

1. SECURITIES ACCOUNT OPENING

This function describes the procedures to be complied with by Participants with respect to accepting, verifying and filing of Securities Account Opening/Update Form and relevant documents.

- 1.1 The depositors will submit duly completed and signed Securities Account Opening form CSD 1 together with a copy of his/its identification document to the Broker/Custodian. In addition, the depositor, if an individual, will be required to submit to the Depository Participant two recent passport size photographs of him. Where the depositor is a corporate body, association or other entity the passport size photographs required will be of all signatories or directors or officers authorized to give any instructions on the account. The photograph should at no time be more than 5 years old
- 1.2 The Broker/Custodian shall ensure full disclosure of depositor's relevant KYC information, verify the accuracy thereof and **witness** depositor's signature.
- 1.3 Where the depositor approaches the Broker, the broker shall submit the forms and documents to the Custodian of the depositor.
- 1.4 The Custodian shall enter the data obtained from the Securities Account Opening/Update Form submitted by the depositor into the CSD system.
- 1.5 CSD system will generate a CSD Account Number
- 1.6 The Custodian will enter the Depositor Identification number in the form and will return to the depositor a copy of Securities Account Opening/Update Form, duly signed.
- 1.7 For the purpose of opening accounts(**whether initially or upon moving to a new Custodian**), national identity cards and passports shall be acceptable identification documents for individuals and certificates of incorporation or other registration documents issued by a duly authorized government office, for companies and other entities.
- 1.8 The Custodian must ensure it retains copies of identification documents to assist it identify its depositors. Custodians must also ensure the safe custody of specimen signatures and passport size photographs of their depositors.

- 1.9** Custodians should submit completed Securities Account Opening Form to the CSD, within 48 hours after opening the account. Failure to do so will attract a fine of \$100 per batch of accounts per day.

2. SECURITIES ACCOUNT MAINTENANCE

This function describes the procedures to be complied with by Depository Participants with respect to changing particulars of depositors and filling of relevant documents.

- 2.1** Where the depositor wishes to change any particulars submitted when opening an account, the depositor will submit duly signed Securities Account Opening/Update Form (CSD 1) indicating the desired changes together with any supporting documents to his Broker/Custodian
- 2.2** Where the depositor approaches the Broker, the broker shall submit the forms and documents to the Custodian of the depositor
- 2.3** The Custodian will verify the accuracy of information provided by the depositor **and authenticate the signature** before submitting the documents to CDC.
- 2.4** The Custodian will confirm the changes to the depositor by returning a copy of the Securities Account Opening/Update forms, duly signed, stamped and dated.
- 2.5** The Custodian will forward a copy of the forms to CDC within 2 market days of receipt and CDC will effect the change within two (2) market days.
- 2.6** The Custodian will keep its copy of the Securities Account Opening/Update Form.
- 2.7** The CSD will suspend or close Securities Account upon receipt of written instructions to do so together with supporting documents from a depositor through the Custodian.
- 2.8** The Securities in the suspended Securities Account will no longer be available for settlement of other transactions until suspension is released.

3. SECURITIES DEPOSIT

This section describes the procedures to be complied with by respect to accepting, verifying, filing of Securities Deposit Forms and Certificated Securities and their onward transmission to Transfer Secretaries/Issuer

- 3.1** The depositor will submit in quadruplicate completed and signed Securities Deposit Form CSD2 and the relevant Securities certificates to his Broker/Custodian.
- 3.2** Where the depositor has approached the Broker first, the broker will submit the forms and certificates to the depositor's Custodian
- 3.3** The Custodian will verify the accuracy of information provided in the Securities Deposit form.
- 3.4** The Custodian will acknowledge receipt of the documents by returning to the depositor a copy of the Security Deposit Form, duly signed, stamped and dated, and Capture the securities details onto to the CSD system, pending authorisation by the Issuer/Transfer Secretary
- 3.5** The Custodian will deliver three copies of duly signed Securities Deposit Form together with certificated securities to the Issuer/Transfer Secretary within one business day after depositing securities in the CSD system.
- 3.6** The cut-off time for submission of Securities Deposit Forms by Custodians is 3:30 pm daily
- 3.7** Where the custodian misses the cut-off time for submission, the Transfer Secretary shall have the right to cancel all deposits pending authorisations, but whose paperwork has not been received.
- 3.8** The Custodian will be required to indemnify the Transfer Secretary of any consequences as a result of erroneous capturing of information, negligence or fraud perpetrated by their officers during the initiation of the Dematerialisation process.
- 3.9** The Issuer/Transfer Secretary will acknowledge receipt of deposit documents by handing over a copy of Securities Deposit Form, duly signed, stamped and dated to the Custodian.
- 3.10** The Issuer/Transfer Secretary, after confirming their authenticity, will authorize the deposit in the CSD system.



