

CENTRAL SECURITIES DEPOSITORY OPERATIONAL RULES, 2014

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PART I

PRELIMINARY

Title and Commencement

1. (1) These Rules shall be called the Chengetedzai Depository Company Central Securities Depository Rules (“CDC CSD Rules” “the Rules”)
 - (2) These Rules shall come into force as and when the Securities and Exchange Commission of Zimbabwe gives its approval of the same
 - (3) Subject to the approval by the Securities and Exchange Commission of Zimbabwe, the Board of Directors of Chengetedzai Depository Company Limited

("CDC" or the "Company") may amend, add to, alter, modify or repeal any of the provisions of these Rules.

(4) The Rules shall be ably supported by the Central Securities Depository Operational Procedures and the Guarantee Fund Procedures, which shall be part of the Rules.

Introduction

2. (1) Chengetedzai Depository Company Limited (herein "CDC" or the "Company") is incorporated as a public company under the Companies Act [Chapter: 23.03] and operates as a Central Securities Depository ("Central Securities Depository").

(2) The following Rules set out the manner in which Chengetedzai Depository Company shall govern the functioning of the Central Securities Depository system. They are designed to render a first port of reference for anyone who wishes to participate in the depository, with regards to the rights and responsibilities that vest with each one, and the various roles they play, how certain processes are to be handled, and the recourses at their disposal.

(3) These Rules are binding on all the Participants to the extent that they relate to each Participant.

(4) Prior to trading in securities on any registered Exchange in Zimbabwe, a holder of securities is required to open a securities account with Chengetedzai Depository Company through a Participant.

(5) Upon depositing/lodging securities in the CSD and converting such securities into electronic form, the account holder shall continue to be registered in the register of the company in respect of the securities so deposited/lodged and shall continue to enjoy all such rights and privileges and be subject to all such duties and obligations as a registered shareholder of those shares would be entitled to, or subject to, under the Companies Act Chapter [23.03].

(6) There would be no compulsion however on shareholders to open accounts in the CSD and dematerialise their shareholding through the process of depositing their shares in the CSD. Hence, shareholdings of listed companies could be held both in physical form and dematerialised form. The consolidated share register of the listed company would consist of both shares held in physical scrip and shares held in dematerialised form in the CSD.

(7) However, any shareholder wishing to purchase or sell shares on the Securities Exchange shall be compelled to open an account in the CSD. Shares transacted on the Securities Exchange will be credited or debited to the accounts maintained by the Beneficial Owner.

- (8) The main services of Chengetedzai Depository Company include:
- a. Recording transactions in securities in dematerialised form to facilitate their trading on the Securities Exchange.
 - b. Clearing of securities on account of trades carried out through the Securities Exchange.
 - c. Coordinating the settlement of funds between Participants through the Settlement Bank appointed by Chengetedzai Depository Company.
 - d. Facilitating the opening and maintenance of securities accounts for Beneficial Owners, the deposit of securities in such accounts, the withdrawal of securities and the transfer of securities between securities accounts in the CSD
 - e. The provision of entitlement schedules and other reports in respect of CSD account holders to Issuers and Transfer Secretaries in respect of securities listed on the Securities Exchange.
 - f. The provision of CSD accounts statements to account holders on a periodic basis.
 - g. These Rules govern the Procedures to be applied in performing the functions relating to the CSD and shall be binding on all parties transacting with Central Securities Depository (CSD). Any amendments to these Rules done by Chengetedzai Depository Company shall also be binding on all parties.
- (9) Matters not covered in the Rules
- a. Any matter not addressed under these Rules will be dealt with by the Chengetedzai Depository Company Board of Directors taking into account the principles embodied in these Rules and the prevailing circumstances pertaining to such matter.
 - b. The determination by Chengetedzai Depository Company shall be conclusive and be binding on all parties.
 - c. Chengetedzai Depository Company may, at its sole discretion, in the interest of the efficient operation of the CSD and/or in the interest of a Participant, waive the application of any Rule and/or Rules.
 - d. In matters pertaining to clearing and settlement of securities transactions executed on the Securities Exchange, the Chengetedzai

Depository Company Rules will prevail over any other Rules regarding clearing and settlement of securities.

Definitions

3. In these rules and unless the context otherwise requires:

Account: means either Central Securities Account" or "Securities Account", depending on the context;

Act: means the Securities and Exchange Act [Chapter 24:25] as amended from time to time;

Agreement: means the Participation Application, Rules, Procedures and Manual;

Applicant: means a person or corporate body who applies for acceptance as a Participant;

Beneficial Owner: means the registered holder and/or owner of an issued Security.

Business: means, in relation to a Participant or the Central Securities Depository, the securities services or other services conducted by the Participant or the Central Securities Depository, as the case may be, in terms of the Securities and Exchange Act [Chapter 24:25], Companies Act [Chapter 24:03] and Central Securities Depository Rules;

Business Day: means a day on which the Central Securities Depository does Business as determined by the Board of Directors and as stipulated by the Rules;

CDC: means Chengetedzai Depository Company

Client: means any person who uses the services of a Participant;

Committee: means a body set up by the Chengetedzai Depository Company Board of Directors referred to in these Rules.

Corporate Action: includes any action relating to specifying dates for book closures, record dates, dates for payment of interest or dividend, dates for annual general meetings, dates of redemption or maturity of securities, dates of conversion of debentures, warrants, call money dates, Rights Issues, Consolidations, Initial Public Offers "IPO", Private Placements and such other actions taken by the Issuer from time to time.

Corporate Benefits: means benefits accruing from time to time from the Issuer to the Beneficial Owner in respect of the securities of such Issuer held by such Beneficial Owner and includes dividends, interest, bonus shares, rights, preferential allotments, warrants, discount coupons, redemption at premium and such other benefits.

CSD: means the Central Securities Depository system, which includes the computer (hardware and software) system that Chengetedzai Depository Company uses to administer the book entry transfer of securities.

Custodian or Custodian Bank: means an institution registered as a custodian in terms of the Securities and Exchange Act [Chapter 24:25].

Debit Balance: means a negative balance in a Securities Account maintained by a Participant;

Defective Security: means a Security that is invalid, forged, counterfeit, altered, defective, non-negotiable, the object of a claim or improper delivery, which bears an unauthorized or inappropriate signature or that cannot be rightfully transferred or registered;

Dematerialisation: means the process of converting certificated Securities into Uncertificated Securities;

Depository Service: means the service provided by Chengetedzai Depository Company;

Directive: means any Directive issued in accordance with the Rules by the Board of Directors to regulate the Business of the Central Securities Depository or Participants;

Eligible Securities: means Uncertificated Securities or Immobilised Securities which the Board of Directors permits to be held in the Central Securities Depository;

Entry: means an electronic recording of any deposit, withdrawal, transfer, attachment,

Issuer: means an entity which issues Eligible Securities or a listed entity;

Market Trades: means trades concluded through the trading system on a recognised Securities Exchange.

Nominee: means a company that is incorporated and is wholly owned by the participant, and whose sole purpose is to hold securities in the depository as a trustee on behalf of the depositors.

Off-market Trade: means a trade in Securities which is not concluded on an Exchange; On-market Trade means a trade in Securities reported by an Exchange;

Participant: means a person or corporate body that is entitled to use the services and facilities of a Central Securities Depository according to section 11 of the Securities (Central Securities Depositories) Rules, 2013. The following persons may be admitted as participants:

- a) Holders of securities (custody) licences; and
- b) Holders of securities (trustee) licences; and
- c) Holders of securities (transfer) licences; and
- d) The Reserve Bank of Zimbabwe.

Procedures: means the procedures adopted by Chengetedzai Depository Company and may relate to the Operational Procedures or Guarantee Fund Procedures or any other Procedures, referred therein;

Records mean those records of the Central Securities Depository, Participants, Issuers and Clients which relate to the Business of the Central Securities Depository or Participants in terms of section 11 of the Securities (Central Securities Depositories) Rules, 2013;

Rules: means the Chengetedzai Depository Company Central Securities Depository Rules as stated herein and amended from time to time.

SDF: refers to a Securities Deposit Form.

SECZ: means the Securities and Exchange Commission of Zimbabwe constituted under the Securities and Exchange Act [Chapter 24:25],

Settlement: means the settlement of trades in accordance with the clearing and settlement rules;

Settlement Bank: means a bank approved by Chengetedzai Depository Company and regulated pursuant to the Banking Act [Chapter 24:20] and which meets requirements that Chengetedzai Depository Company may establish from time to time in the Procedures with respect to the financial ability, personnel, facilities, equipment, procedures of the banks and other relevant matters, and which provides a Participant and CDS with facilities to effect payment in accordance with the Rules and Procedures;

Transfer Secretary: means a Registrar to an issue of any securities and/or a transfer agent in respect of any securities appointed by the Issuer on their behalf,

who has been granted the certificate of registration by the Securities and Exchange Commission of Zimbabwe in terms of the Securities and Exchange Act [Chapter 24:25],

Power to issue Operational Instructions (and Communiques)

4. (1) Chengetedzai Depository Company shall, subject to approval by the Securities and Exchange Commission of Zimbabwe, be entitled to issue from time to time, instructions, specifications and guidelines, to be known as “Operational Procedures”, relating to the functioning and operation of Chengetedzai Depository Company, Participants any other party.

(2) Chengetedzai Depository Company shall have power to repeal, delete, amend and/or alter the Operational Procedures or any part thereof or issue new or fresh Operational Procedures from time to time.

(3) The Operational Procedure Manual, the Guarantee Fund Procedure Manual and any other Operational Procedures enacted by Chengetedzai Depository Company shall be part of the Rules and shall bind the Participants, Issuers and Transfers Secretaries.

(4) Without prejudice, Chengetedzai Depository Company may issue Operational Procedures inter alia, with respect to:

- a. mode of functioning and operation in the depository system of Chengetedzai Depository Company;
- b. models which shall be required to be followed by the Participants, Issuers, and Transfer Secretaries
- c. hardware and software required to be installed and maintained by Participants, Issuers, Transfer Secretaries and Settlement Bank;
- d. determination from time to time of fees, system usage charges, deposits, margins, Penalties and other monies payable to Chengetedzai Depository Company by the Participants, Issuers, Transfer and Secretaries;
- e. detailed procedure for dematerialization and rematerialisation of securities;
- f. procedure for opening, operating and closing Beneficial Owner’s account with a Participant;
- g. conduct of business with the Participants;

- h. communication of information relating to transactions and holdings between Chengetedzai Depository Company and Participants, Issuers, and Transfer Secretaries;
- i. reconciliation of records between Chengetedzai Depository Company and Participants;
- j. records and books of account to be maintained by Participants;
- k. administration, maintenance and investment of the Guarantee Fund set up by Chengetedzai Depository Company, including the amount, deposits and contributions to the Fund;
- l. requirements, manner and format for submission of periodic returns by Participants, Issuers, Transfer Secretaries to Chengetedzai Depository Company in relation to their activities in connection with Chengetedzai Depository Company;
- m. manner and form in which the Participants, Issuers, Transfer Secretaries shall maintain continuous electronic means of communication with Chengetedzai Depository Company;
- n. the working days and hours of Chengetedzai Depository Company and the hours of business operations;
- o. any other matter as may be decided by Chengetedzai Depository Company.

(5) Chengetedzai Depository Company shall be entitled to issue, from time to time notices, circulars and information (hereinafter called as “communiqués”) to Participants, Issuers, and Transfer Secretaries for implementation of and/or clarification on any aspect of Rules or the Operational Procedures or on any procedural or operational issue.

(6) All such communiqués shall bind the Participants, Issuers, Transfer Secretaries or clearing members with the same force and effect as the Rules and the Operational Procedures.

