZ Newsletter	Investing public SMIs	Website Email Social media	A quarterly newsletter was re-introduced with SMIs being amongst content contributors, to promote engagement and industry cohesion. A quarterly newsletter was re-introduced with SMIs being amongst content contributors, to promote engagement and industry cohesion.

## INVESTOR EDUCATION (cont'd)

CAMPAIGN	STAKEHOLDER	MEDIA	DETAILS
Awareness and Investor Education Careers webinars	Women Youth	Online YouTube Website	Women in Capital markets webinars featured women in the sector in conversation to encourage the next generation to invest and consider careers in this space.
Financial Inclusion SECZIM “Ayoba Mkoba ”	Public	Radio YouTube WhatsApp	“Ayoba Mkoba” depicts a techpreneur’s journey to listing in the bustling Midlands town of Mkoba. It tackles everyday issues, using relatable characters, to entertain while educating on how the capital markets are relevant to young people and the informal sector to access to capital.
Financial Inclusion Global Money Week (GMW)	Schools Universities General online community	Online Social Media	SECZim participated in the 9th edition of GMW which ran under the theme “Take care of yourself, take care of your money”. Activities were all virtual due to Covid restrictions.
Investor Protection Principles for Responsible Investment (PRI) Webinars	Securities issuers Stock Exchanges Pensions funds Investors Public	Online	PRI was engaged to co-host webinars featuring various stakeholders, anchored by institutional investors, to introduce and discuss issues around responsible investment. Three webinars under the “Responsible Investing” umbrella, aligned to ESG principles, were held, with Head of Africa for Principles for Responsible Investing, Darron Scourgie being the main presenter.
Investor Protection Exchange Traded Funds (ETFs) Webinars	Investors Public	Online	Four Webinars were hosted to create awareness on the existence of ETFs and educate investors and the public about their features.



ZITF Investor Education



# INVESTOR EDUCATION (cont'd)

CAMPAIGN	STAKEHOLDER	MEDIA	DETAILS
Investor protection SECZim videos	Public University students	ZBC TV YouTube	Departmental videos were flighted weekly on ZBC/TV during prime time during April and May 2021 as part of awareness-raising on the role of SECZim. These remain available on YouTube.
Investor protection Database	Retail investors	MailChimp	Database stood at 32,200 to which updates are broadcast, by way of investor protection and capital markets.
Investor protection GroWealth Monthly adverts	Unit Trust investors SMIs	The Herald Website	Monthly adverts continued to be published featuring unit trust prices and investor information. They served a dual purpose, of compliance and investor education for the retail investor with youth as the main targeted demographic.
Corporate Social Responsibility (CSR)	All stakeholders		<p><b>IPAZ.</b> In October 2021 the Commission sponsored the Investment Professionals' Association of Zimbabwe (IPAZ)'s welcome cocktail to the tune of ZWL100,000.00 at their annual conference which was held from 14 to 17 October, 2021 in Inyanga.</p> <p><b>Capital Markets Awards</b> SECZIM also sponsored a table for 10 for ZWL120 000 at the Capital Markets Awards which were held on the 10th of November, 2021 in Harare.</p>



Dominican Convent- Investor Education



# CORPORATE FINANCE AND MARKET DEVELOPMENT



HEAD OF CORPORATE FINANCE AND MARKET DEVELOPMENT  
KUNDAI MSEMBURI

The Commission maintained a stakeholder engagement approach throughout the year as it progressed its market development mandate. SECZim believes that initiatives underway should go a long way in promoting the breadth and depth of the market in adaptation to the changing operating environment.

### Fintech

Part of the Commission's mandate is to promote market development whilst ensuring high levels of investor protection. The Commission issued a call for papers as input/evidence from the crypto securities service providers and interested stakeholders towards formulating a virtual asset framework. Subsequent to this development, the Commission:

- Further developed relevant regulatory provisions in compliance with FATF Recommendation 15 on new technologies.
- Enhanced engagements with other Financial Sector Regulators for a collaborated regulatory approach to crypto assets and
- Established an Innovation Office for engagement with and guiding potential innovators. Applications during the year included innovations in the following areas:

Nature of Innovation	Target Investors	Product / Service Deployment
1 Smart contract exchanges	Retail and institutional	Web and mobile app
2 Digital securities trading	Retail and institutional	Web app - cloud hosting
3 Bitcoin ETFs	Retail and institutional investors	VFEX
4 Robo Advisor Platforms	Retail investors	Web and mobile app
5 Digital currency wallets and identity management	Retail investors	Web and mobile app
6 Crowdfunding	SMEs	Web app

“ OVERALL ANNUAL TURNOVER CLOSED THE YEAR AT ZWL65.3 BILLION. AN INCREASE OF 277% FROM PRIOR YEAR.







# CORPORATE FINANCE AND MARKET DEVELOPMENT (cont'd)

## Research Collaboration

SECZim progressed with establishment of a Securities Market Development Technical Committee to focus on generating quality in depth joint research output on the market. In 2021 SECZim developed draft MoU and Terms of Reference to operationalize the Committee.

## Whistle – blower Manual

SECZim in 2021 produced a whistle-blower manual for the market. This came after recognizing the need to identify and address misconduct at an early stage.

## Market Performance

Investors maintained a hedge seeking stance through the stock market to cushion themselves against mounting inflationary pressure in the face of limited alternative value preservative investment options. Overall, annual turnover closed the year at ZWL65.3 billion, an increase of 277% from prior year. Net annual foreign outflow was ZWL5.4 billion as foreign investors maintain an exit stance. Market capitalization closed the year at ZWL1.3 trillion translating into an annual return of 314%. Gains were largely sustained by risk aversion on the back of excessive liquidity and exchange rate pressure from mounting demand for foreign currency. As a result, the market remained the best performing bourse in Sub Saharan Africa even after adjusting for movements in the exchange rate.



# LEGAL



HEAD OF LEGAL AFFAIRS  
LYINAH MADENDE

## Legal and Legislative Developments

### 1. INTERNATIONAL ORGANISATION OF SECURITIES COMMISSIONS (IOSCO) ASSOCIATE MEMBERSHIP

SECZim in 2021 continued working on amendments to the Securities and Exchange Act [Chapter 24:25] to align with the IOSCO 38 principles on Securities legislation as a step towards application for Ordinary Membership. The Amendments to the Act were further reviewed in line with new developments.

### 2. AMENDMENTS TO SECURITIES RULES

- 2.1 During the year under review, SECZim amended various statutory instruments that provide for licensing and registration fees for market intermediaries;
  - 2.1.1 Securities (Alternative Trading Platform) (Amendment) Rules, SI 154/2021;
  - 2.1.2 Securities (Registration, Licensing and Corporate Governance) (Amendment) Rules, 2021, SI 155/2021;
  - 2.1.3 Collective Investment Schemes (Fees) Rules, 2021, SI 156/2021.
- 2.2 Securities (Victoria Falls Stock Exchange) (Levies, Fees and Charges) (Amendment) Rules, 2021 SI 232/2021.

### 3. LITIGATION MATTERS

#### 3.1 Thomas Mabuzwe & 6 Ors v SECZIM & 12 Ors HC 5923/2021

Following the licensing of ZSE's Central Securities Depository, SECZim issued a Directive SS15/10/2021 to the market providing guidance on the migration of share registers between CSDs. Thomas Mabuzwe and 6 other investors challenged the Directive through an urgent chamber application and SECZim was cited as the 1st respondent and other respondents were the ZSE, CDC and 10 issuers. The investors argued that the implementation of the Directive will cause irreparable harm in that it will automatically terminate their existing contracts with their respective CSD, forcing them to open accounts with a new CSD. The High Court ruled that the matter was not urgent and struck the matter off the roll.

“ SECZIM IN 2021 CONTINUED WORKING ON AMENDMENTS TO THE SECURITIES AND EXCHANGE ACT ”





## LEGAL (cont'd)

### 3.2 CDC V SECZIM & 2 Ors HC7106/21

Chengetedzai Depository Company Limited (CDC), a registered central securities depository filed an application for review in the High Court of SECZim Directive no. SS15/10/2021. The Directive provides guidance on the migration of share registers between CSDs. Chengetedzai sought nullification of the Directive on the grounds that the Directive was issued without affording it and other key stakeholders a right to be consulted or to make representations as prescribed in the Act. CDC also argued that the Directive is ultra vires the Securities and Exchange Act, the Constitution of Zimbabwe and the Companies and other business entities Act [Chapter 24:31] in that it interferes with the proprietary rights of shareholders. As at 31 December 2021, the matter was still pending before the Court.

### 3.3 CHENGETEDZAI DEPOSITORY COMPANY LIMITED APPEAL IN TERMS OF SECTION 108 (5) OF THE ACT TO THE MINISTER AGAINST THE DIRECTIVE SS15/10/2021.

Chengetedzai Depository Limited (CDC) lodged an appeal to the Minister of Finance and Economic Development in December 2021, in terms of section 108 (5) of the Act challenging a SECZim Directive SS15/10/2021.

