Notice Number: SECZ-SS1225

Capital Adequacy Directive

For

Securities Market Intermediaries (SMIs)

December 2025

Introduction

This directive is issued in terms of Section 21 of the FIRST SCHEDULE to the Securities and Exchange Act, [Chapter 24:25] as read with the SIXTH SCHEDULE (*Rule 53*) of the Securities (Registration, Licensing and Corporate Governance) Rules, S.I. 100 of 2010. The directive supersedes the Capital Adequacy Directive for Securities Market Intermediaries (SMIs), July 2017. The directive shall apply to the following Securities Market Intermediaries: -

(i) Securities Dealing (Stockbroking) firms;
(ii) Securities Investment (Asset/Fund) management firms;
(iii) Securities Investment Advisory firms;
(iv) Securities Trustees firms;
(v) Securities Custodial Firms;
(vi) Securities Transfer Secretaries firms;
(vii) Securities (Discount and investment) firms;
(viii) Securities Exchanges;
(ix) Central Securities Depositories; and
(x) Alternative Trading Platforms (ATPs)

The purpose of the directive is to ensure SMIs comply with the prescribed minimum capital set by the Commission. Capital adequacy computations for SMIs will be based on financial returns submitted to the Commission on a quarterly basis or any other period as determined by the Commission from time to time.

1. **Short title**

   This directive shall be cited as the *Securities and Exchange Commission* ***(Capital Adequacy Directive for Securities Market Intermediaries of December 2025).***

2. **In this directive-**

   "Adjusted liquid capital" (ALC) refers to the sum of equity and qualified subordinated liabilities, **less** intangible assets, fixed assets, and specific adjustments relating to investment assets and receivables. "**Fixed assets**" being long-term tangible property or piece of equipment that a company **owns and uses** in its operations to generate income. **Subordinated liabilities** means debt that is considered lesser in priority and paid out at the end during bankruptcy. The lender has last claim in the assets in case of financial difficulties. This type of loan is usually obtained from the company's shareholders.

ALC focuses on liquidity and is designed to protect the investing public and counterparties by requiring SMIs to hold sufficient liquid resources to meet their intra and inter liabilities, cover potential risks and safeguard investors' securities and funds.

"Counterparty risk" means the risk of loss due to the inability of a counterparty to honor its obligations to deliver cash, securities or other assets as contractually agreed. Counterparty risk arises from trading, investment and underwriting activities.

"Initial Capital" means the minimum amount of cash, assets or other resources prescribed by the Commission for the purpose of approval of a licence to the company (**"the applicant"**). The purpose of the initial capital is to enable the company to acquire business equipment or assets, working capital, set aside funds for ongoing minimum regulatory capital and any other start-up costs.

"Liquidity risk" means the risk of not being able to generate sufficient cash to meet financial obligations when they fall due.

"Market infrastructures (MIs)" means entities registered as Securities Exchanges and Depositories in terms of Section 38 of Securities and Exchange Act, [Chapter 24:25].

"On going minimum capital" means the amount of money, assets or resources the licensed entity is required to always maintain as prescribed by the Commission from time to time. This is to ensure the licensed entity has sufficient financial resources to absorb potential losses and remain liquid and solvent during times of financial distress.

"Operational risk" means risk of loss arising from inadequate information systems and technology failures, internal control breaches, fraud, and unforeseen catastrophes.

"Securities Market Intermediaries" means entities/persons licensed and registered in terms of Section 38 of Securities and Exchange Act, [Chapter 24:25], the Asset Management Act [Chapter 24:26] and the Collective Investment Schemes Act [Chapter 24:19].

3. Initial and on-going minimum capital

3.1. The applicant for a licence must submit proof of the prescribed initial Capital as prescribed in paragraph 5.4 **(table 2)** .

3.2. Licensed and registered entities shall be required to deploy the initial capital into business assets and working capital for a period of six (6) and twelve (12) months respectively after being licensed and registered, provided that the initial capital shall not fall below the prescribed on-going minimum capital after this period.