PART II

DEPOSITORY PARTICIPANTS

Admission of Depository Participants

5. (1) Any person desiring to be admitted as a Participant shall submit an Application for grant of certificate of registration as a Participant to Chengetedzai Depository Company, in such form together with such fees as may be specified by Chengetedzai Depository Company. Every application shall be dealt with by Chengetedzai Depository Company within thirty days of receipt of such application.
- (2) An application, which is not complete in all respects and does not conform to the requirements specified, shall be rejected. Chengetedzai Depository Company may, before rejecting any application, give to the Applicant in writing; an opportunity to remove within thirty days or any such time as may be specified by Chengetedzai Depository Company, the objections indicated by Chengetedzai Depository Company.
- (3) Chengetedzai Depository Company may require the Applicant to furnish such further information or clarifications as may be required within thirty days. On failure to provide any information within thirty days or such further time as may be granted, the application shall be deemed to have been withdrawn.
- (4) The Committee or Management to whom the powers are so delegated may accept or reject any such application and shall, if the application is rejected, set out in writing the grounds for such rejection.
- (5) Chengetedzai Depository Company shall convey the grounds on which the application has been rejected to the Applicant. The applicant may appeal to the Board of Directors against such rejection and the decision of the Board of Directors in this regard shall be final.
- (6) Every Participant who is admitted as such in Chengetedzai Depository Company shall be required to pay to Chengetedzai Depository Company such amounts by way of admission fees, annual fees or any other fees for the due performance of its duties and obligations within such time as may be specified by Chengetedzai Depository Company. Chengetedzai Depository Company shall not be obliged to pay any interest to the Participant on any sum received by Chengetedzai Depository Company as security or deposit unless otherwise agreed by Chengetedzai Depository Company.

(7) Chengetedzai Depository Company shall have the right to call upon the Participant to make such contribution and/or additional contributions towards the Guarantee Fund, and to pay such fees, deposits, and additional security deposit in cash any additional guarantee in respect of contribution to the protection of the interests of Beneficial Owners.

Application Procedure

6. (1) Application for Participation must be made to the Board of Directors, on a form as stipulated by the Rules.
- (2) An application for Participation must be accompanied by the payment of the application fee as stipulated by Rules.
- (3) In addition to the information specifically required in terms of the Rules, the Board of Directors may require from an Applicant:
 - a. any further information that the Board of Directors deems to be appropriate and reasonable, and
 - b. may institute any such investigation which it deems necessary, to verify information submitted by the Applicant in support of an application;
 - c. that the Board of Directors interview the Applicant or one or more representatives of the Applicant;
- (4) The agreed or reasonable costs of verification of information referred to in Rule shall be for the account of the Applicant.

Admission Criteria

7. (1) No applicant shall be eligible to be admitted as a Participant to the CSD unless the applicant has met all the following conditions:
 - a. The applicant is the Reserve Bank of Zimbabwe,
 - b. or is the holder of Securities (Custody) licence;
 - c. Securities (trustee) licence;
 - d. Securities (transfer) licence or both;

e. Holders of securities (dealers) licence may be admitted as indirect participants.

(2) The Applicant has furnished such information and details pertaining to its business and equity holding relating to a minimum period of three years immediately preceding the date of the application or from the date of its inception, if less than three years.

(3) The Applicant (including any director or any person holding any substantial interest in or being otherwise in a position to control the affairs of the Applicant, where the Applicant is a company incorporated according to the Companies Act [Chapter 24:03]) should not have been convicted in any of the five years immediately preceding the filing of the application in any matter involving misappropriation of funds and securities, theft, embezzlement of funds, fraudulent conversion, forgery or any other offence involving moral turpitude;

(4) The Applicant shall have on its staff such number of persons as Chengetedzai Depository Company may specify who are adequately trained or who, in the opinion of Chengetedzai Depository Company, are otherwise sufficiently qualified or have adequate skill and knowledge relating to the operational, functional and technical aspects of the working of the CSD system.

(5) The Applicant shall have appointed a Compliance Officer to interact with Chengetedzai Depository Company on its behalf for compliance with these Rules and for resolution and redress of Beneficial Owners' grievances;

(6) The applicant has adequate office equipment exclusively for CSD related operations.

(7) The Applicant has made adequate arrangements for conducting effective and safe depository operations including security measures, software and hardware requirements, risk containment and insurance requirements, as specified by Chengetedzai Depository Company.

(8) The Applicant must have adequate insurance to cover the liabilities associated with its participation, including those liabilities that existed before the Participant was admitted or those that are likely to accrue in the event that the Participant ceases to operate.

(9) Further, to be eligible to be accepted as or to remain a Participant, a person must satisfy the Board of Directors that it has fulfilled the requirements stipulated by Rules and that:

a. it has the financial resources to meet its obligations as a Participant and complies with the criteria set out in the Rules.

- b. it has adequate systems, procedures, facilities and technical capacity enabling it to fulfill its obligations and operational requirements in terms of the Rules promptly and accurately;
 - c. all clearing and settlement services for payment must take place through the auspices of any appointed Settlement Bank of which the Settlement Bank must be a Participant;
 - d. it has and maintains adequate security, systems, procedures and policies to protect the information, data, records and documents relating to Securities Accounts and the affairs of Beneficial Owners against any unauthorised access, use, alteration, destruction or dissemination;
 - e. it has back-up procedures to ensure the integrity and recoverability of its Records and has located its disaster recovery hardware and related facilities off-site and complies with any other security and disaster recovery procedures as required by Chengetedzai Depository Company;
- (10) Any Participant which ceases to satisfy any of the participation criteria set out in (7) above must immediately notify the Central Securities Depository in writing.

Standard of Integrity of Persons who manage or Control Participants

8. (1) In addition to the participation criteria set out in the Rules, no person may manage or control a Participant if such person has been:
- a. penalised in disciplinary proceedings for a contravention of the Rules of any professional organisation, including a self-regulatory organisation in terms of the Securities and Exchange Act [Chapter 24:25], which contravention involved dishonesty;
 - b. placed under probation or disqualified by a Court from acting or being appointed, or is ineligible to act, as a director of a company in terms of the Act;
 - c. convicted or found guilty of a criminal or disciplinary offence resulting from fraud, embezzlement or a breach of the Rules of any professional organisation, including a regulated person;
 - d. or barred from entry into any professional occupation due to fraud or dishonesty.

Renewal of Registration of Participants

9. (1) The application for renewal of registration of the Participant shall be made three months prior to the expiry of the date of registration and shall be accompanied by the fee specified for issuance of certificate of registration.
- (2) The application for renewal shall be dealt with in the same manner as if it were a new application for grant of certificate of registration and the criteria specified above shall be complied with.

Rights and obligations of participants to Chengetedzai Depository Company

- 10.(1) No Participant shall conduct any business as a Participant unless it has been admitted as a participant under the provision of section 11 of the Securities (Central Securities Depositories) Rules, 2013.
- (2) A Participant while conducting any business as a Participant with a Beneficial Owner shall act as an agent of the Beneficial Owner.
- (3) The Participant shall not effect a debit or credit to the account of a Beneficial Owner without appropriate instruction from the Beneficial Owner and Chengetedzai Depository Company.
- (4) Separate accounts shall be maintained by every Participant in the name of each of its Beneficial Owners and the securities of each Beneficial Owner shall be segregated, and shall not be mixed up with the securities of other Beneficial Owners or with the Participant's own securities.
- (5) Every Participant shall ensure that only persons with authority to transact business with Chengetedzai Depository Company have access to the computer system or other system by which the business is transacted with Chengetedzai Depository Company.
- (6) The Participant shall submit the following information to Chengetedzai Depository Company
- (7) In the case of a Participant who is a member of a Securities Exchange, or the holder of a securities (custody) licence, the identity of every person who holds a beneficial interest in any account which the Participant opens and operates with Chengetedzai Depository Company.
- (8) The number and nature of complaints received from Beneficial Owners during the previous month, unresolved complaints of previous period, their nature, status and manner of redress, once every month;

(9) It shall be the responsibility of each Participant to promptly check and reconcile with its own records the details of all advices, statements and reports received by the Participant from Chengetedzai Depository Company and to promptly notify Chengetedzai Depository Company of any error or omission contained in such advices, statements and reports.

(10) Chengetedzai Depository Company may, if it is satisfied that it is in the interest of the Beneficial Owners, entertain a late request by a Participant to rectify an error or omission as aforesaid. A request is deemed to be late if it is submitted after the deadlines as stipulated in the Business Process Flows that are given to participants by Chengetedzai Depository Company, subject to approval by the Securities and Exchange Commission of Zimbabwe. If Chengetedzai Depository Company entertains a late request by a Participant, the Participant shall be liable for any loss caused due to such a late request.

(11) Every Participant shall reconcile its records with those of Chengetedzai Depository Company on a daily basis.

(12) Chengetedzai Depository Company may at any time require a Participant to provide on demand, security or additional or collateral security in such form, extent and manner as is determined by Chengetedzai Depository Company.

(13) Without prejudice to the above, Chengetedzai Depository Company may, for the purpose of deciding whether or not to require a Participant to provide security, specify exposure limits on a Participant.

(14) Participant shall, before entering into any Agreement with or opening any account or while acting upon the instruction of any Beneficial Owner during the subsistence of such agreement:

- a. make such inquiries as may be necessary and exercise due care and caution in ascertaining the genuineness of the intending Beneficial Owner (by carrying out appropriate due diligence and Know Your Customer dictates).
- b. scrutinize and ascertain the authenticity of the documents produced by the Beneficial Owner for opening the account or for dematerialisation of securities.
- c. in case of joint owners of securities or individual owners, obtain authority in writing from all such joint owners or individuals respectively.

(15) Every Participant shall preserve for a period of not less than seven years unless any other law provide for a greater number of years, all original documents such as account opening forms, KYC documents, agreements with Beneficial

Owners, dematerialisation request forms, re-materialisation request forms and instructions received from Beneficial Owners.

(16) Every Participant shall be primarily responsible for payment to Chengetedzai Depository Company of all charges, fees, dues, and penalties in respect of all transactions carried out by or through that Participant in the CSD, irrespective of whether the Participant has recovered any such amount from the concerned Beneficial Owner or not, such recovery from the Beneficial Owner being the sole responsibility of the Participant.

(17) Every Participant shall carry out instructions received from any Beneficial Owner on the same day in as far as may be possible and failing that before the close of working hours of the immediately succeeding working day.

(18) The Participant shall, upon discovering any loss of any securities, instruments, or documents that may have come into the hands of the Participant in the course of its business, forthwith notify Chengetedzai Depository Company, and the concerned Issuer or its Transfer Secretary and Beneficial Owner on their behalf.

(19) It shall be the responsibility of every Participant to ensure that proper stamp duty and any other taxes in accordance with law is paid by the Beneficial Owners.

(20) Chengetedzai Depository Company may apply all or any of the securities (including all rights and entitlements thereto, if any) owned or belonging to a Participant at any time without prior notice to a Participant in or towards satisfaction of any of the obligations and liabilities of such Participant to Chengetedzai Depository Company or such Participant's obligations and liabilities to its Beneficial Owners.

(21) In respect of any sums received by Chengetedzai Depository Company from a Participant as security, the obligation of Chengetedzai Depository Company to such Participant shall be to the extent of the amount remaining after satisfaction of all obligations and liabilities (actual or contingent) of such Participant to Chengetedzai Depository Company, Beneficial Owners, Issuers, Transfer Secretaries, and other Participants.

(22) Every Participant shall indemnify and keep indemnified and saved harmless Chengetedzai Depository Company, its officers, employees and agents from all harm, loss, damage, injury, taxes, penalties, levies, and duties whatsoever, and from and against all suits, action, arbitration, disciplinary action, prosecution or other proceedings (including all costs, charges and expenses relating thereto) suffered or incurred by Chengetedzai Depository Company, its officers, employees or agents or any of them, whether directly or indirectly on account of or as a result of any act, deed, matter or thing made done committed or omitted, or suffered or permitted or

caused to be done by the Participant, its officers, employees, servants or agents contrary to or inconsistent with or in breach of any provision/s of the Securities and Exchange Act [Chapter 24:25], Rules, or the terms, condition and covenants contained in its agreement with Chengetedzai Depository Company or by reason of any mistake, error, misfeasance, willful misconduct, misrepresentation, fraud, forgery, theft, misappropriation or breach of trust by the Participant, its officers, employees, servants or agents or on account of the Participant failing to meet any of its obligations and/or liabilities to Chengetedzai Depository Company and/or to any of its Beneficial Owners and/ or to any Participants, Issuers, Transfer Secretaries, and Clearing Agent Agents.