CDC argued that in issuing the Directive in terms of paragraph 21 of the First schedule to the Act, SECZim failed to comply with all the provisions of the Act and violated section 118 of the Act which empowers the Commission to make rules which only become effective after they have been approved by the Minister and published in the Gazette as a statutory instrument. They further argued that the transfer of securities from one depository to another can only be regulated by rules made in terms of section 118 of the Act. As at 31 December 2021, the matter was still pending before the Minister of Finance and Economic Development.



## INFORMATION AND COMMUNICATION TECHNOLOGY



HEAD OF ICT  
BRIAN GAVA

SECZim's digitisation efforts have been on a positive trajectory in alignment with the National Development Strategy 1 objective of modernising the economy through use of ICT and digital technology.

SECZim has implemented digital platforms to enable ease of internal collaboration amid the hybrid working environment where part of the workforce operates remotely due to Covid-19 safety measures. In 2021 SECZim digitalisation progressed well with various internal processes including the procurement process having been automated. To better serve the Investors and other stakeholders in 2021 SECZim launched the Complaints and Whistle-blower portal on the revamped SECZim website, [www.seczim.co.zw](http://www.seczim.co.zw).

SECZim values investor education, accordingly, a dedicated investor education website, [www.investwise.co.zw](http://www.investwise.co.zw), was launched in February 2021. The website targeting the public provides capital markets information on:

- Investing basics
- Investing process
- Protecting your investments
- Investment products

During the fourth quarter of 2021, the SECZim mobile application was launched to enable easier access to SECZim information via mobile devices. Global statistics show that over 90 percent of the Internet population use a mobile device to go online.

The commission trained staff on Cyber Security awareness to reduce risks associated with loss of confidentiality, integrity, or availability of SECZim data. In November, SECZim staff participated in an inhouse Cybersecurity Quiz where the average score attained was 59.8%. Members of staff with the highest scores were recognised for their efforts by being awarded prizes. Prize winners Mr. Gerald Dzangare and Mr. Darlington Chiunye were level on top with a score of 73.3% each. The Cyber Security awareness program aimed at inculcating staff behaviour and a culture that reduces human cyber risk will be continually evaluated to ensure improvement.

During the year of 2021 there were eight hundred and fifty-seven (857) attempted cyber-attacks on SECZim and zero (0) successful cyber-attacks.

**“ DURING THE FOURTH QUARTER OF 2021, THE SECZIM MOBILE APPLICATION WAS LAUNCHED**





# 02

## SECURITIES AND EXCHANGE COMMISSION OF ZIMBABWE ANNUAL FINANCIAL STATEMENTS 31 DECEMBER 2021

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*These financial statements are expressed in Zimbabwe Dollars (ZWL).*



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SECURITIES AND EXCHANGE COMMISSION OF ZIMBABWE ANNUAL REPORT 2021

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## Responsibilities of Management and Those Charged with Governance for the financial statements for the year ended 31 December 2021

It is the Commissioners' responsibility to ensure that the financial statements fairly present the state of affairs of the Commission. The external auditors are responsible for independently reviewing and reporting on the financial statements.

The Commissioners have assessed the ability of the Commission to continue as a going concern and believe that the preparation of these financial statements on a going concern basis is still appropriate. However, the Commissioners believe that under the current economic environment a continuous assessment of the ability of the Commission to continue to operate as a going concern will need to be performed to determine the continued appropriateness of the going concern assumption that has been applied in the preparation of these financial statements.

The financial statements are prepared with the aim of complying fully with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB), which includes standards and interpretations approved by the IASB and Standing Interpretations Committee (SIC) interpretations issued under previous constitutions.

The Conceptual Framework requires that in applying fair presentation of financial statements, entities should go beyond the consideration of the legal form of transactions and any other factors that could have an impact on them. IAS 21 requires an entity to apply certain parameters in determining the functional currency of an entity for use in the preparation of its financial statements. This standard also requires an entity to make certain judgements, where applicable, regarding appropriate exchange rates between currencies where exchangeability through a legal and market exchange mechanism is not achievable.

The requirement to comply with Statutory Instrument (S.I) 33 of 2019 as enacted by the Finance Act Number 2 of 2019 created inconsistencies with IAS 21, as well as the principles embedded in the IFRS Conceptual Framework for financial reporting. This has resulted in the adoption of accounting treatment in the prior years' financial statements, which deviates from that which would have been applied if the Commission had been able to fully comply with IFRSs. This non-compliance affected the opening balances of the current year's financial statements.

The Commissioners carried out an assessment on the effect of Covid 19 on the Commission's operations and income streams and came to a conclusion that the impact is not material to affect the ability of the Commission to continue as a going concern for the next twelve months.

The Commission's accounting and internal control systems are designed to provide reasonable assurance as to the integrity and reliability of the financial statements and to adequately safeguard, verify and maintain accountability of its assets. Such controls are based on the established written policies and procedures which are monitored throughout the Commission and all employees are required to maintain the highest ethical standards in ensuring that the Commission's practices are conducted in a manner which in all reasonable circumstances is above reproach. Issues that come to the attention of the Commissioners have been addressed and the Commissioners confirm that the system of accounting and internal controls is operating in a satisfactory manner.

The Commission's financial statements which are set out on pages 52 to 76 were, in accordance with their responsibilities, approved by the Commissioners on 25 April 2022 and are signed on its behalf by:

  
Ethel Chitanda  
Acting Chairperson

  
Paradza Paradza  
Audit Committee Chairperson

  
Cordelia Mutangadura  
Corporate Secretary

These financial statements were prepared under the supervision of:

  
Fidelis Msemburi  
Finance Manager

## INDEPENDENT AUDITORS' REPORT

To the members of Securities and Exchange Commission of Zimbabwe

Report on the Audit of the Inflation Adjusted Financial Statements

### Qualified Opinion

We have audited the inflation adjusted financial statements of Securities and Exchange Commission of Zimbabwe set out on pages 52 to 76, which comprise the inflation adjusted statement of financial position as at 31 December 2021, and the inflation adjusted statement of profit or loss and other comprehensive income, the inflation adjusted changes in equity and the inflation adjusted statement of cash flows for the year then ended, and the notes to the inflation adjusted financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying inflation adjusted financial statements present fairly, in all material respects, the inflation adjusted financial position of the Securities and Exchange Commission of Zimbabwe as at 31 December 2021, its inflation adjusted financial performance and its inflation adjusted cash flows for the year then ended, in accordance with the International Financial Reporting Standards (IFRSs).

### Basis for Qualified Opinion

#### Non-compliance with International Accounting Standard 21 -The Effects of Changes in Foreign Exchange Rates

During the prior financial years, the foreign currency denominated transactions and balances of the Commission were translated into ZWL using the interbank exchange rates/foreign currency auction rates which were not considered appropriate spot rates for translations as required by IAS 21. The opinion on the prior year financial statements was modified in respect of this matter and the misstatements have not been corrected in the financial statements for the year ended 31 December 2021. The opinion on the current year is modified because of the possible effects of non-compliance with IAS 21 on the accumulated funds of the Commission as at 31 December 2021, and on the comparability of the current year's figures to those of the comparative period.

Had the financial statements been prepared in accordance with the requirements of IAS 21, many elements would have been materially different. As a result, the impact of the Commission's inability to comply with IAS 21 has been determined as significant.

#### Non-compliance with International Accounting Standard (IAS) 29 – Financial Reporting in Hyperinflationary Economies

Although IAS 29 has been applied correctly, its application was based on prior period financial information which was not in compliance with IAS 21 as described above. Had the correct base numbers been used, most elements of the financial statements (including monetary gain/loss) would have been materially different. The impact of the departure from the requirements of these standards is considered material to the financial statements for the year ended 31 December 2021.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Commission in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Except for the matters raised in the Basis for the Qualified Opinion above, there are no other key audit matters noted.



## ■ INDEPENDENT AUDITORS' REPORT (cont'd)

### Responsibilities of Management and Those Charged with Governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRSs), and for such internal controls as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Commission's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Commission or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Commission's financial reporting process.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Commission's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Commission to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Commission to express an opinion on the financial statements. We are responsible for the direction, supervision, and performance of the Commission's audit. We remain solely responsible for our audit opinion.

## ■ INDEPENDENT AUDITORS' REPORT (cont'd)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

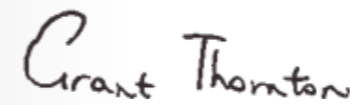
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### Report on other legal and regulatory requirements

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion, the financial statements have been properly prepared, in all material respects, in accordance with the accounting policies and the relevant Statutory Instruments.

The Engagement Partner on the audit resulting in this independent auditors' report is Farai Chibisa.