4. Professional and Indemnity Insurance covers

4.1. The licensed firm shall maintain insurance cover which is commensurate with the size and nature of the business. Cover must include professional indemnity and fidelity insurance to cover: -

4.1.1. negligence, errors or omissions by the SMI or its employees;

4.1.2. any liability for the dishonesty or fraudulent acts of employees which may fall on the licensed firm;

4.1.3. liabilities which the licensed firm might incur, in which it could reasonably foresee that it may be held liable for damages and costs;

4.1.4. legal defense costs; and

4.1.5. any other operational risk that might be incurred by the licensed firm.

4.2. Licensed entities shall be required to effect and maintain a professional and indemnity insurance covers with a limit of liability of not less than its initial capital; or 0.01% of-

4.2.1. funds under management **(investment management firms)**;

4.2.2. preceding annual value of shares traded ("turnover") **(exchanges and Alternative Trading Platforms)**;

4.2.3. preceding annual value of securities under depository (**Securities Depositories)**;

4.2.4. preceding firm's annual turnover **(securities dealing firms)**;

4.2.5. preceding firm's annual turnover and securities under control **(securities dealing firms authorised to provide broker-controlled accounts)**;

4.2.6. assets under trust **(Securities Trustees)**;

4.2.7. total share register value **(Securities Transfer Secretaries)**; and

4.2.8. funds under management plus preceding annual turnover for **(Securities Discount and Investment firms)**; **whichever is greater, at the prevailing market rate,**

whichever is greater.

4.3. Licensed entities who are part of a holding company, Bank or insurance holding company shall be covered by the holding company's insurance cover.

5. Determination of Initial and On-Going Total Capital elements for SMIs

5.1. The total capital requirements (TCR) for SMIs and MIs shall be determined from time to time by the Commission and shall be categorized into two categories, namely Operational Expenditure Requirements (OER) and Counterparty Risk Requirements (CRR). The aggregation of OER and CRR is the total capital requirements for SMIs and MIs. SMIs and MIs shall be required to maintain ALC which is more than TCR for it to be considered adequately capitalized and accorded to have a higher capital rating if ALC is more than 1.2 times its TCR.

5.2. SMIs and MIs shall be required to hold an aggregate of the following capital charges: -

5.2.1. the fixed minimum liquid capital as prescribed in **table 2(a)** or an equivalent of 13 weeks operational expenditure (OER) **whichever is higher;** plus

5.2.2. counterparty (settlement) risk requirement (CRR) **(table 2(b));** plus

5.2.3. prescribed insurance covers

5.3. The Commission may, at its discretion, require SMIs to hold a certain level of additional capital, contribute to a guarantee fund and insurance covers designed to protect the investing public as well as managing industry wide systemic risk. Total Capital Requirements (TCR) for SMIs shall be computed in accordance with **Table 1** as follows:

Table 1

Total Capital Requirements		**$$**
13 weeks Operational expenditure Requirement (OER) or the prescribed fixed minimum amount **(whichever is higher)**	a	xx
Counterparty (settlement) Risk Requirement (CRR): **Table 2**	b	xx
Total Capital Requirement (TCR) (a+b)		**xx**

5.4. **"Operational Expenditure Requirement (OER)"** means the amount required to meet the Licensee's operational expenditure over 13 weeks. **In determining OER,** the following principles shall be applied:

5.4.1. All non-cash items including amortisation, depreciation, revaluation surpluses/deficits on fixed assets and profits or losses on sale of fixed assets shall not be considered.

5.4.2. Exceptional or extraordinary items may be excluded, subject to the approval of the Commission.

Table 2(a)

Prescribed Minimum Liquid Capital			
Licence Category		**Initial (US$)**	**Ongoing (US$)**
4.1.1 Securities dealing firm			
4.1.1.1	Securities Dealing firm **(Equities and Debt Dealing only)**	**150,000**	**20,000**
4.1.1.2	Securities Dealing firm **(Equities, Debt dealing and market making)**	**150,000**	**30,000**
4.1.1.3	Securities Dealing firm **(Derivatives, Contracts for Differences (CFDs), futures Contracts and Crypto Securities)**	**150,000**	**50,000**
4.1.1.4	Securities Dealing firm **(All Securities)**	**150,000**	**75,000**
4.1.2 Securities Asset/Investment Management firm			
4.1.2.1	Investment Management **(Collective Investment Schemes (CIS)**	**300,000**	**25,000**
4.1.2.2	Investment Management **(Portfolio only)**	**300,000**	**50,000**
4.1.2.3	Investment Management **(Portfolio and CIS)**	**300,000**	**75,000**