(23) For the purpose of determining whether a Participant is liable for any acts or omission under the Securities and Exchange Act [Chapter 24:25], Regulations, and these Rules, agreements, and Operational Procedures issued by Chengetedzai Depository Company, the acts or omissions, whether done intentionally or not, of its officers, employees, servants and agents, shall be deemed to be acts or omissions of the Participant.

(24) In cases where Chengetedzai Depository Company, its officers, employees and agents suffer or incur harm, loss, damage, injury, taxes, penalties, cesses, duties, suit, action, arbitration, disciplinary action, prosecution or other proceedings (and all costs, charges and expenses relating thereto) suffered or incurred by them or any of them, whether directly or indirectly on account of or as a result of any act, deed, matter or thing made, done, committed or omitted, or suffered or permitted or caused to be done or any default or breach of the Securities and Exchange Act [Chapter 24:25], Regulations, and these Rules , agreements, and Operational Procedures issued by Chengetedzai Depository Company or any misrepresentation, fraud, forgery, theft, misappropriation or breach of trust by the Participant, its officers, employees, servants or agents or on account of the Participant failing to meet any of its obligations and/ or liabilities to Chengetedzai Depository Company and/ or to any of its Beneficial Owners and/ or to any Participants, Issuers, and Transfer Secretaries, Chengetedzai Depository Company shall have the right to recover from such Participant, such amount as Chengetedzai Depository Company may deem fit and appropriate. The Participant shall have the right to challenge the determination of such an amount, and shall seek remedy through a competent court should they feel aggrieved.

(25) In case any loss is caused to the Beneficial Owner due to the negligence of any Participant, Chengetedzai Depository Company shall indemnify the loss incurred by such Beneficial Owner and where such loss due to the negligence of the Participant is indemnified by Chengetedzai Depository Company, Chengetedzai Depository Company shall have the right to recover the same from such Participant.

(26) Notwithstanding anything to the contrary in the Rules, Chengetedzai Depository Company shall not be bound to give effect to any transaction or take any other action upon the instructions of a Participant if it would violate any applicable law, decree or order of a competent Court or an order of the regulatory authorities.

(27) Nothing herein contained shall prevent Chengetedzai Depository Company from effecting any transaction or refusing to give effect to any transaction in compliance with any decree or order of a competent Court or an order of the Government or SECZ or that of any other competent authority.

(28) Chengetedzai Depository Company reserves the right to rectify any erroneous transaction made to the account of any Beneficial Owner with a Participant. In the event of Chengetedzai Depository Company carrying out any rectification, Chengetedzai Depository Company shall inform the concerned Participant and Beneficial Owner of such rectification.

(29) Without prejudice to any other right Chengetedzai Depository Company may have, in the event of any erroneous transaction having been effected on account of any error, mistake or negligence on the part of the Participant resulting in a negative balance in the account of any Beneficial Owner, Chengetedzai Depository Company may:

- a. require the Participant to replenish the relevant securities forthwith;
- b. require the Participant to pay to it forthwith a cash sum of such amount as Chengetedzai Depository Company considers appropriate as security and the only obligation of Chengetedzai Depository Company in respect of such sum so paid by the participant shall be to pay such Participant an amount equal to the balance remaining to its credit after satisfaction of all obligations and liabilities (actual or contingent) of such Participant to Chengetedzai Depository Company or to a Beneficial Owner. Chengetedzai Depository Company may itself at any time purchase as replenishment, eligible securities on behalf of the Participant, at such price as may be determined by Chengetedzai Depository Company to be the prevailing market price and terms, if any, or in other cases at its discretion on the terms available. The cost and other expenses incurred by Chengetedzai Depository Company in connection with purchase shall be borne by the Participant.

(30) Each Participant shall be responsible to indemnify Chengetedzai Depository Company against all costs, fees, expenses, liabilities, losses and damages of any nature whatsoever incurred by Chengetedzai Depository Company

as a result of or in connection with the purchase or replenishment of eligible securities by Chengetedzai Depository Company on behalf of the Participant.

(31) No Participant shall assign its business and/or functions as a Participant or entrust the control or conduct of its business and/or functions to any person except with the prior written approval of Chengetedzai Depository Company and subject to such terms and conditions as Chengetedzai Depository Company may stipulate from time to time. For the purposes of this clause, any substantial change in the share holding pattern or constitution of the Board of Directors or in the composition of the company or partnership shall constitute an assignment of the business and/or functions to another person or entity.

(32) It shall be the duty of the Participant to ensure that no account of any Beneficial Owner is opened unless it complies with all the provisions of the Securities and Exchange Act [Chapter 24:25], Regulations, these Rules including any Operational Procedures and Procedures, Communiqués, letters or communication in any form issued by Chengetedzai Depository Company and circulars issued by SECZ and RBZ, from time to time as may be applicable.

Rights and Obligations of participants in relation to Beneficial Owners

11.(1) No Participant shall conduct business as a Participant with a Beneficial Owner unless it has entered into a mutual agreement with the Beneficial Owner.

(2) In case such agreement is terminated by either party thereto or the authority conferred on the Participant is withdrawn by the Beneficial Owner, the Participant shall forthwith advise Chengetedzai Depository Company of such termination or withdrawal of authority.

(3) Notwithstanding termination of such agreement by the Participant or withdrawal of the authority so conferred by the Beneficial Owner, the provisions of the agreement and all mutual rights and obligations arising there from in so far as they relate to dealing or operations in dematerialised securities, except in so far as the same are contrary to or inconsistent with such termination or withdrawal, shall continue to be binding on the parties in respect of all acts, deeds, matters and things done and transactions effected during the period when such agreement was effective.

(4) Only after the Beneficial Owner has entered into an agreement in the requisite form with a Participant shall that Beneficial Owner be permitted by that Participant to open an account with it for holding security balances on behalf of such Beneficial Owner. The account so opened shall be separate and distinct from accounts of other Beneficial Owners with that Participant.

(5) The Participant shall act on the instructions of the Beneficial Owner or of such person as may have been duly authorised by the Beneficial Owner on their behalf in the manner specified by Chengetedzai Depository Company.

(6) The Participant shall maintain a separate account for each Beneficial Owner and ensure that the securities of the Beneficial Owner are not mixed with its own securities, or those of other Beneficial Owners.

(7) In the event of multiple instructions received from the Beneficial Owner relating to transfer of securities which exceed the balance in the account of the Beneficial Owner maintained with the Participant, the sequence of execution of instructions by the Participant shall be as follows:

- a. in the event of the Beneficial Owner specifying the sequence of execution of instructions, in the same sequence as specified by the Beneficial Owner to the extent it can be executed with the balance available in that Beneficial Owner's account with the Participant;
- b. in the absence of specific instructions from the Beneficial Owner in the chronological order in which such instructions are received from the Beneficial Owner, to the extent it can be executed with the balance available in that Beneficial Owner's account with the Participant.

Termination, suspension and withdrawal

12.(1) Chengetedzai Depository Company may, if it is satisfied that it is necessary so to do, at any time and on such conditions as it sees fit, terminate, suspend or withdraw the agreement with the Participant by communication in writing under the following circumstances:

- a. the Participant no longer meets the eligibility criteria to be a Participant; in the event of the death or incapacity of a Participant being an individual, or the dissolution of a Participant being a partnership;
- b. in the event of a Participant being a company or body corporate when it is wound up or an official liquidator or provisional liquidator is appointed under the Companies Act [Chapter 24:03];
- c. in the event of a Participant ceasing to do business which relates to the CSD operations;
- d. Chengetedzai Depository Company has reasonable grounds to believe that the Participant is approaching financial difficulty or will be

unable to meet its obligations to Chengetedzai Depository Company or its Beneficial Owners;

e. in the event of any distress, execution or other process being levied or enforced or served upon or against any property of a Participant;

f. in the event of bankruptcy, insolvency, liquidation or winding up of a Participant or the initiation of any proceedings in relation thereto or if Chengetedzai Depository Company considers in its absolute discretion that the occurrence of such events are imminent or likely;

g. in the event of failure to pay security deposits, fees or any other charges as required under these Rules or the agreement with Chengetedzai Depository Company or furnish additional or collateral securities as may be required by Chengetedzai Depository Company;

h. in the event of failure of a Participant to fulfill the obligations arising out of the indemnification of Chengetedzai Depository Company by the Participant;

i. the Participant has violated or committed any breach or default in the observance or performance of any provisions of the Securities and Exchange Act [Chapter 24:25], Regulations, these Rules, or agreement with Chengetedzai Depository Company or has failed to comply with any of Chengetedzai Depository Company's Operational Procedures;

j. the Participant's registration granted by SECZ or by any other government agency has been suspended or cancelled;

k. if the Participant is a member of a Securities Exchange, the Participant has been expelled, or its trading privileges have been suspended by the Securities Exchange;

l. the Participant has failed to redress grievances of Beneficial Owners to the satisfaction of Chengetedzai Depository Company;

m. Chengetedzai Depository Company has reasonable grounds to believe that the Participant has been carrying on its activities in a manner which is detrimental to the interest of Chengetedzai Depository Company and/or Beneficial Owners or that the termination of relationship with the Participant is necessary for the protection of Beneficial Owners or other Participants or to facilitate the orderly performance of services rendered by Chengetedzai Depository Company.

n. the Participant has or is likely to expose itself to risks, which, in the opinion of Chengetedzai Depository Company, are not commensurate with the Participant's net worth.

o. the quality of the services rendered by a Participant is not satisfactory in the opinion of Chengetedzai Depository Company as evidenced by the complaints of the Beneficial Owners and/ or other Participants, Issuers, Transfer Secretaries, and Clearing Agents;

p. Provided however that Chengetedzai Depository Company shall not take any action as aforesaid unless Chengetedzai Depository Company shall have issued a show-cause notice to the Participant setting out the grounds on which the agreement with the Participant is sought to be terminated and the Participant shall have been given a reasonable opportunity, within 5 (five) business days, of being heard by any officer authorised by Chengetedzai Depository Company on their behalf and Chengetedzai Depository Company being satisfied on the strength of the report of such officer that it is necessary to terminate the agreement with such Participant.

q. Provided however that no amount is due, owing or payable by the Participant to SECZ or to Chengetedzai Depository Company inter alia by way of fees, charges, penalties or interest.

r. Provided however that Chengetedzai Depository Company may, if it so considers it fit and proper in the facts and circumstances of any case, before issuing the show-cause notice as aforesaid, issue notice calling upon the Participants to rectify or remedy the breach or default within such period and on such terms and conditions as Chengetedzai Depository Company may deem fit.

(2) The Participant shall forthwith inform Chengetedzai Depository Company of the occurrence of any of the circumstances mentioned herein above.

(3) Without prejudice to any other rights Chengetedzai Depository Company may have and notwithstanding anything to the contrary contained in these Rules, Chengetedzai Depository Company may suspend with immediate effect, the activities of any Participant before issuance of any notice or pending the notice period and/or enquiry under these Rules.

Withdrawal by a Participant

13. (1) A Participant shall be entitled to withdraw as a Participant from the CSD by issuing to Chengetedzai Depository Company a communication in writing giving

notice of not less than 30 days of its intention to terminate its agreement with Chengetedzai Depository Company with effect from the expiry of the said period of 30 days or such further period as may be specified in the notice.

(2) Chengetedzai Depository Company shall be entitled to require the Participant to continue its business as a Participant in the CSD for such further period not exceeding three months from the receipt of such notice if Chengetedzai Depository Company shall deem it necessary to do so in the interest of the Beneficial Owners or the functioning of the CSD.

(3) Chengetedzai Depository Company shall notify the Participant, Beneficial Owners of that Participant, other Participants and SECZ, , by way of a public notice, within seven days, of the Participant receiving notice of termination and upon termination as well.