Farai Chibisa  
**Partner**

Registered Public Auditor (PAAB No: 0547)

**Grant Thornton**  
Chartered Accountants (Zimbabwe)  
Registered Public Auditors

28 April 2022

**HARARE**



## Statement of profit or loss and other comprehensive income for the year ended 31 December 2021

Notes	INFLATION ADJUSTED		HISTORICAL COST	
	2021 ZWL	2020 ZWL	2021 ZWL	2020 ZWL
<b>Income</b>				
Securities levy	253 522 743	123 554 951	212 146 570	55 868 823
Other levies	22 640 314	12 600 713	18 149 601	5 221 256
License fees	16 802 728	17 912 980	12 738 500	2 919 500
Interest income	2 602 258	588 561	2 204 282	224 663
Foreign exchange gain	132 875	540 574	118 005	201 838
Other income	2 541 107	1 410 569	2 021 866	536 305
Fair value gain on investment property	24 815 288	3 131 698	24 815 288	20 771 712
Fair value adjustment on financial assets	43 480 323	13 518 718	43 480 323	5 903 366
	<b>366 537 636</b>	<b>173 258 764</b>	<b>315 674 435</b>	<b>91 647 463</b>
<b>Expenditure</b>				
Staff costs	(152 805 447)	(87 680 452)	(125 281 460)	(36 947 981)
Commissioner costs	(2 129 128)	(2 490 611)	(1 648 186)	(1 203 120)
Administration costs	(49 268 690)	(25 260 341)	(41 013 256)	(11 074 602)
Net monetary loss	(37 251 870)	(19 110 362)	-	-
Depreciation	(6 472 481)	(6 011 278)	(5 962 344)	(2 334 480)
Impairment losses on receivables	(699 418)	(1 135 944)	(699 418)	(706 048)
Lease finance charges	(2 150 458)	(3 055 047)	(2 816 663)	(1 140 718)
	<b>(250 777 491)</b>	<b>(144 744 036)</b>	<b>(177 421 327)</b>	<b>(53 406 949)</b>
<b>Surplus for the year before tax</b>	<b>115 760 145</b>	<b>28 514 728</b>	<b>138 253 108</b>	<b>38 240 514</b>
Taxation	-	-	-	-
<b>Surplus for the year after tax</b>	<b>115 760 145</b>	<b>28 514 728</b>	<b>138 253 108</b>	<b>38 240 514</b>
<b>Other comprehensive income</b>				
Gain on property revaluation	4 418 914	-	3 317 824	-
Tax effect on property revaluation	-	-	-	-
Gain on revaluation after tax	4 418 914	-	3 317 824	-
<b>Total comprehensive income for the year</b>	<b>120 179 059</b>	<b>28 514 728</b>	<b>141 570 932</b>	<b>38 240 514</b>



## Statement of financial position for the year ended 31 December 2021

Notes	INFLATION ADJUSTED		HISTORICAL COST	
	2021 ZWL	2020 ZWL	2021 ZWL	2020 ZWL
<b>Assets</b>				
<b>Non-current assets</b>				
Property and equipment	70 830 599	52 427 827	19 572 718	3 593 057
Intangible assets	4 950 947	-	3 247 274	-
Investment property	50 987 000	42 068 289	50 987 000	26 171 712
Long term receivables	10 706 819	212 424	10 706 819	132 154
	<b>137 475 365</b>	<b>94 708 540</b>	<b>84 513 811</b>	<b>29 896 923</b>
<b>Current assets</b>				
Prepayments	2 432 799	6 976 628	2 064 433	4 293 393
Financial assets at fair value through profit or loss	74 451 130	18 141 757	74 451 130	11 286 431
Accounts receivable	11 798 443	6 430 571	11 798 443	4 000 615
Bank and cash balances	35 286 898	5 836 101	35 286 898	3 630 781
	<b>123 969 270</b>	<b>37 385 057</b>	<b>123 600 904</b>	<b>23 211 220</b>
<b>Total assets</b>	<b>261 444 635</b>	<b>132 093 597</b>	<b>208 114 715</b>	<b>53 108 143</b>
<b>Accumulated fund and liabilities</b>				
<b>Reserves</b>				
Accumulated fund	236 570 505	120 810 360	184 341 675	46 088 567
Revaluation reserve	4 418 914	-	3 317 824	-
	<b>240 989 419</b>	<b>120 810 360</b>	<b>187 659 499</b>	<b>46 088 567</b>
<b>Non-current liabilities</b>				
Lease Liability	7 873 751	-	7 873 751	-
	<b>248 863 170</b>	<b>120 810 360</b>	<b>195 533 250</b>	<b>46 088 567</b>
<b>Current liabilities</b>				
Accounts payables	10 439 982	7 242 309	10 439 982	4 505 616
Lease liability current portion	2 141 483	4 040 928	2 141 483	2 513 960
	<b>12 581 465</b>	<b>11 283 237</b>	<b>12 581 465</b>	<b>7 019 576</b>
<b>Total accumulated fund and liabilities</b>	<b>261 444 635</b>	<b>132 093 597</b>	<b>208 114 715</b>	<b>53 108 143</b>





## Statement of changes in equity for the year ended 31 December 2021

Balances at 1 January 2020  
Surplus for the year  
**Balances at 31 December 2020**  
Revaluation gain  
Surplus for the year after tax

**Balances at 31 December 2021**

	INFLATION ADJUSTED		
	Revaluation Reserve	Accumulated fund	Total
	ZWL	ZWL	ZWL
Balances at 1 January 2020	-	92 295 632	92 295 632
Surplus for the year	-	28 514 728	28 514 728
<b>Balances at 31 December 2020</b>	-	120 810 360	120 810 360
Revaluation gain	4 418 914	-	4 418 914
Surplus for the year after tax	-	115 760 145	115 760 145
<b>Balances at 31 December 2021</b>	4 418 914	236 570 505	240 989 419

Balances at 1 January 2020  
Surplus for the year  
**Balances at 31 December 2020**  
Revaluation gain  
Surplus for the year after tax

**Balances at 31 December 2021**

	HISTORICAL COST		
	Revaluation Reserve	Accumulated fund	Total
	ZWL	ZWL	ZWL
Balances at 1 January 2020	-	7 848 053	7 848 053
Surplus for the year	-	38 240 514	38 240 514
<b>Balances at 31 December 2020</b>	-	46 088 567	46 088 567
Revaluation gain	3 317 824	-	3 317 824
Surplus for the year after tax	-	138 253 108	138 253 108
<b>Balances at 31 December 2021</b>	3 317 824	184 341 675	187 659 499



## Statement of cashflows for the year ended 31 December 2021

Operating cash flows  
**Surplus for the year before tax**  
Adjusted for:  
Net monetary loss  
Depreciation  
Loss on disposal of non-current assets  
Lease finance charges  
Interest income  
Bad debts written off  
Fair value gains on investment property

Operating cash flows before changes in working capital

**Changes in working capital**  
(Increase)/decrease in accounts receivables  
Decrease/(increase) in prepayments  
Increase/(decrease) in accounts payable

**Cash flows from investing activities**  
Interest income  
Increase in financial assets  
Long term receivables  
Lease finance charges  
Acquisition of property and equipment

**Cash flows from financing activities**  
Lease liability paid

Net (decrease)/increase in cash and cash equivalents

Cash and cash equivalents at 1 January 2021

Cash and cash equivalents at 31 December 2021

	INFLATION ADJUSTED		HISTORICAL COST	
	2021 ZWL	2020 ZWL	2021 ZWL	2020 ZWL
Operating cash flows	115 760 145	28 514 728	138 253 108	38 240 514
<b>Surplus for the year before tax</b>				
Adjusted for:				
Net monetary loss	11 032 947	(8 415 249)	-	-
Depreciation	6 472 481	6 011 278	5 962 344	2 334 480
Loss on disposal of non-current assets	-	747	-	465
Lease finance charges	2 150 458	3 055 047	2 816 663	1 140 718
Interest income	(2 602 258)	(588 561)	(2 204 282)	(224 663)
Bad debts written off	-	27 403	-	17 048
Fair value gains on investment property	(24 815 288)	(3 131 698)	(24 815 288)	(20 771 712)
Operating cash flows before changes in working capital	107 998 485	25 473 696	120 012 545	20 736 850
<b>Changes in working capital</b>				
(Increase)/decrease in accounts receivables	(5 367 872)	1 541 425	(7 797 828)	(2 969 881)
Decrease/(increase) in prepayments	4 543 829	(5 257 605)	2 228 960	(4 054 987)
Increase/(decrease) in accounts payable	3 197 674	(6 769 695)	5 934 362	2 562 334
	<b>110 372 115</b>	<b>14 987 820</b>	<b>120 378 039</b>	<b>16 274 316</b>
<b>Cash flows from investing activities</b>				
Interest income	2 602 258	588 561	2 204 282	224 663
Increase in financial assets	(56 309 373)	(14 512 681)	(63 164 699)	(10 713 518)
Long term receivables	(10 494 395)	-	(10 574 665)	-
Lease finance charges	(2 150 458)	(3 055 046)	(2 816 663)	(1 140 718)
Acquisition of property and equipment	(9 731 323)	(2 526 099)	(7 899 166)	(1 314 118)
	(76 083 291)	(19 505 265)	(82 250 911)	(12 943 691)
<b>Cash flows from financing activities</b>				
Lease liability paid	(4 838 026)	(3 571 867)	(6 471 011)	(1 631 117)
Net (decrease)/increase in cash and cash equivalents	29 450 798	(8 089 313)	31 656 117	1 699 508
Cash and cash equivalents at 1 January 2021	5 836 100	13 925 414	3 630 781	1 931 273
Cash and cash equivalents at 31 December 2021	35 286 898	5 836 101	35 286 898	3 630 781





## Statement of accounting policies for the year ended 31 December 2021

### 1. General information

#### 1.1 Nature of business and incorporation

The Securities and Exchange Commission of Zimbabwe (the Commission) was established through enactment of the Securities Act (Chapter 24:25). Section 3 of the Act provides for the establishment of the Securities and Exchange Commission, which is the regulatory body for the securities and capital markets in Zimbabwe. The Commission's sources of income are a levy of the value traded on the Zimbabwe Stock Exchange (ZSE), Victoria Falls Stock Exchange (VFEX) and Financial Securities Exchange (FINSEC) stock markets, other levies, annual license fees and annual registration fees from licenses as set by statutory instrument 100 of 2020, statutory instrument 108 of 2014, statutory instrument 67 of 2017 and statutory instrument 106 of 2017. The registered office of the Commission is first floor, Smatsatsa Office Park, Borrowdale, Harare.