- 3.11** The Issuer/Transfer Secretary will be required to indemnify CDC of any consequences as a result of erroneous authorisation of securities in accounts.
- 3.12** Any rejected documents will be returned by the Issuer/Transfer Secretary to the Broker/Custodian, and the reasons for rejection noted in writing.
- 3.13** The Issuer/Transfer Secretary will, after authorizing of deposited Securities, register the Securities in the same name of CDC or its nominees.
- 3.14** The Issuer/Transfer Secretary shall issue certificates for securities deposited with the CDC. The certificate will be in the name of the CDC or its nominees.
- 3.15** Issuer/Transfer Secretary will forward the new certificates to CDC, together with the Securities Deposit Form within 48 hours, and shall submit documents by 3:30 pm.
- 3.16** CDC will acknowledge receipt of the certificates by Stamping on the Securities Deposit Form, which will be returned to the Issuer/Transfer Secretary
- 3.17** CDC send back, on monthly basis, the batch of new certificates to be consolidated into a Jumbo Certificate
- 3.18** The Jumbo Certificate will then be retained by CDC in Safe Custody.

DEMATERIALIZATION PROCESS

The Investor (physical scrip holder) approaches the DP (Stockbroker/Custodian) with share certificates and completes a **SECURITIES DEPOSIT FORM**



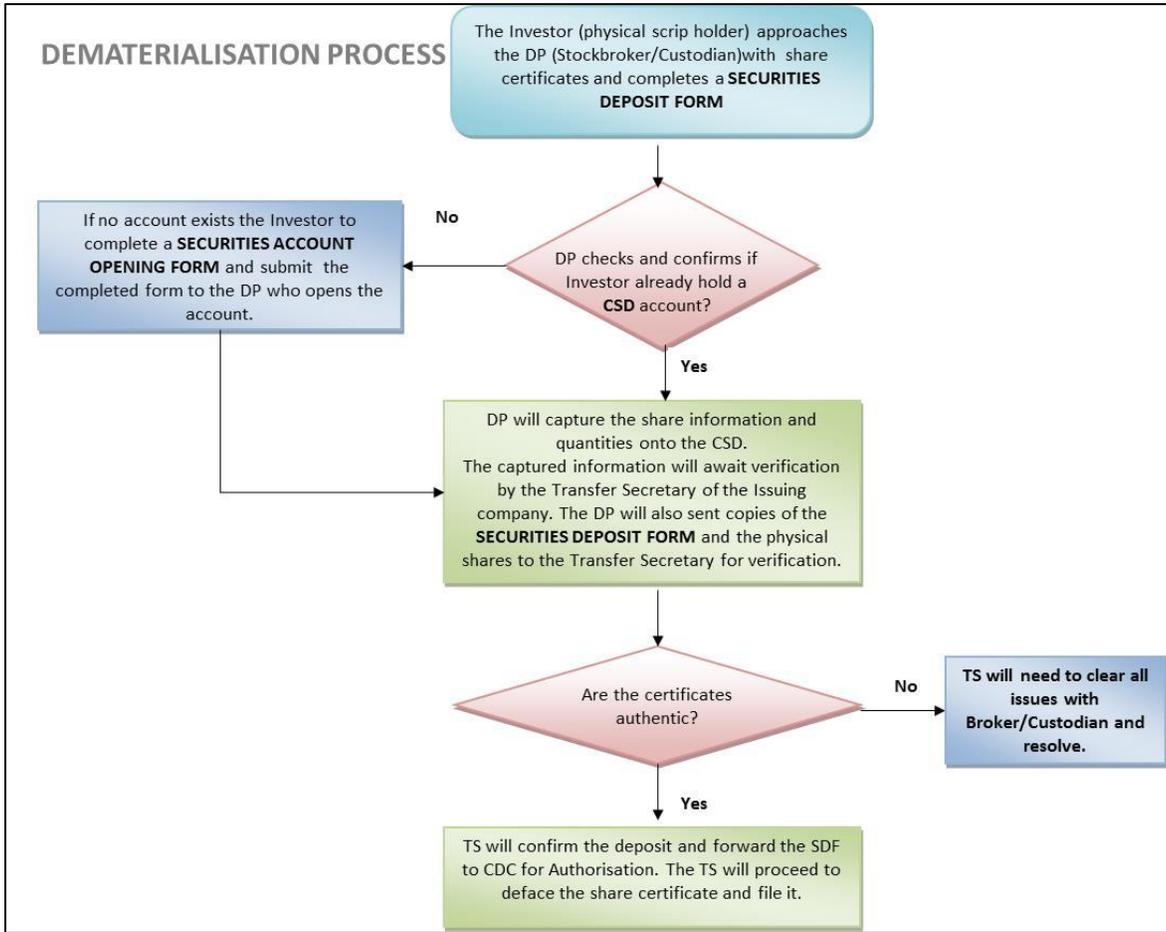
If no account exists the Investor to complete a **SECURITIES ACCOUNT OPENING FORM** and submit the completed form to the DP who opens the account.