(4) No Participant shall be permitted to withdraw as a Participant from the CSD unless and until such Participant shall have provided satisfactory evidence to Chengetedzai Depository Company that:

- a. the Participant has issued notice of its intended withdrawal to all Beneficial Owners holding accounts with it;
- b. all accounts of Beneficial Owners held with the Participant have been closed either by transfer of securities to any other Participant(s) of the Beneficial Owner's choice in the CSD and/or by rematerialisation of the securities held therein;
- c. there remain no pending instructions or unresolved grievances of Beneficial Owners or Chengetedzai Depository Company or that the Participant has otherwise made satisfactory arrangements in that regard;
- d. no amount is due, owing or payable by the Participant to any regulator or to Chengetedzai Depository Company inter alia by way of fees, charges, penalties or interest.
- e. the Participant has complied with such other terms and conditions as Chengetedzai Depository Company may have specified in that behalf.

Consequences of Termination and/or Withdrawal of the Agreement with a Participant

14.(1) On termination of the agreement with the Participant or on withdrawal by the Participant, unless otherwise provided in these Rules, Chengetedzai Depository Company shall return to the Participant within seven days from the date of

termination, all security deposits or other securities held by Chengetedzai Depository Company by way of collateral or additional security of the Participant.

(2) The termination of agreement with a Participant in the CSD will not affect any rights, liabilities or obligations of the Participant arising out of transactions which have taken place prior thereto and for the limited purpose of settlement of any such rights or liabilities of the Participant, Chengetedzai Depository Company may continue to treat the Participant as a Participant.

(3) Without prejudice to the above provisions, Chengetedzai Depository Company shall be entitled to set off any earlier claims or rights of the Participant against any amounts due to Chengetedzai Depository Company or any other persons entitled to any claim against such Participant through Chengetedzai Depository Company, irrespective of the fact that such counter claim has arisen after the date of termination with the agreement of the Participant.

(4) Chengetedzai Depository Company shall, upon termination of the agreement with the Participant or on receipt of communication in writing from the Participant conveying its decision to withdraw from the CSD and/or to terminate the agreement with the Participant, notify all other Participants and initiate suitable steps for the protection of the interests of Beneficial Owners and other Participants.

(5) Chengetedzai Depository Company shall notify the Participant and other Participants and the SECZ within seven days of the termination of the Participant under these Rules.

(6) On termination of the agreement with a Participant or on withdrawal by the Participant from the CSD, every Beneficial Owner of that Participant shall have the option of either getting his securities held with the Participant transferred to another Participant, or get the securities re-materialised. Notwithstanding anything stated above even after such termination, the Participant shall act as a Participant for the limited purpose of either getting the securities held with the Participant transferred to another Participant or get the securities re-materialised.

(7) Upon termination of the agreement with a Participant, Chengetedzai Depository Company shall give notice in writing or through the press to all Beneficial Owners holding accounts with such Participant calling upon the Beneficial Owners to have their accounts transferred to any other Participant within 15 (fifteen) days from the publication of such notice.

(8) In the event of there being any Beneficial Owners who have failed to have their accounts transferred to any other Participant as aforesaid, Chengetedzai Depository Company shall, in consultation with SECZ, nominate one or more Participants to whom such accounts shall stand transferred for the time being

provided however that the concerned Beneficial Owner shall have entered into an agreement with such Participant.

PART III
BENEFICIAL OWNERS

Rights and obligations of beneficial owners

15.(1) A Beneficial Owner may open one or more accounts with one or more Participants and may close one or more accounts with any or all Participants or transfer his securities in one account with a Participant to another account with the same Participant or with any other Participant.

(2) The Beneficial Owner shall pay such fees, charges and deposits to the Participant, as may be mutually agreed upon, for the purpose of opening and maintaining his/its account, for carrying out the instructions and for rendering such other services. The Participant shall be entitled to change or revise the said fees, charges or deposits from time to time subject to such prior notice as may be agreed between the parties

(3) Every Beneficial Owner shall be primarily responsible for:

- a. the authenticity of all statements and particulars set out in the Account Opening Form and in the agreement with the Participant;
- b. the authenticity and genuineness of all documents submitted to the Participant at the time of opening of an account with the Participant.
- c. representation as to the title to the securities submitted to the Participant for dematerialization.
- d. ensuring that the securities to the credit of his/her account are sufficient to meet the instructions issued to the Participant for effecting any transaction.
- e. informing the Participant of the changes in the account particulars of the Beneficial Owner such as address, bank details, status, authorisations, mandates, nomination, signature, etc.
- f. Furnishing the accurate identification details whilst subscribing to any issue of securities.

(4) Every Beneficial Owner shall be entitled to a statement of the account of that Beneficial Owner from their Participant, at least once at the end of every month in respect of every account if there has been at least a single transaction during the month and in any event once at the end of each quarter (even if there are no transactions in the account) in respect of all accounts. However, the time period may be shortened by mutual agreement between the Participant and the Beneficial Owner.

(5) Chengetedzai Depository Company shall separately provide electronic statements as well as electronic notifications in the event of a transaction.

(6) In the event of dispute between the Beneficial Owner and his/her Participant and the Participant is not furnishing the statement of account, Chengetedzai Depository Company shall provide directly or cause to provide through such Participant a statement of the account of such Beneficial Owner for such period as requested by the Beneficial Owner. Any such ad-hoc statement requests shall attract an administration fee, as approved by SECZ.

(7) Every Beneficial Owner shall scrutinize every statement of his/her account received from Participant for the accuracy thereof and shall be obliged to point out any mistakes, inaccuracies or discrepancies to the Participant within a fortnight of the receipt of such statement.

Closure of Account

16.(1) The Beneficial Owner, may, at any time terminate the agreement with the Participant without assigning any reason therefore by calling upon the Participant to close his/her account, provided no instructions remain pending or unexecuted and no fees or charges remain payable by the Beneficial Owner to the Participant.

(2) In such event the Beneficial Owner shall make an application to the Participant in the format specified by Chengetedzai Depository Company in that regard. The Beneficial Owner may close his/her account provided there are no Securities credited in his/her account. In case any balances of securities exist in the account sought to be closed, the account may be closed in one of the following ways:

- a. by rematerialisation of all existing balances in his account;
- b. by transfer of all existing balances in his/her account to one or more of his/her other account/s held with any other Participant/s;

c. by rematerialisation of a part of the existing balances in his/her account and by transferring the rest to one or more of his/her other account/s with any other Participant/s.

(3) The Participant shall initiate the procedure for transfer of balances or for rematerialisation of securities in the Beneficial Owner's account, as the case may be, within a period of two working days from the date of receipt of instructions from the Beneficial Owner in that behalf.

(4) The Beneficial Owner's account shall not be closed if there exist any securities in the Beneficial Owner's account which are pledged or hypothecated or the account is unreconciled or if the closure of such account would result in breach or violation of any decree or order or injunction of any Court or statutory or revenue authority.

Termination of agreement by participant

17.(1) The Participant shall be entitled to terminate the agreement with the Beneficial Owner forthwith in the event of the Beneficial Owner:

a. failing to pay the fees or charges as may be mutually agreed upon within a period of thirty days from the date of demand made in that regard;

b. submitting for dematerialisation any certificates or other documents of title which are forged, fabricated, counterfeit or stolen or have been obtained by forgery or the transfer whereof is restrained or prohibited by any direction, order or decree of any Court, Tribunal Government, SECZ or any statutory or revenue authority or under any covenant or undertaking given to any statutory authority;

c. committing or participating in any fraud or other act of moral turpitude in his dealings with the Participant;

d. otherwise performing an act of misconduct in any manner.

(2) The Participant may also terminate the agreement without assigning any reasons for such termination provided the Participant shall have issued at least one month's prior notice in writing to the Beneficial Owner in that behalf.

(3) In the event of the Participant terminating the agreement, the Participant shall call upon the Beneficial Owner to specify whether he/she desires to have the security balances in his/her account transferred to his/her account with another Participant or to have the same rematerialised in the manner specified

in these Rules and the Participant shall accordingly close the account of the Beneficial Owner.

- (4) Where the agreement is terminated by the Participant for any reason not attributable to the Beneficial Owner, the cost, charges and expenses involved in the transfer of the Beneficial Owner's account to any other Participant or rematerialisation of securities in such account shall be borne by the Participant.
- (5) Upon termination of the agreement, if the Beneficial Owner fails to specify the account with any other Participant to which the existing balances are to be transferred or if the Participant fails to take necessary steps to have the securities in such account transferred to the Beneficial Owner's account with some other Participant, Chengetedzai Depository Company shall nominate any other Participant to whom such account shall stand transferred for the time being, provided however that no transaction in respect of securities in such transferred account shall be effected until such time as the Beneficial Owner shall have entered into an agreement with the Participant to whom such account shall have been so transferred by Chengetedzai Depository Company.

PART IV

CLEARING AND SETTLEMENT

Clearing and Settlement

- 18.** (1) The reporting and confirmation of a trade to Chengetedzai Depository Company constitutes the agreement of Participants and Chengetedzai Depository Company to clear and settle such trade through the CSD in accordance with the Chengetedzai Depository Company Agreement.
- (2) No trade can be effected through the CSD if a party to the trade is not a Participant. A non-Participant who desires to effect trades through the CSD shall appoint a Participant to act on their behalf as the agent of such non-Participant
- (3) No amendment may be made to any trade reported to Chengetedzai Depository Company without the approval of the responsible Securities Exchange registered under section 29 of the Securities and Exchange Act [Chapter 24:35] and, when not entered into on the Central Securities Depository, by all Participants involved in the trade.

(4) The settlement of trades is by means of delivery of Eligible Securities coinciding with payment of funds, Delivery versus Payment, where securities will be settled gross and funds on a bilateral net basis.

Settlement of Transactions

19. (1) All trades in between Participants in securities of issuers admitted on the CSD, unless the Procedures prescribe otherwise, are reported and submitted for clearance to Chengetedzai Depository Company and for settlement by Participants through the Settlement Bank appointed by Chengetedzai Depository Company.

(2) On every Business Day that one or more trades are recorded in Participant's Account, Chengetedzai Depository Company combines the trades and provides Participant with reports and at such time as are set forth in the Operational Procedures.

(3) On the approved Settlement day, when Eligible Securities are available in the Participants' Trading Accounts and are sufficient to cover the Eligible Securities and funds elements of the Settlement, the trade is automatically settled by Chengetedzai Depository Company in liaison with the Settlement Bank.

(4) Upon Settlement of a trade, the transferor's Securities Account is debited with the Eligible Securities being the object of the trade and the Participant's Funds Account is credited with the corresponding payment. Simultaneously, the transferee's Securities Account is credited with Eligible Securities being the object of the trade and the Participant's Funds Account is debited with the corresponding payment.

(5) All net funds payment obligations arising on Settlement date are effected and settled through the Settlement Bank of each Participant at T+4 10:00am on Settlement date through the crediting and debiting by the Settlement Bank of the respective Settlement Bank Account of the Participants based on the net position of each Participant as a result of Settlement.

(6) Upon completion and settlement of the Eligible Securities and payment the trade is final and irrevocable and cannot be unwound.

(7) Participants are not permitted to attach any condition or restriction on the Settlement of trades and such conditions and restrictions that are imposed contrary to the Rules and Procedures are void and ineffective, and noncompliance therewith does not invalidate Settlement.

Rules governing the Settlement Exposure of Participants

20. (1) Participant Exposure (in respect of each Participant will be computed by Chengetedzai Depository Company daily on a post-trade rolling basis, taking into consideration the settlement risk on account of purchases and sales pending settlement on T+4 entered into by such Participant/s.
- (2) Participant Exposure will be calculated daily on a rolling basis based on trades pending settlement. The transactions pending settlement will be marked to market at the end of each trading day for the purpose of computing Participant Exposure.
- (3) Each Participant will be subject to a trading limit (exposure limit) based on the liquidity deposit provided by such Participant. The liquidity deposit can take the form of a bank guarantee or bank deposit.
- (4) The exposure on the transaction value will be covered by Delivery versus Payment settlement mechanism. The Participant Exposure will be limited to the market risk (risk due to a change in the price of the security pending settlement) and compensation payable to the aggrieved party in the event of a failed transaction.