### 2 Significant accounting policies

#### 2.1 Basis of preparation

##### Statement of compliance

The Commission's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), and in the manner required by the Companies and Other Business Entities Act (Chapter 24:31), except for non-compliance with International Accounting Standard (IAS 21).

The financial statements of the Commission are prepared under the historical cost conversion. For the purpose of fair presentation in accordance with International Accounting Standard (IAS) 29- Financial Reporting In Hyperinflationary Economies, this historical cost information has been restated for changes in the general purchasing power of the ZWL and appropriate adjustments and reclassifications have been made. Accordingly, the inflation adjusted financial statement represent the primary financial statements of the Commission.

The Consumer Price Indices (CPIs) were obtained from the Reserve Bank of Zimbabwe website, as supplied by the Zimbabwe Central Statistical Office. The Consumer Price Indices adopted are as follows:-

Year ended	Conversion factor
31 December 2021	1,000
31 December 2020	1,607

#### 2.2 Functional and presentation currency

These financial statements are presented in Zimbabwe Dollars (ZWL), which is the Commission's functional and presentation currency and all values are rounded to the nearest dollar, except when otherwise indicated.



## Statement of accounting policies for the year ended 31 December 2021 (cont'd)

### 2.3 New standards, interpretations and amendments not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of the issuance of the Commission's financial statements are disclosed below. The Commission intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement.

### 3 Amended standards and interpretations

Several amendments and interpretations apply in 2021, but do not have an impact on the financial statements of the Commission. The Commission has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

#### 3.1 New Standards adopted as at 1 January 2021 and beyond

##### *Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16)*

In May 2020, the IASB issued Covid-19-Related Rent Concessions (Amendment to IFRS 16). The pronouncement amended IFRS 16 Leases to provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification. On issuance, the practical expedient was limited to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2021. Since lessors continue to grant COVID-19-related rent concessions to lessees and since the effects of the COVID-19 pandemic are ongoing and significant, the IASB decided to look into whether to extend the time period over which the practical expedient is available for use.

The Changes in Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16) amend IFRS 16 to permit a lessee to apply the practical expedient regarding COVID-19-related rent concessions to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022 (rather than only payments originally due on or before 30 June 2021); and specify that, in the reporting period in which a lessee first applies the amendment, a lessee is not required to disclose the information required by paragraph 28(f) of IAS 8.







## Statement of accounting policies for the year ended 31 December 2021 (cont'd)

### 3.1 New Standards adopted as at 1 January 2021 and beyond (continued)

#### Amendments to IFRS 4, IFRS 7, IFRS 9, IFRS 16 and IAS 39 Interest rate Benchmark Reform

The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments are applicable for annual periods beginning on or after 1 January 2021 and have no impact on the financial statements of the Commission as it does not have any interest rate hedge relationships.

The changes in Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) relate to the modification of financial assets, financial liabilities and lease liabilities, specific hedge accounting requirements, and disclosure requirements applying IFRS 7 to accompany the amendments regarding modifications and hedge accounting.

#### IFRS 11 Joint Arrangements

The amendments clarify that when a party that participates in, but does not have joint control of, a joint operation that is a business obtains joint control of such a joint operation, the Commission does not remeasure its PHI in the joint operation.

- IFRIC 22 Foreign Currency Transactions and Advance Consideration; Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture
- Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses

Effective for annual periods beginning on or after 1 January 2021

IAS 39 Financial Instruments: Recognition and Measurement Amendments regarding pre-replacement issues in the context of the IBOR reform (Annual periods beginning on or after 1 January 2021).

#### IFRS 3 Business Combinations

IFRS 3 Business combinations Amendments updating a reference to the Conceptual Framework (Annual periods beginning on or after 1 January 2022). The amendments clarify that when the Commission obtains control of a business that is a joint operation, the Commission applies the requirements for a business combination achieved in stages, including remeasuring its previously held interest (PHI) in the joint operation at fair value. The PHI to be remeasured includes any unrecognised assets, liabilities and goodwill relating to the joint operation.



## Statement of accounting policies for the year ended 31 December 2021 (cont'd)

### 3.1 New Standards adopted as at 1 January 2021 and beyond (continued)

IAS 16 Property, Plant and Equipment - Amendments prohibiting a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use (Annual periods beginning on or after 1 January 2022).

IAS 37 Provisions, Contingent Liabilities and Contingent Assets - Amendments regarding the costs to include when assessing whether a contract is onerous (Annual periods beginning on or after 1 January 2023).

Amendments regarding the classification of liabilities (Annual periods beginning on or after 1 January 2023).

The future application of these standards is not expected to have a material effect on the Commission's financial statements.

### 3.2 Property and equipment

#### Recognition and measurement

All items of property and equipment are shown at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Commission and the cost can be measured reliably. Repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred. Depreciation commences when the asset is available for use. Assets are depreciated using the straight line method to allocate the cost over the assets' estimated useful lives. The estimated useful lives are as follows:

Buildings	40 years
Furniture, fittings and equipment	5 years
Computer equipment	2.5 years
Motor vehicles	5 years
Lease	3 years

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Gains and losses on disposal of equipment are determined as the difference between the sales proceeds and the carrying amount of the asset at the date of disposal and taken into account in determining operating profit.





## ■ Statement of accounting policies for the year ended 31 December 2021 (cont'd)

### 3.3 Revaluation policy

The directors also apply significant judgment, estimates and assumptions on carrying out the revaluation of property, plant and equipment and intangible assets in line with the policy on revaluation. The directors engage a professional valuer to perform an independent valuation.

In the current year, due to the distortions in the property market and lack of market trends, the valuers have provided a caveat around the use of the valuation.

### 3.4 Intangible assets

Intangible assets acquired separately are initially measured and recognised at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is charged to profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortised over their useful economic lives and are assessed for impairment whenever there is an indication that the intangible assets are impaired. The amortisation expense and impairment losses on intangible assets are recognised in profit or loss in the period in which they occur.

Intangible assets are amortised over a period of 5 years, but are tested for impairment annually. Gains or losses arising from de-recognition or disposal of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss.

### 3.5 Lease

A lease is recognized when an agreement is reached to convey the right of use of an asset to or from the Commission in return for a payment or a series of payments. A lease is derecognized upon cancellation or expiry of the lease agreement. IFRS 16 leases replaced IAS 17 for reporting periods after 1 January 2019 with an option for early adoption. The Commission opted not to early adopt IFRS 16. The contract for use of Ground Floor right wing and 2nd floor office space at Smatsatsa Office Park between the Commission and Matay Investments confers a right of use of that space to the Commission for three years in exchange for a consideration. The right of use is recognised as a non-current asset of the Commission while it is depreciated over the lease period. The statement of financial position presents a lease liability on the non-current liabilities and current liabilities section. Depreciation expense for the right of use asset and interest expense for the lease liability is expensed in the statement of profit or loss and other comprehensive income.



## ■ Statement of accounting policies for the year ended 31 December 2021 (cont'd)

### Significant accounting policies (continued)

### 3.6 Investment property

Investment property is measured using the fair value model. Under this model the property is fair valued at the end of each reporting period or earlier. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Gains or losses on fair valuation of the investment property are recognised directly in the profit and loss in that reporting period. Transfers to or from investment property are done as and when there is a change of use.

### 3.7 Revenue

Revenue is recognized on an accruals basis. Securities levy is determined as 0.16% of the value traded on the Zimbabwe Stock Exchange and Financial Securities Exchange stock markets by each stockbroker. Investment advisor levy is 0.35% of the investment advisor's gross income. Corporate action levy is 0.1% of the value of new shares listed by an issuer. Investment manager's levy is 0.5% of the investment managers' gross income. Central Securities Depository (CSD) levy is 0.5% of the CSD's gross income, securities custody levy is 0.5% of the custodian's gross income and securities transfer levy is 0.35% of the transfer secretary's gross income. Asset manager levy is 0.5% of the gross income of asset managers. License fees for stockbrokers, dealers and stock broking firms are set according to Statutory Instrument 100 of 2010 and Statutory Instrument 108 of 2014, statutory instrument 62 of 2017 and statutory instrument 106 of 2017.