DP will capture the share information and quantities onto the CSD. The captured information will await verification by the Transfer Secretary of the Issuing company. The DP will also send copies of the **SECURITIES DEPOSIT FORM** and the physical shares to the Transfer Secretary for verification.



TS will need to clear all issues with Broker/Custodian and resolve.

TS will confirm the deposit and forward the SDF to CDC for Authorisation. The TS will proceed to deface the share certificate and file it.



4. TRADES

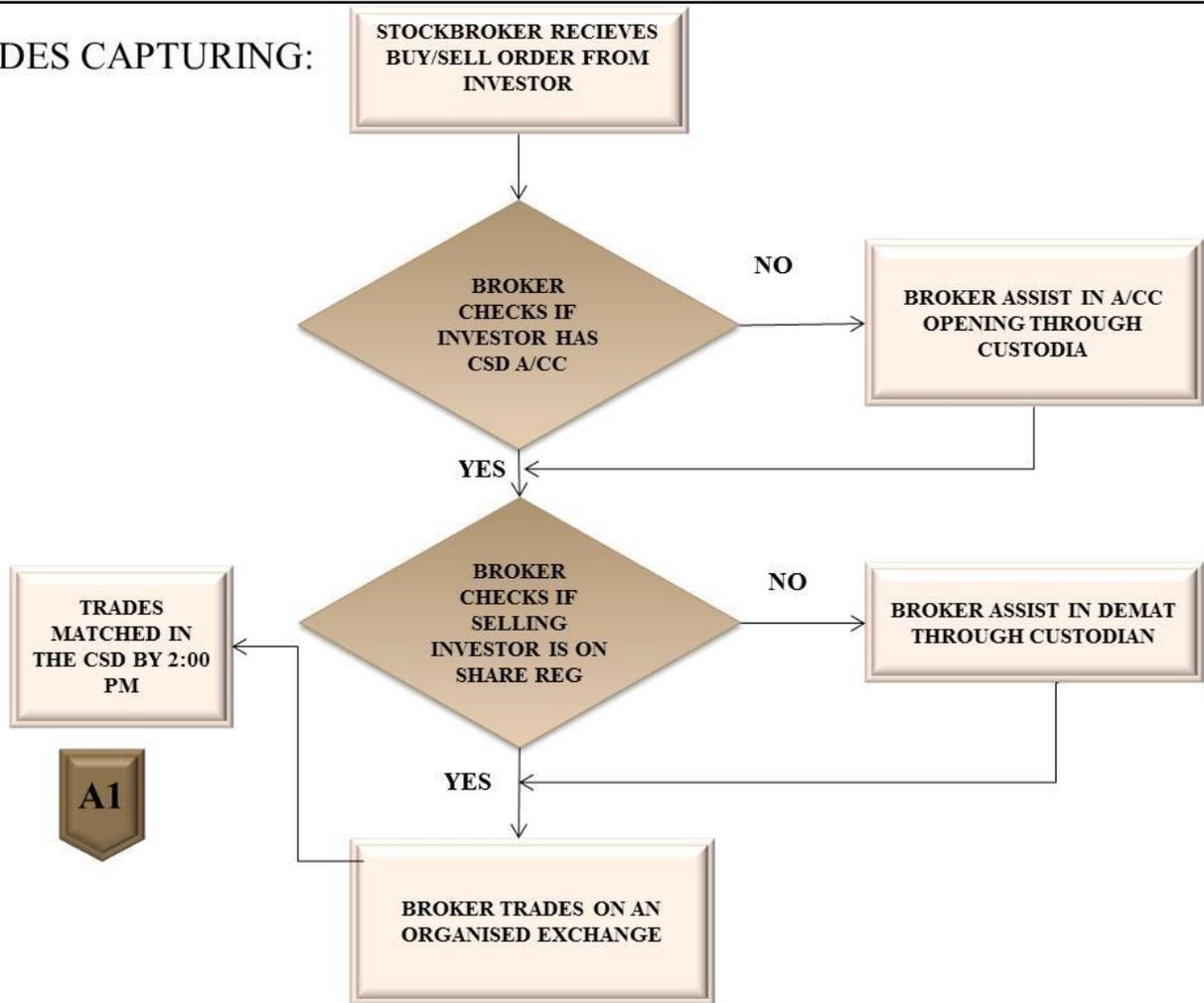
This function describes the procedures to be complied with by the Depository Participants for trades effected on the Stock Exchange with respect to:

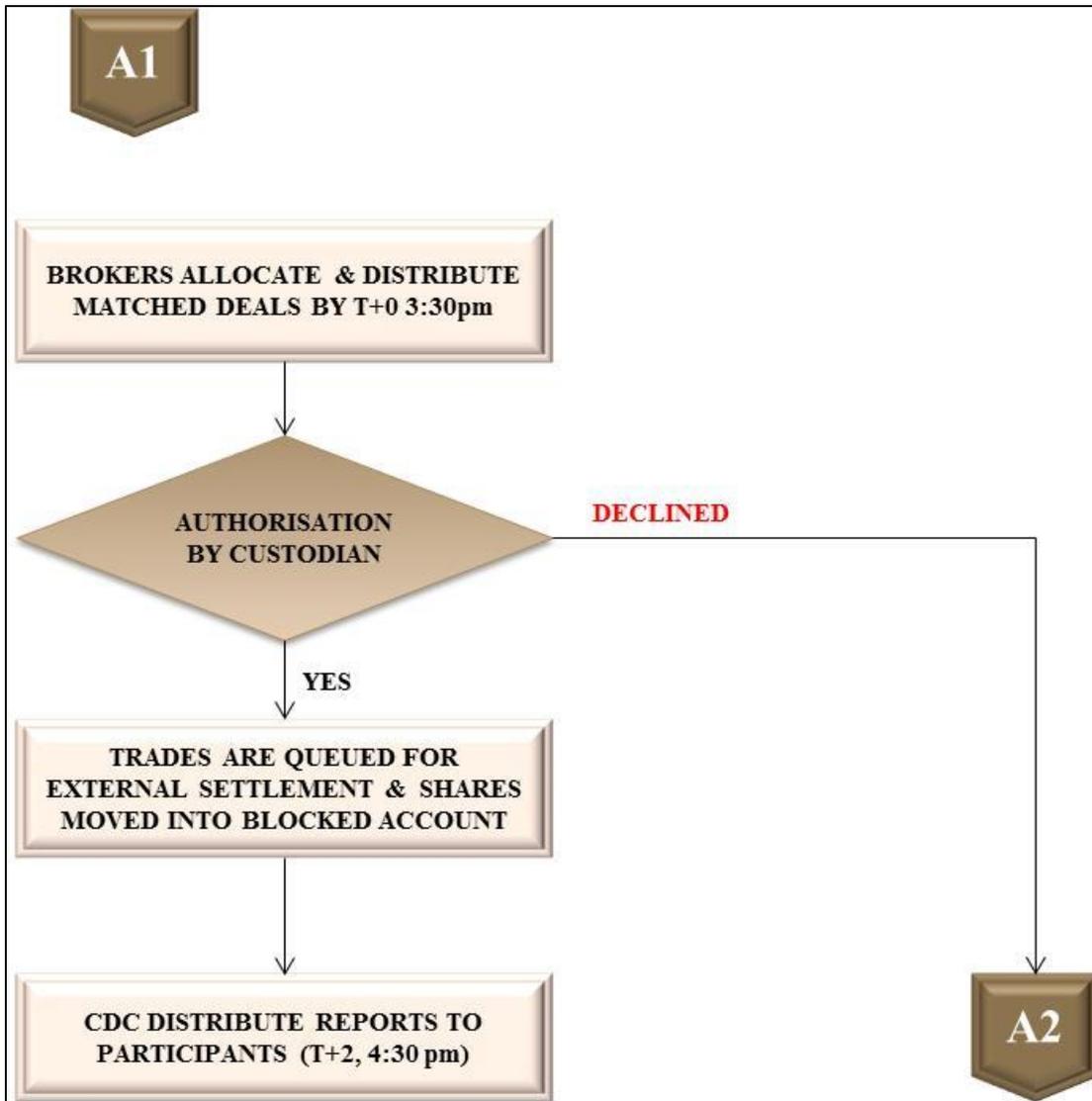
1. Accepting buying/selling orders of the Securities from Depositors
2. Providing trade details and depositor information to the CDC