4.1.2.4	Investment Management **(Hedge Funds and Crypto Securities)**	**300,000**	**100,000**
4.1.2.5	Investment Management **(All products)**	**300,000**	**150,000**
4.1.3 Securities Exchanges, ATPs and Depositories			
4.1.3.4	Securities Alternative Trading Platforms	**150,000**	**30,000**
4.1.3.3	Securities Depository	**1000,000**	**250,000**
4.1.3.1	Securities Exchanges	**1000,000**	**350,000**
4.1.3.2	Securities Exchanges with a Depository	**1000,000**	**650,000**
4.1.4 Securities Transfer Secretaries		**300,000**	**100,000**
4.1.5 Securities Trustees (CIS, Debt Securities and Structured Capital Market products)			
4.1.5.1	Securities Trustees **(Non-bank affiliated)**	**150,000**	**30,000**
4.1.5.2	Securities Trustees **(Bank/Insurance affiliated)**: The prescribed minimum capital requirements set out by the Reserve Bank of Zimbabwe (RBZ), and Insurance and Pension Commission of Zimbabwe (IPEC) shall apply to the entity under which the Trustee falls.	-	-
4.1.6 Securities Custodians			
	(a) The prescribed minimum capital requirements set out by the Reserve Bank of Zimbabwe (RBZ) shall apply to the banking entity under which the Custodian falls. (b) For counterparty risk management, custodial firms, through their appointed clearing banks, must maintain the minimum prescribed collateral deposit in their collateral sub-account held with the RBZ to cover securities settlement obligations on a normal trading day.	-	-
4.1.7 Securities Investment Advisory Firms			

	(a) At all times, positive and sufficient shareholders' funds to meet day-to-day expenditure, future obligations and risk taken by the firm; and (b) At all times, current assets which are greater than current liabilities and a healthy cash to working capital position. (c) Professional indemnity covers with the following minimum stipulations: (i) Corporate finance advisory services (ii) Investment products advisory services (iii) Corporate finance + Investment products advisory (d) **Crowd Funding** (i) fidelity Bond equivalent to the amount being raised (ii) Amount to be raised to be approved by the Commission. (iii) constitution of the members certified by the Lawyer. (iv) appointment of a Trustee to be the receiving agent and custodian of the assets of the fund.	**US$10,000 (Net assets)** **30,000** **30,000** **50,000**	**US$10,000 (Net assets)** **30,000** **30,000** **50,000**
4.1.8 Securities Multiple Licence			
4.1.8.1	Securities (Discount and Investment) firm	**200,000**	**100,000**

5.5.**Counterparty (settlement) Risk Requirement (CRR)**

5.5.1. SMIs shall calculate total CRR on counterparty exposures as specified in **Table 2(b)** below:

Table 2(b)

Type of transaction	**Risk Factor**	**CRR Value**
Unsettled transactions include securities traded on exchanges, Corporate Bonds, Government Bonds, Quasi Government Bonds and other financial assets. Capital should be provided the moment it is discovered that it is highly probable that the transaction will not settle.	100%	xx

Total Counterparty risk requirement (To Table 1)	**xx**

6. Adjusted Liquid Capital (ALC)

6.1 SMIs shall calculate ALC in accordance with **Table 3**:

Table 3

Ordinary share capital	xx
Preference share capital	xx
Share premium	xx
Audited retained earnings or accumulated losses	xx
Unaudited profit or loss	xx
Other Distributable reserves	xx
Owners' Equity	**XX**
+Shareholders' loans	xx
Total Capital Resources (a)	**XX**
Less Intangible assets (b)	**XX**
Goodwill	xx
Licenced Software	xx
Trademarks and similar rights	xx
Available capital resources (c)= (a-b)	**XX**
Less Illiquid Assets (d)	**XX**
Fixed assets	xx
Available capital resources after fixed assets adjustment (e) = (c-d)	**XXX**
Less Adjustments (Haircuts) on Investment Assets (Table 3a) (f)	**XX**
Less overdue Receivables (Table 3b) (g)	**XX**
Adjusted liquid capital (ALC) (h) =e-(f+g)	**XXX**

6.2 SMIs shall be allowed to deploy capital in assets prescribed in table 3a, where adjustments on balance sheet values shall be applied through the following adjustments to arrive at Adjusted Liquid Capital (ALC).