Liquidity Deposit

- 21.(1) Each Participant shall maintain a liquidity deposit, which shall be at least equal to his Participant Exposure and be subject to a minimum value to be determined by Chengetedzai Depository Company from time to time.
- (2) The liquidity deposit of a Participant shall be held in the following forms:
- a. Bank deposits in a designated CSD Account opened in respect of the Participant.
 - b. Bank guarantee issued by a Bank licensed by the Reserve Bank of Zimbabwe, issued for and on behalf of the Participant, in favour of Chengetedzai Depository Company provided that the bank guarantee is irrevocable and the Bank undertakes to make payment to Chengetedzai Depository Company on demand, within 24 hours of the Chengetedzai Depository Company making a claim on such bank guarantee.

(3) It is required that at least 30% of the liquidity deposit shall be held in the form of a bank cash deposit. Any interest accruing on the bank deposit will be paid to the Participant subject to the recovery of any taxes and charges that may apply.

(4) The Liquidity deposit may be utilised by Chengetedzai Depository Company to defray:

- a. Any sum or sums of money due and payable by the Participant in default including compensation payable to any client of such Participant.
- b. Any sum or sums of money including compensation due and payable by such Participant to any other Participant of Chengetedzai Depository Company.
- c. Any fees, commissions, charges and dues payable by the Participant in default to Chengetedzai Depository Company, Securities Exchange, government or any regulatory body.

(5) Chengetedzai Depository Company shall permit withdrawal of funds from the liquidity account provided that funds in the account are in excess of the required level as determined by these Rules.

Procedure to Monitor Participant Exposure

22. Chengetedzai Depository Company shall prepare a schedule computing the exposure of each Participant on a daily basis taking into consideration the provisions contained in these Rules. The exposure in respect of each Participant shall be notified by Chengetedzai Depository Company to the respective Participant on a daily basis.

(6) If the value of the liquidity deposit falls below the Participant Exposure and/or the minimum requirement as determined by Chengetedzai Depository Company the Participant shall take immediate steps to comply with the requirements as set out in these Rules latest by 10:00 a.m. on the following Market Day.

(7) If the Participant does not comply with these requirements it shall constitute a violation of these Rules.

Non-Compliance with these Rules

- 23.(1) If the Participant in breach of the liquidity requirement is a Custodian Bank, Chengetedzai Depository Company shall notify members of the Securities Exchange not to execute any purchase orders or short sales on behalf of such Custodian Bank until such time as the Custodian Bank complies with the Rules. Any trades carried out by members of the Securities Exchange before the Custodian Bank complies with the liquidity requirements shall not be settled through the CSD.

PART V

SAFEGUARDING THE INTERESTS OF BENEFICIAL OWNERS AND PARTICIPANTS

Guaranteed Fund

- 24.(1) For the purposes of the Guarantee Fund, the Board of Trustees shall be put in place in accordance with the Guaranteed Fund procedure manual to manage the Fund.
- (2) The Board of Trustees shall establish or operate a Guarantee Fund to satisfy a loss sustained by Chengetedzai Depository Company caused by Participant's failure to satisfy its settlement obligations.
- (3) The Board of Trustees oversees or determines the calculation formula for and the acceptable forms of contributions to the Fund, the circumstances under which contributions made are devalued, refunded their custody and their utilization by Chengetedzai Depository Company as set forth in the Guarantee Fund Procedure Manual.
- (4) The Fund is administered by Chengetedzai Depository Company through the Board of Trustees in accordance with Chengetedzai Depository Company Central Securities Depository Rules, but it is owned by the Participants and Chengetedzai Depository Company as contributors to the Fund.
- (5) A Participant's initial contribution to the Fund and any contribution required to be made by a Participant following draw down is included in the capital of that Participant. When a Participant withdraws from the CSD, its unused contribution to the Fund shall be returned to the Participant but no other part of the Fund (including cash contributions made by Chengetedzai Depository Company

based on transactions effected by the Participant) shall be repayable to the Participant.

(6) The Fund is managed in accordance with an investment policy decided by the Board of Trustees.

(7) Upon default by Participant in its obligations, Chengetedzai Depository Company:

- a. applies the defaulting Participant's contributions to satisfy such obligations;
- b. requires the defaulting Participant to immediately pay the amount by which the loss exceeds Participant's contribution; and
- c. applies contributions of other Participants on a pro-rata basis to the remaining amount of the loss.

(8) Whenever an amount is paid out of the Guarantee Fund contribution of a Participant, whether by pro-rata charge or otherwise, such Participant is liable promptly to make good the deficiency in its deposit resulting from such payment.

Application of the Guaranteed Fund

25.(1). If any Participant fails to discharge any settlement obligation under the Chengetedzai Depository Company Agreement, or if Chengetedzai Depository Company suffers any loss or expense due to a Participant, then Chengetedzai Depository Company can apply the Participant's contribution to the discharge of such obligation, expense or loss.

(2) If the amount of the undischarged obligation, expense or loss exceeds that amount of the Participant's contribution, and if the Participant fails to pay Chengetedzai Depository Company the amount of the deficiency on demand by Chengetedzai Depository Company, the amount of the deficiency is to be paid out of the Guarantee Fund and charged pro rata against all other Participants' contributions.

(3) A Participant who fails to pay the deficiency remains liable to Chengetedzai Depository Company for the full amount of such deficiency until payment thereof.

(4) When a pro rata charge is made against a Participant's contribution to the Guarantee Fund, Chengetedzai Depository Company promptly notifies the Participant of the amount of the charge and the reasons therefore.

(5) The operational details of the Guarantee Fund are articulated in the Guarantee Fund Procedures as part of these Rules.

Confidentiality and Protection of Data

26. (1) Chengetedzai Depository Company, together with all Participants, Issuers and Transfer Secretaries with reference to sections 86 and 87 of the Securities and Exchange Act [Chapter 24:25], shall cause all its employees who in the normal course of its business as a depository, are likely to have access to data or information relating to any security or securities belonging to any Beneficial Owner including any unpublished price sensitive information to undertake that they shall at all times maintain complete confidentiality in respect of all such data or information.

(2) Chengetedzai Depository Company, Participants, Issuers, and Transfer Secretaries may provide or disclose such details, particulars, data or information relating to any Beneficial Owner and/or his/her account as may be required or directed in writing by any Court, Government, SECZ or any other regulatory or revenue authority empowered by law.

Protection of Data

27.(1) Chengetedzai Depository Company shall take necessary steps to protect the transmission and storage of data under Central Securities Depository system. The data shall be protected from unauthorised access, manipulation and destruction. The transmission of data shall be in encrypted form so as to eliminate the possibility of unauthorised interception of data.

(2) The back-up of data stored by Chengetedzai Depository Company shall be kept in the exclusive custody of Chengetedzai Depository Company, and of such Participants, Issuers, and Transfer Secretaries respectively.

(3) Chengetedzai Depository Company shall ensure sufficient security measures, to prevent the access by unauthorised persons to the data of Chengetedzai Depository Company operations. Chengetedzai Depository Company shall take adequate measures for maintenance of transaction logs and audit trail for each change either in account details or in Beneficial Ownership of securities.

PART VI

SECURITIES ELIGIBLE FOR DEMATERIALISATION

Eligible Securities

28.(1) All securities which are declared to be eligible for dematerialisation under the Securities and Exchange Act [Chapter 24:25], and/or by Chengetedzai Depository Company's Central Securities Depository Rules shall be eligible for being held in dematerialised form in the CSD.

(2) The Board of Directors shall determine from time to time, the securities which are eligible for admission with the CSD for being dematerialised and held in dematerialised and fungible form and the same shall be published from time to time.

(3) Before dematerialisation commences in respect of any securities admitted to CSD as aforesaid, the Issuer or its Transfer Secretary, if any, shall comply with the following:

- a. The Issuer and/or its Transfer Secretary, if any, shall enter into an Agreement with Chengetedzai Depository Company as per the prescribed form(s) as the case may be. The Issuer and/or its Transfer Secretary shall acquire adequate hardware and software systems to interact with the CSD as specified from time to time in Operational Procedures.
- b. The Issuer and/or its Transfer Secretary shall undertake to expeditiously redress the grievances of the Beneficial Owners and the Participants. The Issuer and/or its Transfer Secretary shall agree and undertake to strictly adhere to the performance standards as may be laid down by Chengetedzai Depository Company from time to time.

(4) All matters relating to allotment, transfer and extinguishment of securities, maintenance of records of holders of securities, handling of physical securities and establishing connectivity with Chengetedzai Depository Company are handled and maintained at a single point, that is, either in-house by the Issuer or by Transfer Secretary.

(5) Without prejudice to any other rights, the Board of Directors may refuse the admission of any security of an Issuer as an eligible security or may remove the same from the list of eligible securities, if:

- a. the Issuer and /or its Transfer Secretary is in continuous breach or default of its obligations under these Rules or under its agreement with

Chengetedzai Depository Company and fails to rectify or remedy such breach or default, or;

- b. the Issuer or its Transfer Secretary does not have or has ceased to have the operational capability to provide the services referred to herein, or;
- c. The Board of Directors in its absolute discretion is satisfied that circumstances exist which render it necessary in the interest of the investors to do so.

(6) Chengetedzai Depository Company shall not remove any security as aforesaid unless:

- a. Chengetedzai Depository Company shall have issued at least thirty days' notice in writing to the concerned Issuer calling upon the Issuer to show cause as to why the said security should not be removed as aforesaid, and;
- b. The Issuer shall have been given a reasonable opportunity of being heard in that regard.

(7) Chengetedzai Depository Company shall notify all Participants, the concerned Issuer and its Transfer Secretary and the concerned Beneficial Owners forthwith upon such removal as aforesaid.

PART VII

ISSUERS AND TRANSFER SECRETARIES

Rights and Obligations of Issuers and their Transfer Secretaries

29.(1) Where an Issuer has appointed a Transfer Secretary, and where a tripartite agreement has been entered into by Chengetedzai Depository Company with the Issuer and its Transfer Secretary, then notwithstanding any agreement, arrangement or understanding to the contrary between the Issuer and its Transfer Secretary, the Issuer shall be primarily responsible for all obligations and liabilities in respect of any act, deed, matter or thing by such Transfer Secretary in respect of its operations in the CSD.

(2) Every Issuer shall in respect of securities admitted on the CSD provide timely information to Chengetedzai Depository Company about book closure, record dates, dates for payment of interest or dividend, dates for the annual general meeting, dates of redemption or maturity of securities, dates of conversion,

dates of exercising warrants, call money dates, details of other corporate actions and such other information as may be specified by Chengetedzai Depository Company from time to time.

(3) An Issuer or Transfer Secretary shall not permit dematerialisation of any eligible securities admitted into the CSD unless and until the Issuer or Transfer Secretary is satisfied that the securities sought to be dematerialised have been validly issued by the Issuer and that there is no restraint, prohibition, injunction or attachment under any direction, order or decree of any Court, Tribunal, government, SECZ or any statutory or revenue authority empowered under any law or under the terms and conditions of issuance of those securities restraining or preventing the transfer or dematerialisation of those securities.

(4) Every Issuer or its Transfer Secretary shall, against receipt of a request for rematerialisation from the Beneficial Owner through the Participant made in accordance with the Operational Procedures, and upon receipt of confirmation from Chengetedzai Depository Company confirming such request, issue such certificate or certificates in respect of the securities of which rematerialisation is sought within such period as may be specified by law.

(5) The Issuer or its Transfer Secretary shall, on a daily basis, reconcile with Chengetedzai Depository Company, the records in respect of balances of dematerialized securities with Beneficial Owners and confirm to Chengetedzai Depository Company, the total security balances both in physical as well as in dematerialised form in its books.

(6) The Issuer or its Transfer Secretary shall furnish to Chengetedzai Depository Company allotment details in the manner required by Chengetedzai Depository Company, of all Beneficial Owners who have opted for securities to be credited in the electronic form.