4.1 ORDER INPUT

- 4.1.1 Broker receives orders together with the Investor's CSD Account and checks Custodian of the investor. Where the investor is selling, the broker verifies shareholding in the CSD system by downloading the share register.
- 4.1.2 Brokers trade on the Zimbabwe Stock Exchange according to ZSE member rules.
- 4.1.3 Trades are uploaded and matched in the CSD System using the Matched Deals report, that is generated by the ZSE, at **2:00 p.m**
- 4.1.4 The CSD System will generate a unique CSD transaction number for each trade has been matched, upon which trades will be queued for Allocation/Distribution to Beneficial Owners
- 4.1.5 Upon successful confirmation of trades with the Beneficial Owner (outside the CSD system), the brokers will send deal notes to custodians by **T+0 3:30 pm**
- 4.1.6 Brokers to Allocate/Distribute trades in the CSD by **T+0 3:30 pm**
- 4.1.7 After Allocation/Distribution, trades will be queued pending acknowledgement by the Custodian of the Beneficial Owner. After successful Affirmation, the trades will be queued pending External Settlement
- 4.1.8 At the stage 4.1.7 above, the shares are moved from the Selling Investor's Available Account into Blocked Account (both account under the management of the custodian) pending successful Cash Settlement.
- 4.1.9 CDC will make available to Custodian Banks Initial Settlement Reports in respect of transactions allocated to their depositors by Stockbrokers on **T+2 by 4.30 p.m.** CDC will ensure that the reports are collected by hand or other means agreed with each such Custodian Bank and that receipt thereof is acknowledged by a duly authorized representative of the Custodian Bank. Procedure 4.2 will thereafter apply.

TRADES CAPTURING:





4.2 REJECTION OF TRADES BY CUSTODIAN

4.2.1 Custodians will have up to **T+2, 3:30pm** to authorise or to decline authorisation of trades that have been allocated/distributed to their depositors by stockbrokers. Any trade not so declined authorisation by **T+2 3:30 pm** shall be deemed accepted by custodian.

4.2.2 Where the custodian declines authorisation of a deal they must indicate in the system the reasons for declining the transactions

4.2.3 Where a custodian refuses to accept a trade on the grounds listed in 4.3, the procedures in 4.4 shall thereafter apply.