Table 3a - Adjustments (Haircuts) on Investment Assets

Investment Class	Market Value (MV)	Risk Factor (RF)	PRR MV*RF

Listed shares on securities exchange			
i. Top 20 by market capitalization	x	10%	xx
ii. Top 21-30 by market capitalization	x	20%	xx
iii. Top 30 and above by market capitalization	x	40%	xx
iv. Suspended counters	x	100%	xx
Corporate and other listed debt securities	x	20%	xx
Property Investments	x	20%	xx
Money Market Investments held with banks (BB+) Credit ratings	x	0%	xx
Money Market Investments held with banks (BB-) Credit ratings	x	10%	xx
Government debt	x	10%	xx
Private equity/ non-quoted equities	x	60%	xx
Foreign held - listed equity investments	x	20%	xx
Other foreign investments	x	80%	xx
Adjustments on Investment Assets (To Table 3)			**XX**

Table 3b – Adjustments on receivables

6.3 Receivables shall be adjusted based on the SMI's receivables ageing analysis, with adjustments applied to receivables outstanding for more than forty-five (45) days as follows:

Type of transaction	Risk Factor	CRR Value
Receivables due less than 45 days	0%	xx
Receivables due 45-60 days	25%	xx

Receivables due 60-90 days	50%	xx
Receivables due more than 90 days	100%	xx
Statutory receivables and amounts due from Government	0%	xx
Receivables due from group companies	0%	xx
Adjustments to Receivables (To Table 3)		**xx**

6.4 Audited retained earnings will be based on the position provided in the financial statements audited submitted to the Commission on an annual basis. Unaudited profit or loss is any profit or loss realised after an annual audit.

6.5 For determining ALC, revaluation of property Investments (property held for sale/rental; other than fixed assets) can be considered as equity under distributable reserves.

7. Capital Adequacy

7.1. Capital adequacy will be informed by the level of ALC Capital against TCR as well as the Capital Adequacy Ratio (CAR) which is calculated as **Total Capital Requirement (TCR)** divided by **Adjusted Liquid Capital (ALC): -**

7.1.1. SMI and MIF are adequately capitalised if ALC is greater than or equal to TCR, or

7.1.2. SMI is inadequately capitalised if ALC is less than TCR.

7.2. For all SMIs which are inadequately capitalised, the Commission will engage the affected entity and provide the computations applied in determining capital adequacy.

8. General Obligations

8.1. SMIs shall submit to the Commission prudential returns containing financial information by the fourteenth business day of each ensuing month at the end of every quarter. The Commission may shorten the period on submission of prudential returns for the purpose of mitigating systemic risk. Elements for capital adequacy computations will be derived from such prudential returns. Once a year, the Commission shall compute capital adequacy based on audited financial statements for SMIs.

8.2. In the annual audited financial statements submitted to the Commission, SMIs shall be required to disclose their capital adequacy position in the notes to the financial statements.

8.3. The Commission may appoint an external auditor or any other competent person at the SMI's cost, to verify SMI's capital shortfalls when they are detected or suspected.

8.4. The Commission has full discretion as to the necessity and sufficiency of special adjustments in any case, taking into consideration all factors pertaining to the market with regard to financial position or future contracts and the affairs as a whole of the SMI involved.

8.5. SMIs shall be required to comply with this directive. Where the SMI fails to comply with this directive and conditions for recapitalisation, the Commission shall have the power, in terms of the Securities and Exchange Act, to prescribe a monetary charge, reprimand, sanction, suspend or cancel the licence of the SMI.

8.6. Any SMI which falsifies financial reports and returns for the purpose and intent of meeting the prescribed capital adequacy position shall be guilty of an offence and liable to penalties specified in Section 114 of the Securities and Exchange Act [Chapter 24:25] as read with Section 22 of the Asset Management Act [Chapter 24:26].

8.7. Review of capital adequacy requirements for SMIs shall be done as and when it is necessary.

For and On Behalf of Securities and Exchange Commission of Zimbabwe

Chief Executive Officer **Date: 08/12/2025**