



DIRECTIVE NUMBER 08/2024

DIRECTIVE TO SECURITIES MARKET INTERMEDIARIES ON ENHANCED AUDITED FINANCIAL STATEMENTS DISCLOSURES

The Securities & Exchange Commission of Zimbabwe (“Commission”) hereby advises all Securities Market Intermediaries (SMIs) to include disclosures specified hereunder as part of the audited financial statements. The disclosures shall be filed as supporting notes and tables. They shall be audited by registered public auditors appointed in terms of the Public Accountants and Auditors Act [Chapter 27:12]. The disclosures shall be submitted annually to the Commission as part of the audited financial statements. The disclosures are as follows:

A. CAPITAL ADEQUACY AND FINANCIAL DISCLOSURES

- 1. Capital Adequacy** – Subject to prior approval by the Commission, all SMIs shall be required to provide an audited capital adequacy position as prescribed in the Capital Adequacy Directive for Securities Market Intermediaries from time to time. For the avoidance of doubt, specific comparison of adjusted liquid capital and total requirements should be clearly shown by way of a table.
- 2. Trust Accounts** –As per Part IV of the Securities and Exchange Act [Chapter 24:25] and Section 40 of Statutory Instrument 100 of 2010, licensed SMIs who maintain trust and nominee accounts, shall cause the books of accounts relating to these trust and nominee accounts to be audited at the end of the financial year by a registered public auditor. The audited trust and nominee accounts shall be submitted to the Commission accompanied with the SMI’s audited financial statements.

3. **Funds under management, Assets under Custody and Assets Under Trusteeship** – In the case of Securities Investment Managers, Custodians and Trustees, funds under management, assets under custody and trusteeship shall be required to be disclosed separately in the financial statements as part of the notes including the requisite asset classes in which funds are invested. These shall apply to all banks holding SECZim licences which report consolidated audit reports.
4. **Disclosures on Environmental, Social and Governance issues** – SMIs shall be required to disclose their environmental, social and governance (ESG) impact assessment processes and practices in the Audited financial statements, in line with **IFRS S1** (General Requirements for Disclosure of Sustainability-related Financial Information) and **IFRS S2** (Climate-related Disclosures).

B. RISK MANAGEMENT PRINCIPLES, INTERNAL CONTROLS AND PRACTICES

5. **Risk Assessment Process:** All SMIs shall be required to disclose their risk assessment processes, internal controls and practices, which encompass identifying and assessing the risks specific to their operations which include, but not limited to, operational risk, market risks, strategic risk, liquidity risk, and legal and compliance risk.

The audit should assess the application of the risk assessment, whether the policies, procedures and controls are adequate; and whether the policies, procedures and controls have operated effectively throughout the reporting period.

C. ANTI-MONEY LAUNDERING/COUNTERING OF FINANCING TERRORISM (AML/CPF)

6. **ML/TF Risk Assessment Process:** All SMIs shall be required to disclose their risk assessment processes, which include identifying and assessing the risks associated with money laundering and terrorist financing specific to their operations. The audit should assess the application of the risk assessment by the SMI.

7. Effectiveness of AML/CFT programme: All SMIs shall be required to disclose independent assessment of their AML/CFT programme. This should include whether the: -

- 7.1. programme complies with sections of Money Laundering and Proceeds of Crime Act;
- 7.2. policies, procedures and controls are based on AML/CFT risk assessment;
- 7.3. policies, procedures and controls are adequate; and
- 7.4. policies, procedures and controls have operated effectively throughout the reporting period.

D. PUBLICATION OF AUDITED FINANCIAL STATEMENTS

8. All SMIs shall disseminate and publish their audited financial statements no later than 90 days after the end of the financial year either in a local newspaper or on the respective SMI's website. The SMIs shall also be required to submit audited financial statements to the Commission in pdf format for publication on the SECZim website.

E. PENALTIES FOR NON-COMPLIANCE

9. For failure to comply with the above provisions, the offender shall be penalised as per Section 105 the Securities and Exchange Act [Chapter 24:25].

Be guided accordingly.

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



A. Taruvinga

Chief Executive Officer

Date: 28 August 2024