License renewal fees are due on the 1st of January of each year and are recognized as revenue in the year of licensing.

Application fees are recognized when the applicant has been issued with a license. Unsuccessful applicants are refunded 75% of the application fees while 25% is withheld as administration fees. The amount withheld is classified in other income on the statement of comprehensive income. Late payment penalty fees are classified under other income.

### Levies

The levies income is derived from securities levy, securities exchange levy, corporate action levy, investment advisor levy, investment manager levy, custody levy, central securities depository levy and transfer secretary levy.







## Statement of accounting policies for the year ended 31 December 2021 (cont'd)

### Significant accounting policies (continued)

#### 3.7 Revenue (continued)

##### Securities levy

Securities levy was 0.16% of the value traded on the Zimbabwe Stock Exchange (ZSE) and FINSEC Bourse. This is collected on a weekly basis. Securities Exchange levy due from ZSE and FINSEC were 0.5% of gross income. These are collected on a monthly basis.

##### Other Levies

Corporate action levy is 0.1% of the value of new shares listed on the Zimbabwe Stock Exchange as and when they are issued. Levies due on a monthly basis are, investment advisor levy at 0.35% of the gross income of investment advisors. Investment manager's levy at 0.5% of the investment managers' gross income. Central Securities Depository (CSD) levy at 0.5% of the CSD's gross income, securities custody levy at 0.5% of the custodians' gross income and the securities transfer levy at 0.35% of the transfer secretaries' gross income. Investment manager levy is 0.5% of the gross income of asset managers.

##### Grants

Government grants are recognized in the statement of comprehensive income on a systematic basis over the periods in which the Commission recognizes expenses or related costs for which the grants are intended to compensate.

#### 3.8 Employee benefits

Employee benefits are the consideration given by the Commission in exchange for services rendered by employees. In summary such benefits are:

##### Short term benefits

Benefits earned by employees under normal employment terms including salaries, wages, bonuses and leave pay. These are expensed as they are incurred and accordingly, provisions are made for unpaid bonuses and leave pay.

##### Post-employment benefits

As required by legislation, all employees are members of the National Social Security Scheme to which both the employees and the Commission contribute. The National Social Security Scheme is a defined contribution fund. All employees are also members of the Commission's defined contribution pension scheme with Old Mutual. The employer's obligations for contributions to defined contribution pension plans are recognised as an expense in the statement of comprehensive income as they are incurred.



## Statement of accounting policies for the year ended 31 December 2021 (cont'd)

### Significant accounting policies (continued)

#### 3.9 Financial Instruments

##### 3.10 Classification and measurement of financial instruments

The IASB developed the IFRS 9 Expected Credit Loss (ECL) impairment model with the objective of transitioning from an incurred loss approach to an expected loss model which requires entities to recognize impairment losses in advance of an exposure having objective evidence of impairment. The Commission's ECLs are measured through a loss allowance at an amount equal to:

- 12-month ECL, i.e. lifetime ECL that result from those default events on the financial instrument that are possible within 12 months after the reporting date, (referred to as Stage 1); or
- Full lifetime ECL, i.e. lifetime ECL that result from all possible default events over the life of the financial instrument, (referred to as Stage 2 and Stage 3).

Exposures are generally considered to have a low credit risk where there is a low risk of default, the exposure has a strong capacity to meet its contractual cash flow obligations and adverse changes in economic and business conditions are unlikely to reduce the exposure's ability to fulfil its contractual obligations.

The Commission recognises ECLs on the following financial instruments: trade debtors, staff loans and savings bonds. The assessment of significant increase in credit risk for the Commission's trade debtors, staff loans and savings bonds exposures is based on changes in prospects of collecting contractual cashflows due from them. The determination of significant increase in probability of default includes consideration of all reasonable and supportable forward-looking information available without undue cost or effort. The forward-looking information is based on the Commission's economic expectations, industry and sub-sector-specific expectations, as well as expert management judgement and is hence expected to increase the volatility of impairment provisions as a result of continuous changes in future expectations.

##### 3.11 Fair value measurement considerations

The fair values of quoted financial assets are based on quoted bid prices. If the market for a financial asset is not active, the Commission establishes fair value using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models. Based on forward looking information which includes the economic outlook, sector analysis and future prospects, the Commission makes assumptions and calculates the probability of default at the reporting date. These judgements result in an expected credit loss for each financial asset which is impaired through the statement of profit or loss and other comprehensive income.





## ■ Statement of accounting policies for the year ended 31 December 2021 (cont'd)

### Significant accounting policies (continued)

#### 3.12 Financial assets at amortized cost

Financial assets classified under amortized cost are measured at their initial acquisition amount less principal repayment plus/minus amortization of discount and less impairment losses. Financial assets measured at amortized cost classification meet the following criteria: The Commission's business model is to hold those financial assets in order to collect the contractual cash flows rather than to sell the asset to realize any capital gains. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

#### 3.13 Financial assets at fair value through profit or loss

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, a dealer, broker, pricing service, or regulatory agency and those prices represents actual and regulatory occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Commission is the current bid price and fall under level 1 of the fair value hierarchy.

#### 3.14 Financial assets at fair value through other comprehensive income

The Company applies the new category under IFRS 9 of debt instruments measured at FVOCI when both of the following conditions are met:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset meet the solely payments of principal and Gains and losses arising from changes in fair value are recognised directly in other comprehensive income in the investments revaluation reserve with the exception of impairment losses, interest calculated using the effective interest rate method and foreign exchange gains and losses on monetary assets, which are recognised directly in profit or loss.

The company made an irrevocable election to measure unquoted investments at fair value through other comprehensive income on initial recognition.



## ■ Statement of accounting policies for the year ended 31 December 2021 (cont'd)

### Significant accounting policies (continued)

#### Financial Instruments (continued)

#### 3.15 Trade and other receivables

Trade and other receivables are measured at amortised cost using the effective interest rate method. A provision for expected credit loss on trade receivables is established and measured when the debtor is recognized. Factors considered in calculating the expected credit loss include forward looking information regarding financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization and all future indicators affecting the debtor's probability of default. Expected credit losses are expensed in the statement of profit or loss. Subsequent recoveries of amounts previously impaired are credited against the trade receivables expected credit loss impairment provision.

#### 3.16 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits held on call with banks, and investments in money market instruments. Cash and cash equivalents are measured at fair value, with any impairment or appreciation in value of foreign currency denominated balances arising from changes in exchange rates, being written off or credited against the exchange gains and losses account in profit or loss. In the statement of financial position,

#### 3.17 Loans, borrowings and trade and other payables

These financial liabilities are measured at amortised cost using the effective interest rate method.

#### 3.18 Offsetting

If a legally enforceable right exists to set-off recognised amounts of financial assets and liabilities, which are in determinable monetary amounts and the Commission intends to settle on a net basis, the relevant financial assets and liabilities are offset.

#### 3.19 Capital exposure

The Commission is not subjected to any externally imposed capital requirements.

#### 3.20 Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. The Commission has related party relationships with its key management, commissioners and the Government of Zimbabwe.







## ■ Statement of accounting policies for the year ended 31 December 2021 (cont'd)

### Significant accounting policies (continued)

#### 3.21 Accounting estimates and judgements

The preparation of financial statements require management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revision to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected. Management exercised its judgment in determining the functional currency, appropriateness of the expected credit loss and the useful lives of property and equipment.

A number of the Commission's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. When measuring the fair value of an asset or liability, the Commission uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2: Inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

#### 3.22 Measurement of fair values

If inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Commission recognises transfers between levels of the fair value hierarchy at the end of each reporting period during which the change occurred.

#### 3.23 Share capital

Ordinary shares are classified as equity.



## ■ Statement of accounting policies for the year ended 31 December 2021 (cont'd)

### Significant accounting policies (continued)

#### 3.24 Foreign currency transactions

Transactions in foreign currencies are translated to their respective presentation currency using spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate at the reporting date.

All differences arising on settlement or translation of monetary items are taken to profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on retranslation of non-monetary items is treated in line with the recognition of gain or loss on change in fair value of the item (i.e. translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).





