



DIRECTIVE NUMBER: SS 03/2024

DIRECTIVE TO SECURITIES MARKET INTERMEDIARIES ON SECURITIES SETTLEMENT PROCEDURES

This Directive is issued in terms of paragraph 21 of the FIRST SCHEDULE of the Securities and Exchange Act [*Chapter 24:25*]. This directive supersedes the provisions of Directive Number SS 09/2021 issued on 16 September 2021.

The purpose of the Directive is to facilitate an effective and efficient securities settlement process and to curb delays or failed trades beyond **T+3** settlement cycle.

Securities Market Intermediaries are required to implement the following measures:

1. Trade Confirmation

- (a) The Central Securities Depository shall send to all its Participants an Initial Settlement Schedule detailing the initial settlement obligations of Depository Participants on **T+0**.
- (b) Affirmation of trades between Securities Market Intermediaries shall occur after trade execution, but no later than **T+1**.
- (c) Where affirmation of trades fails to occur, the Custodian shall immediately on **T+1**, communicate and send the notification to their clients, Central Securities Depository (CSD) and Securities Dealers. The CSD shall immediately follow up with the concerned parties, if there are any outstanding issues to ensure that the trades are affirmed.

2. Delivery versus Payment (DVP) and Settlement Cycle

- (a) The securities market operates on a Delivery Versus Payment Model (DvP).
 - (i) No securities dealer shall buy or place an order for securities before funds for settlement of the transaction are deposited into

the securities dealer's trust account or the client's custodial account.

- (ii) A securities dealer must be in possession of a clear written mandate from the investor before placing an order for securities in the trading system on behalf of the investor. If the person placing the order purports to be doing so as an agent of another, the agent must also provide a clear written mandate to act thus.

(b) Final settlement shall occur no later than **T+3** or on an agreed settlement cycle prescribed by the Exchange from time to time in consultation with the Commission.

(c) The securities shall be transferred to the buyer or custodian upon receipt of the confirmation by CSD of the cash settlement from the settlement bank.

3. Investor's Payments Procedure

(a) Securities Dealing Firms are required to send deal notes to the investors and their Custodians by the end of business day on **T+0**.

(b) A securities market intermediary shall credit an investors' account with proceeds from sale of their securities directly into their bank or trading accounts.

(c) Payments to the investor's accounts shall be made on settlement date of T+3 and not later than the next working day after settlement, that is, not later than **T+4**.

4. Securities Markets Intermediaries Business continuity

(a) Securities Market Intermediaries shall ensure the availability and capability of their systems to meet the clients' needs and to provide alternatives when a defect or malfunction occurs.

(b) Securities Market Intermediaries shall resolve all errors speedily and no later than 48 hours after the date the error was first discovered, including:

- (i) ensuring effective controls are implemented to prevent any recurrence of the identified error; and

- (ii) effecting a refund, including claimed interest calculated based on the prescribed RBZ lending rates to all clients who have been affected by the error, where applicable; and
 - (iii) notifying all affected clients without delay, of any error that has impacted or may impact negatively on the cost of the service, or the value of the product provided, where possible.
- (c) where an error which affects clients has not been fully resolved within 48 hours of the date the error was first discovered, a Securities Market Intermediary must immediately inform the Commission in writing, highlighting the reasons why the error has not been resolved.
5. 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. Taruvunga
Chief Executive Officer

Date: 21/03/2024