(7) The Issuer/Transfer Secretary shall pay to Chengetedzai Depository Company such fees, costs, charges and deposits as may be specified in the Operational Procedures for Issuers/Transfer Secretary issued by Chengetedzai Depository Company from time to time.

(8) In the event of the Issuer/Transfer Secretary failing to make payment of any such fees, costs, charges or deposits, as the case may be, on or before the respective due dates, Chengetedzai Depository Company shall be entitled to charge interest on any delayed payments in terms of this Rule, at the rate equivalent to the RBZ overnight rate plus 2% (two percent) margin.

(9) The Issuer and its Transfer Secretary shall indemnify and keep indemnified Chengetedzai Depository Company and its Participants of, from and against all claims and demands and all suits, actions, litigations, prosecutions or other

proceedings whatsoever (including the costs, charges expenses, penalties, damages and consequential losses thereof) that Chengetedzai Depository Company and/or its Participant/s may be required or called upon to pay, suffer or incur by reason of or as a consequence of or on account of creation of securities or upload of electronic files /data or any other form of electronic transfer or introduction of securities in the CSD system in breach of law and/or in breach of its obligations set out in these Rules, Operational Procedures, communiqués, letters or other communication in any form or under the agreement between Chengetedzai Depository Company and the Issuer and /or Transfer Secretary including all supplemental writings and modifications thereto, if any.

PART VIII

GENERAL

Opening Depository Accounts

- 30.(1) Chengetedzai Depository Company shall keep accounts separately in respect of each Beneficial Owner in respect of each Participant.
- (2) The Participant shall maintain separate account respect of each Beneficial Owner and its own account.
- (3) Any prospective Beneficial Owner who wishes to be availed of the services of the CSD will have to open an account with Chengetedzai Depository Company through a Participant.
- (4) The Beneficial Owner will have to make an application for this purpose to the Participant in the format specified in the Operational Procedures issued by Chengetedzai Depository Company.
- (5) The Beneficial Owner will be required to enter into an agreement with the Participant as per the prescribed form.
- (6) Once the application has been accepted by the Participant, the applicant will be issued a Beneficial Owner Account Number.

Dematerialisation

- 31.(1) Credit of securities into the account of any Beneficial Owner shall be made on Dematerialisation of securities held in physical form or on the fresh issue of securities in the dematerialised form or on transfer/transmission of dematerialised securities from an account in the depository.
- (2) The dematerialisation process begins with the opening of an account with a Participant. An account has to be opened with a Participant by filling up an Account Opening Form, which formalises the relationship between the client and the Participant.
- (3) The applicant will be given a unique client ID number, which must be quoted in all correspondence with the Participant.
- (4) A Beneficial Owner may convert his/her securities held in physical form into Dematerialised form by making an application to the Participant in a Securities Deposit Form (hereinafter referred to as SDF) specified by Chengetedzai Depository Company along with the relevant security certificates;
- (5) The Beneficial Owner has to submit a request to the Participant, along with the certificates of securities to be dematerialised. Before submission, the Beneficial Owner or their nominated Participant has to deface the certificates by writing "**SURRENDERED FOR DEMATERIALISATION**".
- (6) The Issuer or Transfer Secretary verifies that the form is duly filled in and the number of certificates, number of securities and the security type (such as equity and debenture) are as given on the share or debenture certificate.
- (7) The Issuer or Transfer Secretary will scrutinise the form and the certificates. This scrutiny involves:
- a. Verification of client's signature and Identification number on the Security Deposit Form with the specimen signature (the signature on the account opening form). If the signature differs, the Issuer or Transfer Secretary should ensure the identity of the Beneficial Owner.
 - b. Compare the details on the SHARE CERTIFICATE/s (e.g. number of shares, status, and distinctive numbers) with the Beneficial Owner account held by the current Transfer Secretary.
- (8) Once the form and security count is in order, the Issuer or Transfer Secretary will issue an acknowledgement duly signed and stamped.

(9) In case the securities are not in order they are returned to the Beneficial Owner and acknowledgment is obtained. The Issuer or Transfer Secretary shall reject the request and return the SHARE CERTIFICATE/S.

(10) A single SHARE CERTIFICATE is used to dematerialise that certificate and none other.

(11) In respect of depositing the shares into the Central Securities Depository, the Participant shall verify the nature of the security, its status with reference to the list of International Securities Identification Number (ISIN) codes available with it.

(12) In case the securities are in order, the details of the request as mentioned in the form are entered in the Central Securities Depository system.

(13) The Central Securities Depository system shall electronically authorise the creation of appropriate credit balances in the Beneficial Owner's account.

(14) The Central Securities Depository system shall credit the client's account automatically. The Participant must inform the client of the changes in the client's account following the confirmation of the request.

(15) Share certificates that Issuers or Transfer Secretaries deem to be compromised will not be dematerialised. The combination and sequence of full names of holders as printed on the physical certificate should be identical with the names initiating the dematerialisation request, unless there is an improvement on the details per the KYC requirements.

Freezing of Depository Account

32.(1) Every Beneficial Owner shall have an option to freeze his account (either for debits or for credits or for both) with the Participant so as to render it inoperable.

(2) Chengetedzai Depository Company or the Participant shall freeze the account of a Beneficial Owner maintained with it on written instructions received by it or by the Participant in that regard from the Beneficial Owner concerned in the form specified by the Operational Procedures.

(3) Chengetedzai Depository Company or the Participant shall freeze the account of a Beneficial Owner maintained with it in the manner specified in the orders or directions of any regulatory authority made or given under any law for the time being in force.

(4) An account so frozen shall be activated on instructions in writing from the Beneficial Owner, where it has been frozen at the instance of a Beneficial Owner, and on receipt of instructions from the any regulatory authority which instructed the freezing.

(5) The Participant shall not effect any debit entry or any such other transaction unless the instructions or order for freezing the account has been withdrawn, revoked, vacated, set aside or modified as aforesaid. However, the Participant shall credit benefits to a frozen account.

(6) Chengetedzai Depository Company shall freeze or direct a Participant to freeze an account opened by the Participant with itself in respect of securities held by the Participant in its own name, as Chengetedzai Depository Company deems fit or as instructed by any regulatory body.

Securities Withdrawal (Rematerialisation)

33.(1) A Beneficial Owner may opt out any of his/her/its security balances with the CSD at any point in time by making an application to that effect to Chengetedzai Depository Company through its Participant. The Participant shall ensure that the request for rematerialisation emanates from the Beneficial Owner and is duly authorised and is properly made.

(2) A Participant holding its own securities in the CSD may at any point of time withdraw any of its security balances with the CSD by making an application to that effect to Chengetedzai Depository Company.

(3) The Beneficial Owner shall make the request of withdrawal of the balance in his account in the Withdrawal Form as specified in the Operational Procedures.

(4) On receipt of the Withdrawal Form, the Participant shall check whether sufficient relevant security balance is available in the account of the Beneficial Owner.

(5) If there is a sufficient balance, the Participant shall accept the request and inform Chengetedzai Depository Company to block the balance of the relevant security lying in the account of the Beneficial Owner to the extent of the quantity for which rematerialisation is sought and electronically advise the request to Chengetedzai Depository Company.

(6) Chengetedzai Depository Company will advise electronically all such accepted rematerialisation requests to the Issuer or its Transfer Secretary on a daily basis.

(7) On receipt of such acceptance from the Issuer or its Transfer Secretary, Chengetedzai Depository Company shall reduce the security balances to the extent of the rematerialized securities in the respective Participant's or the respective Beneficial Owner's account as the case may be.

Account Closure

34.(1) A Beneficial Owner wanting to close an account shall make an application to the Participant in the format specified to that effect in the Operational Procedures.

(2) The Beneficial Owner may close its account if no balances are standing to its credit in the account. In case any balances exist, then the account may be closed in the following manner:

- a. by rematerialisation of all its existing balances in its account;
- b. by transferring its security balances to its other account(s) held either with the same Participant or with a different Participant.
- c. by rematerialisation of a part of its existing balances and by transferring the rest to its other account with the same Participant or with a different Participant.

(3) The Participant shall ensure that all pending transactions as well as suspended balances have been adjusted and settled before closing such account. After ensuring that there are no balances in the Beneficial Owner's account, the Participant shall execute the request for closure of the Beneficial Owner's account.

(4) No account of any Beneficial Owner shall be closed if there exist any securities in the Beneficial Owner's accounts which are pledged, collateralized or hypothecated or the account is in suspense or if the closure of such account would result in breach or violation of any order or injunction of any Court, Tribunal or any regulatory authority.

Transfer of Balances

35.(1) No Participant shall initiate any debit or credit in the account of any Beneficial Owner except on the instructions of the Beneficial Owner or their nominated representative, or on sanction or instructions of Chengetedzai Depository Company for reasons to be recorded in writing by Chengetedzai Depository Company.

(2) The mode and the form of authorisation shall be specified in the Operational Procedures.

(3) Where there is a transfer of security from the account of a Beneficial Owner of one Participant to the account of a Beneficial Owner of another Participant, both Participants must advise such instructions for delivery and receipt respectively, to Chengetedzai Depository Company. After the instructions are matched in the CSD system, such transfer shall be effected by Chengetedzai Depository Company.

(4) In the event of a Participant ceasing to be a Participant, the Beneficial Owner of that Participant may, either request for the rematerialisation of securities or request for the transfer of securities in its account to an account opened with another Participant.

Corporate Actions

36.(1) The Issuer or its Transfer Secretary shall advise Chengetedzai Depository Company of all corporate actions simultaneously with the advice to Securities Exchanges in case of listed securities and in case of unlisted securities with prior notice of seven calendar days from the date of corporate action.

(2) On receiving the advice as stated above, the details of the holdings of the Beneficial Owners shall be provided electronically by Chengetedzai Depository Company to the Issuer or its Transfer Secretary as of the cut-off date (relevant to that particular corporate action) for the purpose of distribution of corporate benefits within five working days of the record date or the book closure date.

(3) The Issuer or its Transfer Secretary shall distribute dividend, interest and other monetary benefits and also ineligible securities directly to the Beneficial Owners on the basis of the list provided by Chengetedzai Depository Company.

(4) The Issuer or its Transfer Secretary may, if the benefits are in the form of securities, distribute such benefits to the Beneficial Owners through Chengetedzai Depository Company by electronically crediting the account of the concerned Beneficial Owner provided that :

- a. the newly created security is an eligible security and has been admitted to the CSD;
- b. the concerned Beneficial Owner has consented to receive the newly created securities through the CSD in dematerialised form.

(5) In such case, the Issuer or its Transfer Secretary shall provide allotment details of all Beneficial Owners to Chengetedzai Depository Company.

(6) On receipt of allotment details, Chengetedzai Depository Company shall cause the necessary credit entries to be made in the account of the Beneficial Owner concerned.

Pledging and Hypothecation

37.(1) The pledgor and the pledgee must each have an account in the CSD to create a pledge. However, the pledgor and the pledgee may hold accounts through two different Participants.

(2) For the purpose of creation of any pledge or hypothecation of securities, Chengetedzai Depository Company or a Participant shall, on an application by any Beneficial Owner, confirm that the Beneficial Owner is entitled, in its name, to such number of securities of such Issuer as are proposed to be pledged or hypothecated.

(3) Chengetedzai Depository Company shall on receipt of an application for the creation of pledge or hypothecation by the Beneficial Owner supported by relevant documentation, within five business days from the date of receipt thereof, create and record the pledge or hypothecation by electronically locking or freezing the securities held in the account of the pledgor by transferring the securities in a sub account marked "PLEDGED" and shall issue an advise of the same to the pledgor and pledgee.

(4) Chengetedzai Depository Company or a Participant shall not refuse permission to the pledgor or hypothecator to create a pledge or hypothecation in respect of securities available for pledge or hypothecation unless operations in respect of those securities are restrained or frozen by virtue of any regulatory directive and shall advise the intending pledgor and pledgee of its decisions setting out its reasons for such refusal.