## Notes to the financial statements for the year ended 31 December 2021

	INFLATION ADJUSTED		HISTORICAL COST	
	2021 ZWL	2020 ZWL	2021 ZWL	2020 ZWL
<b>4 Securities levy</b>	<b>253 522 743</b>	<b>123 554 951</b>	<b>212 146 570</b>	<b>55 868 823</b>
<b>5 Other levies</b>				
Corporate action levy	-	131 095	-	70 005
Investment advisor levy	1 676 045	864 910	1 311 955	375 883
CSD levy	820 986	348 730	661 780	163 256
Investment management levy	16 796 693	9 774 830	13 490 559	3 995 893
Custody levy	2 378 578	967 212	1 922 339	392 891
Transfer secretary levy	968 012	513 936	762 968	223 328
	<b>22 640 314</b>	<b>12 600 713</b>	<b>18 149 601</b>	<b>5 221 256</b>
<b>6 License fees</b>				
Dealing firms	3 469 843	3 634 283	2 620 000	533 000
Stock brokers	1 793 080	2 396 704	1 345 000	337 500
Transfer Secretaries	275 697	317 410	207 000	45 000
Custodians	1 738 092	1 413 926	1 305 000	202 000
Zimbabwe Stock Exchange	857 725	539 942	644 000	150 000
Investment advisor	3 225 671	2 912 990	2 487 000	468 000
Investment Management Licence	4 382 019	4 510 139	3 298 000	870 000
CSD licence	418 187	352 678	330 000	50 000
Collective Investment schemes	642 414	1 552 766	502 500	224 000
ATP Licence	-	282 142	-	40 000
	<b>16 802 728</b>	<b>17 912 980</b>	<b>12 738 500</b>	<b>2 919 500</b>
<b>7 Interest income</b>				
Interest on short term investments	1 263 711	438 952	1 065 539	182 879
Interest on staff loans	1 338 547	149 609	1 138 743	41 784
	<b>2 602 258</b>	<b>588 561</b>	<b>2 204 282</b>	<b>224 663</b>



## Notes to the financial statements for the year ended 31 December 2021 (cont'd)

	INFLATION ADJUSTED		HISTORICAL COST	
	2021 ZWL	2020 ZWL	2021 ZWL	2020 ZWL
<b>8 Foreign exchange gain</b>	<b>132 875</b>	<b>540 574</b>	<b>118 005</b>	<b>201 838</b>
The foreign exchange gain relates to the increase in the ZWL value of the USD cash at hand and at the bank due to the increase in the ZWL:USD rates from 1 January 2021 to 31 December 2021.				
<b>9 Other income</b>				
Late payment surcharge	1 043 349	560 803	814 284	260 996
Rent received	808 104	525 707	631 076	200 000
Sundry income	665 654	317 178	552 506	72 809
Tender Fees	24 000	6 881	24 000	2 500
	<b>2 541 107</b>	<b>1 410 569</b>	<b>2 021 866</b>	<b>536 305</b>
<b>10 Staff costs</b>				
Salaries	101 629 696	66 163 956	80 374 750	27 510 704
Bonuses	24 043 290	4 488 144	22 595 101	2 022 999
Pension	265 563	954 092	407 462	327 685
Leave pay	11 482 122	1 323 626	209 049	577 381
Other staff costs	9 076 622	5 898 323	7 478 786	2 604 565
Staff training	525 006	2 151 906	2 891 530	889 498
Staff recruitment	3 326 193	172 654	2 200 259	95 385
Medical aid	2 456 955	6 527 751	9 124 523	2 919 764
	<b>152 805 447</b>	<b>87 680 452</b>	<b>125 281 460</b>	<b>36 947 981</b>
<b>11 Commissioner costs</b>				
Retainer	1 050 940	1 589 206	781 588	721 320
Sitting fees	1 078 188	750 440	866 598	392 647
Data	-	150 965	-	89 153
	<b>2 129 128</b>	<b>2 490 611</b>	<b>1 648 186</b>	<b>1 203 120</b>







## Notes to the financial statements for the year ended 31 December 2021

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### INFLATION ADJUSTED

	Right of use asset 2021 ZWL	Motor Vehicles 2021 ZWL	Computer Equipment 2021 ZWL	Furniture and Fittings 2021 ZWL	Total 2021 ZWL
<b>Cost/valuation</b>					
At 1 January 2021	18 058 091	6 119 466	33 671 277	32 739 017	90 587 851
Additions	8 990 725	-	9 247 393	483 931	18 722 049
Lease remeasurement	1 734 290	-	-	-	1 734 290
Revaluation	-	4 418 914	-	-	4 418 914
<b>Cost/valuation 31 December 2021</b>	<b>28 783 106</b>	<b>10 538 380</b>	<b>42 918 670</b>	<b>33 222 948</b>	<b>115 463 104</b>
<b>Depreciation and impairment</b>					
At 1 January 2021	6 609 788	6 119 466	14 442 312	10 988 458	38 160 024
Depreciation for the year	3 675 117	386 713	2 184 151	226 500	6 472 481
<b>Balance at 31 December 2021</b>	<b>10 284 905</b>	<b>6 506 179</b>	<b>16 626 463</b>	<b>11 214 958</b>	<b>44 632 505</b>
<b>Carrying amount at 1 January 2021</b>	<b>11 448 303</b>	<b>-</b>	<b>19 228 965</b>	<b>21 750 559</b>	<b>52 427 827</b>
<b>Carrying amount at 31 December 2021</b>	<b>18 498 201</b>	<b>4 032 201</b>	<b>26 292 207</b>	<b>22 007 990</b>	<b>70 830 599</b>

A market value review of the motor vehicles was carried out by an independent valuer, Minerva Risk Solutions as at 1 June 2021. The result of this market review was an increase in fair value.



## Notes to the financial statements for the year ended 31 December 2021 (cont'd)

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### HISTORICAL COST

	Right of use asset 2021 ZWL	Motor Vehicles 2021 ZWL	Computer Equipment 2021 ZWL	Furniture 2021 ZWL	Total 2021 ZWL
<b>Cost</b>					
Opening balance at 1 January 2021	4 315 956	98 557	1 405 096	978 560	6 798 169
Additions	8 990 725	-	7 510 902	388 264	16 889 891
Revaluation	-	3 317 824	-	-	3 317 824
Lease remeasurement	1 734 290	-	-	-	1 734 290
<b>Closing balance at 31 December 2021</b>	<b>15 040 971</b>	<b>3 416 381</b>	<b>8 915 998</b>	<b>1 366 824</b>	<b>28 740 174</b>
<b>Accumulated depreciation</b>					
Opening balance at 1 January 2021	2 178 397	98 557	605 468	322 690	3 205 112
Depreciation for the year	3 675 117	334 509	1 777 194	175 524	5 962 344
<b>Closing balance at 31 December 2021</b>	<b>5 853 514</b>	<b>433 066</b>	<b>2 382 662</b>	<b>498 214</b>	<b>9 167 456</b>
<b>Carrying amount</b>					
Balance at 1 January 2021	2 137 559	-	799 628	655 870	3 593 057
<b>Balance at 31 December 2021</b>	<b>9 187 457</b>	<b>2 983 315</b>	<b>6 533 336</b>	<b>868 610</b>	<b>19 572 718</b>

A market value review of the motor vehicles was carried out by an independent valuer, Minerva Risk Solutions as at 1 June 2021. The result of this market review was an increase in fair value.





## Notes to the financial statements for the year ended 31 December 2021

	INFLATION ADJUSTED		HISTORICAL COST	
	2021 ZWL	2020 ZWL	2021 ZWL	2020 ZWL
<b>15 Intangible assets</b>	<b>4 950 947</b>	<b>-</b>	<b>3 247 274</b>	<b>-</b>
The Commission purchased a SharePoint Licence during the year ended 31 December 2021. The license has an indefinite life span and therefore it is not being amortised.				
<b>16 Investment property</b>				
Opening balance	42 068 289	38 936 591	26 171 712	5 400 000
Fair value adjustments	24 815 288	3 131 698	24 815 288	20 771 712
Effects of inflation	(15 896 577)	-	-	-
<b>Closing balance</b>	<b>50 987 000</b>	<b>42 068 289</b>	<b>50 987 000</b>	<b>26 171 712</b>
The Investment property is a one storey building on 7,536 square meters in Newlands Harare which the Commission has been letting out. A market review was carried out by an independent valuer, Southbay Real Estate as at 31 December 2021. The result of this market review was an increase in fair value.				
<b>17 Long term receivables</b>				
Staff loans - non-current portion	10 706 819	212 424	10 706 819	132 154
<b>18 Financial Assets at fair value through profit or loss</b>				
Opening balance	18 141 757	2 257 737	11 286 431	503 306
Net gains from fair value adjustments	43 480 323	13 518 718	43 480 323	5 903 366
Impairment loss on financial assets	(8 490 138)	-	-	-
Additions	21 319 188	2 365 302	19 684 376	4 879 759
<b>Closing balance</b>	<b>74 451 130</b>	<b>18 141 757</b>	<b>74 451 130</b>	<b>11 286 431</b>



## Notes to the financial statements for the year ended 31 December 2021 (cont'd)

	INFLATION ADJUSTED		HISTORICAL COST	
	2021 ZWL	2020 ZWL	2021 ZWL	2020 ZWL
<b>19 Accounts receivables</b>				
Trade receivables	12 463 517	7 227 547	12 463 517	4 496 434
Impairment of trade receivables	(1 425 808)	(1 167 595)	(1 425 808)	(726 390)
Loans to staff	551 945	208 968	551 945	130 004
Sundry receivables	208 789	161 651	208 789	100 567
<b>11 798 443</b>	<b>6 430 571</b>	<b>11 798 443</b>	<b>4 000 615</b>	
<b>19.1 Impairment of trade receivables and staff loans</b>				
Increase in impairment of trade receivables	(700 035)	(1 135 944)	(700 035)	(706 048)
Decrease in impairment of staff loans	617	-	617	-
<b>(699 418)</b>	<b>(1 135 944)</b>	<b>(699 418)</b>	<b>(706 048)</b>	
<b>20 Bank and cash balances</b>				
Money market investments	23 097 384	4 040 740	23 097 384	2 513 843
Cash at bank	11 689 226	1 391 225	11 689 226	865 515
USD FCA Nostro	166 675	6 577	166 675	4 092
Cash on hand bond	8	13	8	8
Cash on hand USD	333 605	397 545	333 605	247 323
<b>35 286 898</b>	<b>5 836 100</b>	<b>35 286 898</b>	<b>3 630 781</b>	
<b>21 Accounts payables</b>				
Licence fees received in advance	-	414 624	-	258 948
Trade payables	2 539 052	-	2 539 052	-
Payroll payables	1 035 460	1 494 699	1 035 460	928 887
Provisions and accruals	6 865 470	5 332 986	6 865 470	3 317 781
<b>10 439 982</b>	<b>7 242 309</b>	<b>10 439 982</b>	<b>4 505 616</b>	







