



GUIDELINE NUMBER: SS 01/05/2024

GUIDELINE TO SECURITIES MARKET INTERMEDIARIES FOR PARTICIPATION OF CENTRAL SECURITIES DEPOSITORIES (CSDs) ON THE VICTORIA FALLS STOCK EXCHANGE (VFEX).

1. Background

The Securities & Exchange Commission of Zimbabwe (SECZim) (also herein referred to as the Commission) hereby issues this Guideline in compliance with the Exchange Control (Special Provisions for Securities Listed on Victoria Falls Stock Exchange) (Amendment) Regulations, 2023, No.1, SI 113 of 2023, paragraph 2c which directs SECZim to issue such a Guideline. The Guideline is also issued in terms of paragraph 21 of the First Schedule, as read with Section 4 of the Securities and Exchange Act [Chapter 24: 25].

The Guideline is issued in line with the Commission's mandate of regulating the capital markets in a transparent and effective manner with the objective of providing high levels of investor protection, encouraging free, fair, and orderly capital markets as well as reduction of systemic risks particularly in the trading, clearing and settlement ecosystem. The Guideline provides clarity on how CSDs can participate on the VFEX to enable fair competition.

2. Current Depository Landscape

In terms of Section 69 of the Securities and Exchange Act [Chapter 24: 25], any person, including a registered securities exchange, may establish a central securities depository under a scheme that is approved by the Commission. Resultantly, the Zimbabwe capital markets currently have multiple Depositories. All licensed depositories are open to participate on any Exchange licensed by SECZim including VFEX as pronounced by SI 113 of 2023. This is subject to the parties entering into commercial and technical agreements to govern their relationships.

3. Requirements for participation on VFEX

- a) Any person registered as a Depository in terms of Section 69 of the Securities and Exchange Act [Chapter 24: 25] may participate on the VFEX, subject to any commercial and technical terms and conditions to govern their relationship.
- b) A depository that wishes to participate on the VFEX shall notify the VFEX in writing of its intention to participate on VFEX.
- c) The VFEX shall provide its response to the applying depository within 10 working days of receipt of the application and shall provide the requirements for connectivity and participation on the VFEX.
- d) VFEX shall advise the applying depository regarding the process to be followed by the depository which will cover system links, technical and other requirements, System Vendor requirements and implementation costs which must be reasonable and be discussed and agreed by the parties affected.
- e) VFEX shall commence the onboarding process within 14 working days of the applicant CSD fulfilling the terms and conditions for its participation.

4. Systems Interface

- a) Upon agreement, VFEX shall share an electronic interface with the applying CSD. Such an interface shall enable online and offline exchange of data between the systems as maybe necessary.
- b) The data exchange specifications for interfacing the systems shall be discussed and agreed between the depository and VFEX for both closely coupled and loosely coupled scenarios.
- c) Such specifications must be fair and in the interests of fostering market development for the benefit of all stakeholders and the nation.
- d) All parties are required to act responsibly in a manner that facilitates and enables successful, efficient operations on the market to enhance investor confidence and help attract investors to the capital markets.

5. Electronic Transfer of Securities

- a) All investors whose securities are deposited with a transferring or terminating CSD shall have their securities withdrawn from the transferring CSD. The transferring CSD shall prepare an electronic file of all the securities holders and

submit the file to the issuer's Securities Transfer Secretary for reconciliation purposes.

- b) The issuer's Transfer Secretary shall reconcile the electronic file of the withdrawn securities and the full securities register and submit the file to the assuming or receiving CSD.
- c) The assuming CSD shall issue to each investor, a confirmation note specifying the quantity, amount and the description of the deposited securities and any other relevant information concerning the transaction.
- d) The assuming CSD shall also send the records to the respective Custodians who shall confirm the take on balances for their clients.
- e) For the avoidance of doubt, all investors' securities holdings shall be transferred to the assuming CSD by way of electronic means in book entry form.
- f) The terminating CSD shall ensure that all transfers, dematerializations, rematerializations, outstanding trades and any other related transactions are cleared and settled by the effective date of termination, to facilitate migration to the assuming CSD.
- g) The terminating CSD shall submit a report to the Commission detailing the migration, how the outstanding trades settled and the final date that they seized to maintain the register of the Issuer.
- h) Any outstanding dematerializations, transfers, securities pledges, and any other related documents with the terminating CSD shall be transferred to the receiving CSD for reprocessing by the receiving CSD.

6. Charges imposed on connecting to VFEX

VFEX may charge the applying CSD, for costs associated with the connectivity and participation of the CSD on the VFEX. The charges shall be discussed and agreed between the parties.

7. Service Level Agreement (SLA)

VFEX and the applying depository shall have in place a standard service level agreement prior to onboarding, providing for the responsibilities and obligations of each of the parties to enable efficient operations of the parties.. The SLA may also cover issues of coupling. The VFEX shall file the SLA with the Commission.

8. Resolution of Disputes

A party who is aggrieved by any decision, proposal or action, including a refusal to take action, by the other party, may appeal to the Commission against the decision, proposal or action concerned in terms of section 108 of the Securities and Exchange Act [Chapter 24:25].

Be guided accordingly.

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



Anymore Taruvinga

Chief Executive Officer

Date: 22/11/2024