(5) Unless otherwise ordered by a Court of competent jurisdiction, no entry of pledge or hypothecation shall be cancelled by Chengetedzai Depository Company without the prior concurrence of the pledgee. On receipt of notice of cancellation of the pledge or hypothecation from the pledgee, Chengetedzai Depository Company shall unlock or release the securities forthwith for which the pledge or hypothecation was created. Chengetedzai Depository Company on cancellation of the pledge or hypothecation shall inform the pledger and subsequently transfer the securities.

(6) Subject to the provisions of the pledge/hypothecation documents, the pledgee/ hypothecate may invoke the pledge or hypothecation, as the case may be through his/her Participant and on such invocation, Chengetedzai Depository Company shall register the pledgee/hypothecatee as Beneficial Owner of such securities and shall amend its records accordingly. Thereafter, Chengetedzai Depository Company shall immediately inform the Participants of the pledgor and the pledgee of the change and who in turn shall make necessary changes in their records and inform the pledgor and pledgee respectively.

(7) Chengetedzai Depository Company shall, before registering the pledgee as a Beneficial Owner, obtain the prior correspondence from the pledgor or hypothecator.

Securities Lending

38.(1) Any Beneficial Owner intending to lend or borrow securities, may do so in the manner determined by Chengetedzai Depository Company from time to time, and in accordance with the laws prevailing at the time.

Reconciliations and Audit

39.(1) Chengetedzai Depository Company shall ensure that it has in place at all times such systems and Procedures as would enable it to co-ordinate with the Participants and Issuers or its Transfer Secretaries and would facilitate reconciliation of records with Participants, Issuers or its Transfer Secretary on a daily basis.

(2) Every Participant, Issuer or its Transfer Secretary shall reconcile its records with the CSD on a daily basis in accordance with these Rules.

(3) Issuer and/or its Transfer Secretary shall carry out reconciliation as aforesaid in respect of the securities issued by the Issuer, in accordance with these Rules and any communication issued by Chengetedzai Depository Company in that behalf from time to time, and shall indemnify and keep indemnified and saved harmless Chengetedzai Depository Company and its Participants of, from and against all claims and demands and all suits, actions, litigations, prosecutions or other proceedings whatsoever (including the costs, charges and expenses thereof) that Chengetedzai Depository Company and/or its Participant/s may be required or called upon to pay, suffer or incur by reason of the Issuer/Transfer Secretary's failure to effect timely and regular reconciliation in terms of these Rules and in terms of the Agreement with the Issuer/Transfer Secretary.

(4) If there is failure of the reconciliation as specified hereinabove, Chengetedzai Depository Company may initiate necessary action including suspension of a Participant or suspension of transactions in a particular security till the process of reconciliation has been completed.

Accounting, Internal Control, Reports and Returns

40.(1) In accordance with section 14 of the Securities (Central Securities Depositories) Rules, 2013, every Participant shall keep accounts and records in respect of the operations of the CSD, which shall be distinct and independent from the records and accounts maintained by it in respect of any other activities carried out by the Participant.

(2) Proper accounts shall be maintained by Chengetedzai Depository Company as well as the Participants in respect of the operations of Chengetedzai Company.

(3) The books of accounts and records of the Participant relating to the operations of the CSD shall be open for inspection, investigation and audit to the officers or representatives of Chengetedzai Depository Company.

(4) Every Participant shall allow persons authorised by Chengetedzai Depository Company to enter its premises during normal office hours and inspect its records relating to the operations of the CSD.

(5) Every Participant shall submit periodic returns to Chengetedzai Depository Company in respect of its business and operations in the CSD in the format specified in the Operational Procedures of Chengetedzai Depository Company.

(6) Every Participant shall maintain the following records and documents, namely:

- a. records of all the transactions entered into with Chengetedzai Depository Company and on behalf of every Beneficial Owner.
- b. particulars of securities dematerialised and rematerialised on behalf of Beneficial Owner with whom it has entered into an agreement.
- c. records of instructions received from Beneficial Owners and copies of statements of account provided to Beneficial Owners, and,
- d. records of approvals, notices, entries and cancellation of pledge or hypothecation, as the case may be.

(7) Every Participant shall advise Chengetedzai Depository Company, the place where the records and documents are maintained.

(8) Notwithstanding the provisions of any other law, the Participant shall maintain and preserve records, accounts and documents relating to transactions in deposited securities for a minimum period of seven (7) years, reckoned from the date on which the record, account or document are written, which records, accounts and documents provide information on:

- a. Certificates and other documents of title submitted to Chengetedzai Depository Company for the purposes of immobilising or dematerialising the securities concerned; and
- b. The withdrawal of certificates and other documents of title that have been immobilised or dematerialised; and
- c. The opening, maintenance and closing of accounts relating to the deposited securities.
- d. the collection of fees charged and imposed by Chengetedzai Depository Company.

(9) The Participant shall preserve and maintain the documents, both in physical and electronic form, copies of which have been taken by any investigating agency during the course of any investigation or enquiry conducted by them till the trial is completed.

(10) Every Participant shall furnish to Chengetedzai Depository Company such information relating to various obligations to be performed by him from time to time to enable Chengetedzai Depository Company to review and monitor his performance and to ascertain the level of compliance with the provisions of the Securities and Exchange Act [Chapter 24:25], Regulations, these Rules and Operational Procedures issued by Chengetedzai Depository Company from time to time.

(11) Chengetedzai Depository Company may review and monitor the reports received from Participants and issue instructions to Participants to rectify the discrepancies, irregularities and noncompliance, if any, within such time limit as may be deemed fit.

(12) In case the Participant fails to comply with the provisions of the Securities and Exchange Act [Chapter 24:25], Regulations, these Rules and Operational Procedures, etc., and continues to ignore or disregard the instructions issued by Chengetedzai Depository Company, the matter may be placed before the Board of Directors for such action as it may deem fit.

Audit

41.(1) Every Participant shall ensure that an internal audit shall be conducted in respect of the Participant's operations relating to Chengetedzai Depository Company by a qualified Chartered Accountant at such intervals as may be specified by Chengetedzai Depository Company from time to time. A copy of Audit report shall be furnished to Chengetedzai Depository Company.

(2) The scope of such audit shall cover the existence, scope and efficiency of the internal control system, compliance with the provisions of section 13 of the Securities (Central Securities Depositories) Rules, 2013, the Regulations, these Rules, Operational Procedures, agreements and systems security and insurance of the Participant in respect of the operations of the CSD.

(3) In addition, Chengetedzai Depository Company may, if it feels that it is in the interests of the Beneficial Owners to do so, direct that an audit of the records of the Participant shall be conducted by such auditor as may be appointed by Chengetedzai Depository Company in this regard in so far as the records and operations relate to the operations of the CSD.

Inspection and Investigation

42.(1) Where Chengetedzai Depository Company deems it necessary; it may appoint one or more persons as inspecting and/or investigating authority to have access to the Participants computer terminals and equipment and to any data, record or information in respect thereof, as well as to undertake inspection of the books of accounts, other records and documents of the Participants and/or investigation into the matters deemed fit by Chengetedzai Depository Company.

(2) When Chengetedzai Depository Company appoints outside professionals as an inspecting and/or investigating authority, it shall notify to the Participant the names and addresses of the professionals or firms so appointed as inspecting and/or investigating authority at the time of inspection/investigation.

(3) Where outside professionals are appointed as inspecting and/or investigating authority in respect of a Participant and such professionals are already related to or connected in any other capacity with the Participant or its associates, then such Participant shall forthwith inform Chengetedzai Depository Company of such relationship.

(4) When after the appointment of any outside professional as an inspecting and/ or investigating authority in respect of any Participant, the Participant or any of its associates engages the services of such professional for its services in any other capacity, the professional shall not engage himself in such other professional capacity with the Participant or any of its associates without the prior consent of Chengetedzai Depository Company.

(5) Before undertaking any inspection and/or investigation under these regulations, Chengetedzai Depository Company shall give reasonable notice to the Participant for that purpose.

(6) Notwithstanding anything contained herein above, where Chengetedzai Depository Company is of the opinion that in the circumstances of any case, no such notice should be given, it may direct in writing that the inspection and/or investigation of the records and affairs of the Participant be taken up without such notice.

Obligations of a Participant on Inspection/Investigation

43.(1) It shall be the duty of every Participant (including its directors, partners, officers and employees) whose records or affairs are being inspected and/or investigated, to produce to the inspecting and/or investigating authority all books, accounts, records and documents in his custody or control pertaining to the Participants' business and operations in the CSD as such or arrange to produce such books, accounts, records and documents when they are in the custody or control of any other person and furnish such statements and information within such time as the said authority may require.

(2) The Participant shall allow the inspecting and/or investigating authority to have reasonable access to the premises occupied by him or by any other person on his behalf and also extend reasonable facilities for examining any books, records, documents and computerised data in his possession or that of any other person and also provide copies of documents or other materials which in the opinion of the inspecting and/ or investigating authority are relevant.

(3) The inspecting and/or investigating authority, in the course of inspection and/ or investigation may examine or record statements of any director, partner, officer and employee of the Participant or of any associate of such Participant.

(4) It shall be the duty of every such Participant, its director, partner, officer and employee or where an associate is examined, of such associate, to give to the inspecting and/or investigating authority all assistance in connection with the

inspection and/or investigation which the Participant may be reasonably expected to give.

(5) Notwithstanding the provisions above, the inspecting and/or investigating authority shall not have the right to examine any person or inspect any records, which do not pertain to the operations of the CSD.

Submission of an Inspection Report

44.(1) The inspecting and/or investigating authority shall, as soon as possible, submit an inspection and/or investigation report to Chengetedzai Depository Company.

(2) The inspecting and/or investigating authority shall maintain complete confidentiality and shall not disclose any information contained in the documents submitted to it or inspected by it to any person, firm, company or authority unless required by any law for the time being in force.

(3) Chengetedzai Depository Company shall after consideration of the report, communicate the findings to the Participant to give him an opportunity of being heard before any action is taken by Chengetedzai Depository Company on the findings of the inspecting and/ or investigating authority.

(4) On receipt of the explanations, if any, from the Participant, Chengetedzai Depository Company may call upon the Participant to take such measures as Chengetedzai Depository Company may deem fit in the interest of the Beneficial Owners. If necessary the report may be taken to the Board of Directors for further action.

Disciplinary Action Committee

45.(1) A Disciplinary Committee shall be appointed by the Board of Directors to deal with any disciplinary matter and the Committee must be made up with suitably qualified persons as indicated in 45(2) below

(2) The constitution of the Disciplinary Action Committee shall be as follows;

- a. Three representatives appointed by Chengetedzai Depository Company
- b. One representative of a stockbrokers association or any such organisation formed to represent the interests of the holders of securities (dealers) licence

- c. One representative of the transfer secretaries association or any such organisation formed to represent the interests of the holders of securities (transfer) licence
 - d. One representative of the Stockbrokers association or any such organisation formed to represent the interests of the holders of securities (custody) licence
 - e. One representative from the Securities Exchange through which the Participant is registered
- (3) 5 (five) committee members shall constitute a quorum of the Disciplinary Action Committee

Powers of the Disciplinary Committee

- 46.(1) The Disciplinary Committee shall have the responsibilities and powers to suspend, expel, free the account, conduct inspection, investigation or inquiry, call for records, issue show cause notice to Participants for suspension or expulsion, to declare any security admitted into the CSD as ineligible and any other power that may be discharged in accordance with the provisions of these Rules.

Participant's Responsibility for Partners, Agents and Employees

- 47.A Participant shall be fully responsible, to the extent permitted by law, for the acts and omissions of its directors, partners, officials, representatives and employees and if any such act or omission be one which, if committed or omitted by the Participant would subject it to any of the penalties as provided in these Rules, then such Participant shall be liable thereof to the same penalty to the same extent as if such act or omission had been done or omitted by itself.

Suspension of a Participant

- 48.(1) The Disciplinary Committee shall require a Participant to suspend its business when it fails to meet the continuing requirements for fulfilling criteria of admission as provided in these Rules and the suspension of business shall continue until Participant furnishes satisfactory evidence of meeting with the requirements.