## Notes to the financial statements for the year ended 31 December 2021

	INFLATION ADJUSTED		HISTORICAL COST	
	2021 ZWL	2020 ZWL	2021 ZWL	2020 ZWL
<b>22 Lease</b>				
<b>22.1 Rent – lease Minimum lease payments</b>				
Not later than one year	2 141 483	4 040 928	2 141 483	2 513 960
Later than one year not later than five years	7 873 751	-	7 873 751	-
	<b>10 015 234</b>	<b>4 040 928</b>	<b>10 015 234</b>	<b>2 513 960</b>
<b>22.2 Right of use assets</b>				
Balance at beginning of year	11 448 303	10 635 864	2 137 559	1 475 063
Additions	8 990 725	-	8 990 725	-
Depreciation	(3 675 117)	(4 852 053)	(3 675 117)	(1 934 621)
Lease remeasurement	1 734 290	5 664 492	2 164 896	2 597 117
	<b>18 498 201</b>	<b>11 448 303</b>	<b>9 618 063</b>	<b>2 137 559</b>
<b>22.3 Lease Liabilities</b>				
Balance at beginning of year	4 040 927	11 038 603	2 513 960	1 530 911
Addition	11 206 007	-	8 990 726	-
Add accrued interest posted to profit or loss	2 150 458	3 055 047	2 816 663	1 140 718
less lease commitments paid during the year	(4 838 026)	(3 571 867)	(6 471 011)	(2 771 835)
Lease remeasurement	2 348 345	5 664 492	2 164 896	2 614 166
Effects of inflation	(4 892 478)	(12 145 348)	-	-
	<b>10 015 234</b>	<b>4 040 927</b>	<b>10 015 234</b>	<b>2 513 960</b>
Current lease liability	2 141 483	4 040 928	2 141 483	2 513 960
Non-current lease liability	7 873 751	-	7 873 751	-
	<b>10 015 234</b>	<b>4 040 928</b>	<b>10 015 234</b>	<b>2 513 960</b>

### 23 Possible impact of Covid-19

The spread of Covid-19 has severely impacted many economies around the globe. Measures taken to contain the spread of the virus, including travel restrictions, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown.

The financial position of the Commission as of and for the period ended 31 December 2021 have not been adjusted to reflect the impact of Covid-19.



## Notes to the financial statements for the year ended 31 December 2021 (cont'd)

### 24 Related party transactions

#### Commissioners Fees

LG  
CM  
GM  
EC  
YB  
PP  
FZ

LG  
CM  
GM  
EC  
YB  
PP  
FZ

LG  
PC  
HN  
GM  
EC  
YB  
PP  
FZ

LG  
PC  
HN  
GM  
EC  
YB  
PP  
FZ

	Retainer	Sitting	Meetings Data	Total
<b>HISTORICAL COST</b>				
	90 720	22 107	2 083	114 910
	86 068	97 632	8 952	192 652
	120 960	101 372	8 262	230 594
	151 200	177 736	13 119	342 055
	120 960	146 681	9 313	276 954
	120 960	159 490	14 695	295 145
	90 720	65 351	7 229	163 300
	<b>781 588</b>	<b>770 369</b>	<b>63 653</b>	<b>1 615 610</b>
<b>INFLATION ADJUSTED</b>				
	133 511	31 326	2 956	167 793
	108 498	114 847	11 122	234 467
	162 102	130 098	10 912	303 112
	196 806	218 063	17 254	432 124
	160 873	181 063	12 724	354 661
	160 873	195 029	19 265	375 168
	128 277	90 231	9 548	228 055
	<b>1 050 940</b>	<b>960 657</b>	<b>83 781</b>	<b>2 095 379</b>
<b>HISTORICAL COST</b>				
	145 080	52 760	14 390	212 230
	46 320	15 838	2 813	64 970
	46 320	-	-	46 320
	96 720	71 930	14 390	183 040
	96 720	65 800	14 390	176 910
	96 720	64 850	14 390	175 960
	96 720	72 880	14 390	183 990
	96 720	48 590	14 390	159 700
	<b>721 320</b>	<b>392 648</b>	<b>89 153</b>	<b>1 203 120</b>
<b>INFLATION ADJUSTED</b>				
	310 193	107 793	24 351	442 337
	122 519	35 009	4 860	162 388
	122 519	-	-	122 519
	206 795	132 319	24 351	363 466
	206 795	121 369	24 351	352 515
	206 795	123 601	24 351	354 747
	206 795	144 045	24 351	375 190
	206 795	86 303	24 351	317 449
	<b>1 589 206</b>	<b>750 439</b>	<b>150 966</b>	<b>2 490 610</b>



## Notes to the financial statements for the year ended 31 December 2021

### 25 Related party transactions Key Management Personnel

Name	INFLATION ADJUSTED				
	Loan Taken	Period in Months	Interest per annum	Repayment per month	Loan balance 31-Dec-21
N Maferefa	1 233 676	18 months	8,5%	15 421	813 393
K Msemburi	1 331 871	18 months	8,5%	16 648	878 924
C Mutangadura	985 585	18 months	8,5%	15 920	839 578
L Madende	1 198 684	18 months	8,5%	14 984	798 358
B Gava	1 168 745	18 months	8,5%	14 609	779 164
F Mpofu	1 198 684	18 months	8,5%	14 984	799 123

Name	HISTORICAL COST				
	Loan Taken	Period in Months	Interest per annum	Repayment per month	Loan balance 31-Dec-21
N Maferefa	950 000	18 months	8,5%	11 875	626 358
K Msemburi	1 000 000	18 months	8,5%	12 500	659 917
C Mutangadura	740 000	18 months	8,5%	11 953	630 375
L Madende	900 000	18 months	8,5%	11 250	599 426
B Gava	900 000	18 months	8,5%	11 250	600 000
F Mpofu	900 000	18 months	8,5%	11 250	6 000

## Risk Report

### Risk Assessment

1.1.1. The Commission's overall risk rating for the year ended 31 December 2021 was rated "Moderate" and outlook was considered Increasing.

1.1.2. The rating was based on aggregated departmental qualitative and quantitative assessments which include key risk indicator metrics as shown in table 1.

The inherent risks are risks which are intrinsic to the SECZ activities before any controls are applied or put in place. They are a function of the likelihood of an event occurring and the impact of the event on earnings and achievement of strategic objectives. Quality of controls or risk management is how well risks are identified, measured, controlled, and monitored and is characterized as strong/adequate, satisfactory, or weak/inadequate. The risks were classified as operational, technological, strategic, market, legal and compliance and reputational risks. These risks were assessed and aggregated across all SECZ departments to arrive at the aggregate inherent risks. The aggregated SECZ overall risk for the period under review was rated Moderate on account of the following threats or variables: -

### 1.1.3. Risk Summary

SECZ FY2021	Risk Summary Matrix		
Risk Category	Inherent Risk Level	Activities	Mitigation Measures
<b>Strategy Risk:</b> <i>These include the risks that affect or are created by an organization's business strategy and strategic objectives. It encompasses major threats to organization's ability to execute its strategic plan.</i>	<b>Moderate</b> 	The overall strategic risk was rated ' <b>Moderate</b> ', and the direction of risk and outlook was considered <b>Stable</b> on account of the following: <ol style="list-style-type: none"> <li>The inflationary environment and slow domestic growth continued to affect the recovery of capital markets which directly impact the Commission's strategic objectives and revenue.</li> <li>The Commission's late approval of the 2021 licensing fees and gazetting by the Ministry of Finance directly affects the revenue streams for operational activities.</li> <li>The limited access to foreign currency allocations and the currency depreciation: This continues to hamper the procurement of new systems needed to enhance work process flows. The depreciation of the currency both at official and parallel markets continues to affect the SECZIM investments and procured goods priced/pegged in USD terms.</li> <li>Issuers remaining outside the regulation framework of SECZ despite submissions of the proposed amendments to the Ministry of Finance reduces supervisory oversight on the Commission.</li> <li>Foreign investors market exit: Foreign investors' exit of the market may reflect badly on the reputation on our market from international investing community. This segment of the market is critical for providing the much-needed foreign currency for the country.</li> </ol>	<ol style="list-style-type: none"> <li>SECZ operates under a cost containment program and the levies collected may fully cover the expenditure levels. The Commission continues to invest the surplus in value preserving assets/ instruments.</li> <li>SECZ continued to explore multiple income streams which may include expansion of licence categories.</li> <li>The Commission continues to engage with the Ministry of Finance and Economic Development for CAPEX budget support.</li> <li>The Commission is expected to maximise on annual license review fees and trading levies earned from Victoria Falls Exchange to cover part of the USD funding required for procurement of systems.</li> <li>Ongoing lobbying with various key stakeholders namely the Ministry of Finance, Attorney General Office, and market players.</li> <li>Targeted investor awareness and education programs on issues related to investment climate and opportunities. The continuous lobbying with RBZ for foreign investors' ease of repatriation of funds and offer incentives to attract them back. Collaborations through the Financial Stability Committee and Financial Governance and Smart Regulation forum.</li> </ol>





## Risk Report (cont'd)

### 1.1.3. Risk Summary (cont'd)

SECZ FY2021	Risk Summary Matrix		
Risk Category	Inherent Risk Level	Activities	Mitigation Measures
<b>Operational Risk:</b> <i>The focus areas include the risks that are posed internally through systems, processes and people which affect the delivery and execution of the Commission's targets and objectives.</i>	<b>High</b> 	The overall operational risk was rated <b>'High'</b> , and the direction of risk and outlook was considered <b>Increasing</b> on account of the following: <ol style="list-style-type: none"> <li>The current manual process includes daily surveillance of trades, licensing, investigation, enforcement, collection, and analysis of market/licenses' data. This is prone to mistakes, manipulation, time consuming and delayed feedback and enforcement,</li> <li>SECZ still to attain its desired Human Capital Establishment</li> <li>COVID19 flare ups continue to threaten the organisation's human capital in form of infections and work disruptions.</li> <li>The COVID-19 pandemic and movement restrictions: SECZIM is evidently dependent on the physical presence of some of its staff. The Commission was temporarily closed for two weeks after thirteen (13) staff members tested positive.</li> <li>SECZ's inability to attract and retain top talent and deteriorating staff morale poses a threat to SECZ delivery of its mandate.</li> </ol>	<ol style="list-style-type: none"> <li>The continual pursuit of online self-assessments, online licence applications and approvals by potential licensees to improve turn-around times and plans are underway to purchase and build systems for the attainment of the above.</li> <li>5-year human capital plan is in place. This has been provided in the 5 year to 2025 SECZ Strategic document, wherein, it provides for annual recruitment and promotion of staff</li> <li>The Health and Safety Committee remains a key committee to deal with health and safety Issues beyond Covid-19 pandemic. SECZ has a remote working policy and currently 98% vaccination.</li> <li>The Commission has:               <ol style="list-style-type: none"> <li>availed allowances to cushion staff against rising inflation.</li> <li>not the need to adopt the quarterly review or inflation linked staff remuneration to match them with the rising inflation.</li> </ol> </li> </ol>
<b>Technology Risk:</b> <i>Risk refers to organisational risk which is caused by system failure, hacking, and unavailability of systems to perform required work processes.</i>	<b>High</b> 	The overall technology risk was rated <b>'High'</b> , and the direction of risk and outlook was considered <b>"Increasing"</b> on account of the following: <ol style="list-style-type: none"> <li>Unavailability of automated system for processes to curb human resources inefficiencies.</li> <li>Attempted hacks/attacks on SECZ internal systems there were no successful hacks at the Commission,</li> <li>Unavailability of real time market surveillance systems presents inefficiencies on execution of regulatory oversight.</li> <li>Operationalization of disaster recovery site for the Commission poses a threat in the event of major disruption on the onsite' data centre.</li> <li>The increased dependency on IT infrastructure and internet and server uptimes.</li> </ol>	<ol style="list-style-type: none"> <li>ICT 5-year budget plan in place to procure essential or critical ICT equipment which shall include Regulatory Portal, Surveillance System.</li> <li>Regular Cyber-risks training for staff is now in place. The Information Technology regularly maintains up-to-date firewalls and anti-virus to assist in addressing cyber threats. The ICT department publishes a bulletin on cyber security a quarterly basis and conduct online tests for staff.</li> <li>There is an identified site for the disaster recovery however the installation of servers is still outstanding. Purchase of servers was completed during the financial year.</li> <li>The introduction of Microsoft 365 and its applications to assist on virtual meetings and online communications.</li> <li>Increased deployment of resources in the digitalisation exercise will unlock potential in fintech to reduce costs.</li> </ol>



## Risk Report (cont'd)

### 1.1.3. Risk Summary (cont'd)


SECZ FY2021	Risk Summary Matrix		
Risk Category	Inherent Risk Level	Activities	Mitigation Measures
<b>Legal and Compliance Risk:</b> <i>This include the risks that are posed by compliance and legal threats arising from failure to abide by applicable laws (e.g., PECO Act) and regulations and entering adverse contracts. This also includes the effectiveness of the Commission in delivering its legal mandate in line with the Securities and Exchange Act.</i>	<b>Moderate</b> 	The overall legal and compliance risk was rated <b>'Moderate'</b> , and the direction of risk and outlook was considered <b>"Increasing"</b> on account of the following: <ol style="list-style-type: none"> <li>Non-compliance on some of the provisions of the Public Entity and Corporate Governance Act which includes signing and implementation of Code of Ethics to the PECO Act. Progress is made so far.</li> <li>There are five (5) pending legal complaints lodged against SECZ, namely Thomas Mabuzwe &amp; 6 Others v SECZ &amp; 2 Ors HC 5923/21, Chengetedzai Depository Company Vs SECZ &amp; 2 Ors HC 7106/21, SECZ v Noel Hayes on Turnall Holdings, and Econet complaint on disclosure of non-public information.</li> <li>Inconsistent policies and unclear directives, guidelines, and rules which affect market development and trading.</li> </ol>	<ol style="list-style-type: none"> <li>Company Secretary's Office maintains a Compliance check list to ensure all provisions of the Act are complied with and tabled at quarterly Board meetings.</li> <li>There have been engagements on the matter with all parties through the Internal and External Counsel. Commission has a Legal and Legislation Committee mandated to oversee SECZ legal matters.</li> <li>SECZ carries out stakeholders' consultative processes before issuance of directives, guidelines, and rules.</li> </ol>
<b>Reputational Risk:</b> <i>Reputational risk emanates from negative publicity and perceptions which affect the Commission's corporate image.</i>	<b>Low</b> 	The overall reputation risk was rated <b>'Low'</b> , and the direction of risk and outlook was considered <b>"Stable"</b> on account of the following: <ol style="list-style-type: none"> <li>Complaints raised by the investing public and stakeholders against the Commission Staff</li> <li>Negative social and press statements against the Commission</li> </ol>	<ol style="list-style-type: none"> <li>The pending legal complaints lodged against SECZ, namely Thomas Mabuzwe &amp; 6 Others v SECZ &amp; 2 Ors HC 5923/21, Chengetedzai Depository Company Vs SECZ &amp; 2 Ors HC 7106/21, SECZ v Noel Hayes on Turnall Holdings, and Econet complaint on disclosure of non-public information. The Commission is finalising a Complaints handling procedure and may consider reviving the Whistle blower facility.</li> <li>No negative statements have been published since inception. However, the Commission has a dedicated email where complaints can be channelled to.</li> </ol>





## Risk Report (cont'd)

### 1.1.3. Risk Summary (cont'd)

SECZ FY2021	Risk Summary Matrix		
Risk Category	Inherent Risk Level	Activities	Mitigation Measures
<p><b>Market Risk:</b> Market risk relates to the loss of value due to adverse movements in equity market prices, interest rates and foreign exchange rates.</p> <ul style="list-style-type: none"> <li>Exchange rate Risk</li> <li>Interest Rate Risk</li> </ul>	<p><b>Moderate</b></p> 	<p>The overall market risk was rated '<b>Moderate</b>', and the direction of risk and outlook was considered "<b>Increasing</b>" on account of the following:</p> <ol style="list-style-type: none"> <li>The continuous depreciation of the local currency against USD depletes the Commission's resources to pay foreign currency denominated services such as licenses, capacity development programs and travel expenses.</li> <li>SEC income is positively correlated with stock market activity but however lags the movement in the parallel market.</li> <li>Investment assets particularly, staff pensions, fixed term deposits and bank balances are losing value due to inflationary pressures.</li> <li>There is significant depreciation of ZWL against USD and there is a huge disparity between the auction system and the parallel market exchanges creates arbitrage opportunities for the market. The Commission is not immune to foreign exchange market vagaries</li> </ol>	<ol style="list-style-type: none"> <li>Active treasury management policy is in place which entails investing in value preserving assets. These are assets that have a positive correlation with inflation and Exchange rate.</li> <li>SECZ is establishing stable income streams which are not directly linked to stock market activity. These shall include aggressive alternative investments product development, licensing, and optimal licence fees.</li> <li>SECZ embarked on a policy of investing its funds in equities and property investments, i.e., those that reprice with inflation and exchange rate.</li> <li>Active procurement of essential assets and equipment.</li> </ol>







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