(2) The Disciplinary Committee may require a Participant to suspend its business in part or in whole inter alia where:

- a. in the opinion of the Disciplinary Committee, the Participant's financial condition is such that it has fallen below the net worth norms or the Participant fails to maintain it as specified in the Securities and Exchange Act [Chapter 24:25] and these Rules;
- b. the Participant violates the provisions of the Securities and Exchange Act [Chapter 24:25], the Regulations, these Rules and Operational Procedures;
- c. The Participant does not comply with the instructions of the Beneficial Owner;
- d. A material change has taken place in the management, constitution or control of the Participant's legal entity, whether by way of alteration in its Board of Directors, or the composition of its partners or the shareholding pattern thereof or there is a change in the nature of the legal entity, and such change does not meet the approval of Chengetedzai Depository Company.

Expulsion of a Participant

49. The Disciplinary Committee shall terminate the appointment of a Participant with Chengetedzai Depository Company under the following circumstances:

- a. in case the Participant commits breach of the provisions of these Rules and the Operational Procedures, in spite of repeated reminders from Chengetedzai Depository Company in this regard;
- b. in case the Participant exposes itself to risks which in the opinion of the Disciplinary Committee are not commensurate with Participant's net worth;
- c. if the quality of service rendered by the Participant is not satisfactory in the opinion of the Disciplinary Committee as evidenced by the complaints of its Beneficial Owner(s);
- d. if the Participant carries on its activities in a manner which is detrimental to the interest and continued existence of the CSD as well as the interest of the Beneficial Owners in general and the Participant ceases to carry on business.

Procedure for Expulsion/Suspension or other Disciplinary Action

50. (1) A Participant shall appear and testify before and cause its partners, Directors, representatives and employees to appear and testify before the Disciplinary Committee and shall produce before the Disciplinary Action Committee such books, correspondence, documents, papers and records or any part thereof which may be in its possession, power or control and which may be deemed relevant or material to any matter under inquiry or investigation.

(2) The Disciplinary Committee shall issue show cause notice to the concerned Participant who shall be required to reply within such time as may be specified in the show cause notice or within such extended time as may be granted by the Disciplinary Committee on an application made to it.

(3) The concerned Participant shall be entitled to a personal hearing. The Participant may appear himself or through his authorised representative at any hearing given by the Disciplinary Committee. However, a Participant shall not be entitled to appoint an advocate, counsel or attorney as his representative except with the prior consent of the Disciplinary Action Committee.

(4) The Disciplinary Committee, after taking into account the pleadings, written and oral explanation and arguments, shall pass a reasoned judgment. The Disciplinary Committee shall send a copy of its final judgment to Participant, Board of Directors and SECZ.

(5) The Participant shall have the right to appeal to Board of Directors against final order of Disciplinary Committee.

Imposition of Penalties

51. The Disciplinary Committee may pass an order censuring or imposing penalties or suspending/expelling a Participant for such period or such terms and conditions as the Disciplinary Committee deems fit.

Consequences of Suspension and Expulsion

52. (1) The suspension and or expulsion of a Participant shall have the following consequences namely:

(2) **Suspension of Participant's rights:** The suspended Participant shall during the terms of its suspension be deprived of and excluded from all the rights and privileges of a Participant;

- (3) **Participants rights forfeited:** The expelled Participant shall forfeit to Chengetedzai Depository Company its rights as a Participant and all rights and privileges as a Participant of Chengetedzai Depository Company including any right to the use any property or funds of Chengetedzai Depository Company, but any liability of any such Participant to Chengetedzai Depository Company or any other Participant shall continue and remain unaffected by its expulsion;
- (4) **Rights of Beneficial Owners unimpaired:** The suspension or expulsion shall not affect the rights of the Beneficial Owners of the suspended Participant;
- (5) **Rights of Other Participants unimpaired:** The suspension or expulsion shall not affect the rights of any Participants who has any claim against the suspended Participant;
- (6) **Office vacated:** The expulsion shall create a vacancy in any office or position held by the expelled Participant on any of its representation on any Committee;
- (7) **Rights of Creditors unimpaired:** The expulsion shall not affect the rights of the Participants who are creditors of the expelled Participant;
- (8) **Rights of pledgees unimpaired:** The suspension or expulsion shall not affect the rights of any pledgee in respect of securities of any Beneficial Owner held with the suspended Participant;
- (9) **Fulfillment of obligation:** The suspended or expelled Participant shall be bound to fulfill obligations outstanding at the time of its suspension as directed by Disciplinary Committee. Chengetedzai Depository Company shall have the power to fulfill all obligations towards the Beneficial Owners of the suspended Participant outstanding at the time of suspension of such Participant;
- (10) **Further business prohibited:** The suspended or expelled Participant shall not during the term of its suspension transact any business relating to Chengetedzai Depository Company with or through another Participant
- (11) **Participants not to deal with suspended or expelled Participant:** No Participant shall transact through the central securities depository, business for or with the suspended or expelled Participant during the term of its suspension except with the previous permission of the Disciplinary Action Committee.
- (12) In case of suspension or expulsion of a Participant, the Beneficial Owner shall have the option of either getting the securities held with the Participant transferred to another Participant or getting the securities rematerialised.

53. Notice shall be given to all other Participants on the system of Chengetedzai Depository Company of the termination, expulsion or suspension of business in relation to the operations of the CSD by a Participant or of any other charges, penalties imposed on it (on its partners, authorised representatives or other employees).

(2) **The** Disciplinary Committee may, in its absolute discretion and in such manner as it thinks fit, notify or cause to be notified to the Participants or to the Beneficial Owners and to public, that any person who is named in such notification has been expelled, suspended or has suspended its business or ceased to be a Participant.

Right of Appeal

54. Any Participant aggrieved by the decision passed by any delegated Committee shall have the right of appeal to the Board of Directors against the said order of the Committee. Further, the participant have the right to appeal to the Securities and Exchange Commission of Zimbabwe, as provided for by Section 108 of the Securities and Exchange Act [24:25], against decisions passed by the Central Securities Depository disciplinary committee.

The Procedure for Appeal

55. (1) An Appeal may be filed by a Participant within thirty days of receipt of the decision of the Disciplinary Committee. The Appeal may be made by filing with the Board of Directors a memorandum of appeal stating the reasons and grounds of the appeal against the decision/order of the Disciplinary Committee and must also state the relief sought, if any.

(2) The Board of Directors shall have the power to stay the operation of the final order passed by Disciplinary Committee for such period and on such terms and conditions as the Board of Directors may deem fit.

Consideration of Appeal

56. (1) The Appeal will be heard by the Board of Directors or Committee of Board of Directors to whom the power of hearing is delegated. At such hearing, the appellant may appear by himself or through his authorised representative. However, a Participant shall not be entitled to appoint an advocate as his representative except with the prior permission of the Board of Directors.

(2) Permission to appoint an advocate may be granted subject to approval by the Securities and Exchange Commission of Zimbabwe in accordance with section 108 of the Securities and Exchange Act.

(3) The time limit for the disposal of an appeal preferred to the Board of Directors shall be sixty calendar days from the date of making such appeal or such extended time as may be decided by the Board of Directors.

Dealing with Third Party Claims

57. (1) In the event of any claim made by any person in respect of any securities held in CSD by a Beneficial Owner being received in writing by the Participant through whom the securities are held by that Beneficial Owner, either directly from the claimant or through Chengetedzai Depository Company, the Participant shall forthwith advise Chengetedzai Depository Company and the Beneficial Owner of such claim.

(2) Chengetedzai Depository Company shall not act on such claim or notice in the absence of an appropriate order or directive of a competent Court, Tribunal or authority in respect of such claim.

(3) Chengetedzai Depository Company may, on receipt of such claim or notice, if it so deems fit, require the concerned Beneficial Owner to execute a suitable indemnity in favour of Chengetedzai Depository Company, as a condition to Chengetedzai Depository Company permitting the Beneficial Owner to continue dealing with the securities in dispute.

(4) Where such claim is received by Chengetedzai Depository Company, Chengetedzai Depository Company shall forthwith advise the Participant of such claim.

Disclaimer

58. Where any loss or damage is caused to or incurred by any party or person on account of any act of commission or omission or default in complying with the provisions of the Securities and Exchange Act [Chapter 24:25] or the Regulations or these Rules or the Operational Procedures or the agreements executed in pursuance thereof or on account of the negligence or fraud on the part of any Participant, Issuer, and Transfer Secretary or their employees, servants or agents, in the event of Chengetedzai Depository Company making good or being required to make good such loss or damage (or any part thereof) to such party or

person, Chengetedzai Depository Company shall be entitled to recover the amount so made good by it from the Participant, Issuer, and or Transfer Secretary in default.

Dispute Resolution

59.(1) Should any dispute arise between Chengetedzai Depository Company, Participants, Issuers or Transfer Secretaries in connection with the existence, implementation or interpretation of the Rules; application of the provisions of the Rules; their respective rights and obligations in terms of or arising out of the Rules; breach of the Rules; validity of the Rules or enforceability of the Rules, then that dispute must be referred to the Chief Executive Officer for escalation to the Board of Directors for resolution within 10 (ten) Business Days of such referral.

(2) Should the parties fail to resolve the dispute, the party who initiated the dispute must:

- a. refer the matter to mediation in accordance with Rules of Mediation below; should the matter not be able to be resolved through mediation, the party who initiated the dispute must refer the matter to arbitration in terms of Arbitration noted herein.

Mediation

60.(1) The mediation must commence within 10 (ten) Business Days of the failure by the parties to resolve the dispute in terms of Rules of Dispute Resolution.

(2) The mediator may be appointed by agreement between the parties, failing which the mediator must be appointed by the Chairperson of the Board of Directors.

(3) The venue and the procedure to be followed at the mediation must be determined by the mediator, who must give the parties reasonable notice of such venue and procedure.

(4) The mediation must not continue for a period longer than 15 (fifteen) Business Days unless the parties agree otherwise in writing.

(5) Should the parties resolve their dispute during mediation, the mediator must confirm such resolution in writing to the parties.

(6) Should the dispute not be resolved by mediation:

- a. the mediator must confirm the failure to resolve the dispute by mediation by sending confirmation of such failure in writing to both parties; and
 - b. the party initiating the dispute may refer the matter to arbitration within 20 (twenty) Business Days, or such other period as agreed between the parties, from the date of the letter of confirmation by the mediator.
- (7) The costs of mediation may be agreed by the parties and failing agreement must be shared equally between the parties.
- (8) Should the matter proceed to arbitration, the costs of the mediation may be claimed by either party, which claim shall be determined by the arbitrator at the conclusion of the arbitration.

Arbitration

- 61.**(1) Any dispute at any time between Chengetedzai Depository Company and the Participants or any failure by them to reach agreement in regard to any matter arising out of or in connection with use of the CDC's Central Securities Depository System, or arising in any way out of these Rules, shall be finally settled under the Rules of Arbitration as provided for in terms of the Arbitration Act [Chapter 7:15]:
- (2) The Arbitrator may be appointed by agreement between the parties to the dispute.
 - (3) Should the parties to the dispute fail to agree on the Arbitrator, the Arbitrator must be appointed by the Chairperson of the Arbitration Act [Chapter7:15]:
 - (4) The Arbitrator appointed must be a suitably qualified and skilled person with experience in the financial services industry.
 - (5) The Arbitration proceedings must be conducted in accordance with the Rules of the Arbitration Act [Chapter 7:15.]
 - (6) The arbitrator must make such order as to costs as he deems just.
 - (7) Either party may apply to Court for a temporary interdict or other relief of an urgent nature, pending the decision of the Arbitrator.

Exclusion

62. The above provisions on dispute resolution do not apply to any dispute regarding improper conduct.

Jurisdiction

63. All disputes between Chengetedzai Depository Company and Participant(s) or Issuer(s) or Transfer Secretary (ies) under these Rules and Operating Procedures shall be subject to the jurisdiction of the Courts in Zimbabwe.