4.3 GROUNDS FOR CUSTODIAN TO REJECT DEALS

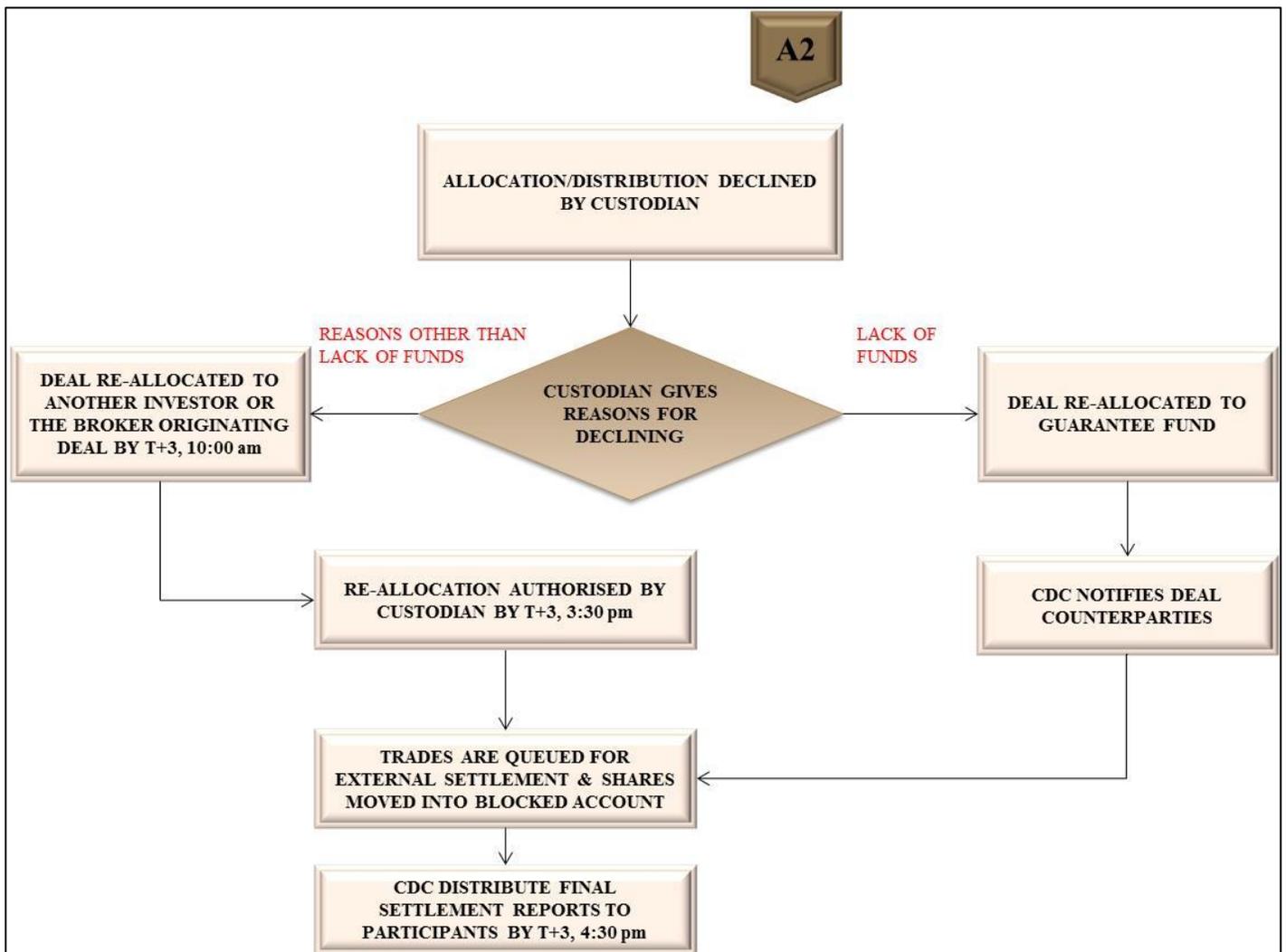
The Custodian may reject a deal on one or all of the following grounds:

- 4.3.1 Where Investor's CSD Account Number quoted on the deal note differ from the details in the CSD system (Unmatched Allocations/Distributions)
- 4.3.2 The name of the security, quantity and market price of shares allocated/distributed in the CSD system is different from the Client's Instruction.
- 4.3.3 Where the broker traded outside the bounds of a limit order according to client's instruction
- 4.3.4 Where the trade date differs from the client's instructions
- 4.3.5 Where there are no clients instructions to support the deal
- 4.3.6 Where the client has insufficient funds, the custodian shall have the right, but not an obligation, to reject the transactions, provided however that, should the custodian authorise such a transaction, they shall be liable for settlement of such a transaction
- 4.3.7 Where the client has insufficient shares to cover the deal total

4.4 ACTIONS AFTER CUSTODIAN REJECT DEALS

- 4.4.1 Where the transaction is rejected according to 4.3.1 above, the broker will reallocate the trade to the correct investor on **T+3 10:00am**. In the absence of such a depositor, CDC shall allocate the deal to the broker originating the transaction. Once the trade is re-allocated, the trade must subsequently be authorised by the relevant Custodian by **T+3, 3:30 pm**
- 4.4.2 Where the transaction is rejected according to **4.3.2, 4.3.3, 4.3.4 and 4.3.5** above, CDC shall allocate the deal to the broker originating the transaction, by **T+3, 10:00 am**. Once the trade is re-allocated, the trade must subsequently be authorised by the broker's sponsoring Custodian by **T+3, 3:30 pm**.

4.4.3 Where the transaction is rejected according to 4.3.6 above, the deal shall be re-allocated by CDC to the Guarantee Fund and settled according to Guarantee Fund procedures. CDC will notify the counterparty broker and custodian of this incidence. This deal shall settle starting on T+5 or rolled over to future date according to Guarantee Fund procedures. Further, a penalty of **0.2% of the market value of the transaction shall be levied against the defaulting client.**



4.4.4 Where an allocation is rejected according to 4.3.7 above, procedures 4.5 shall apply

4.5 CLIENT DOES NOT HAVE SUFFICIENT SECURITIES

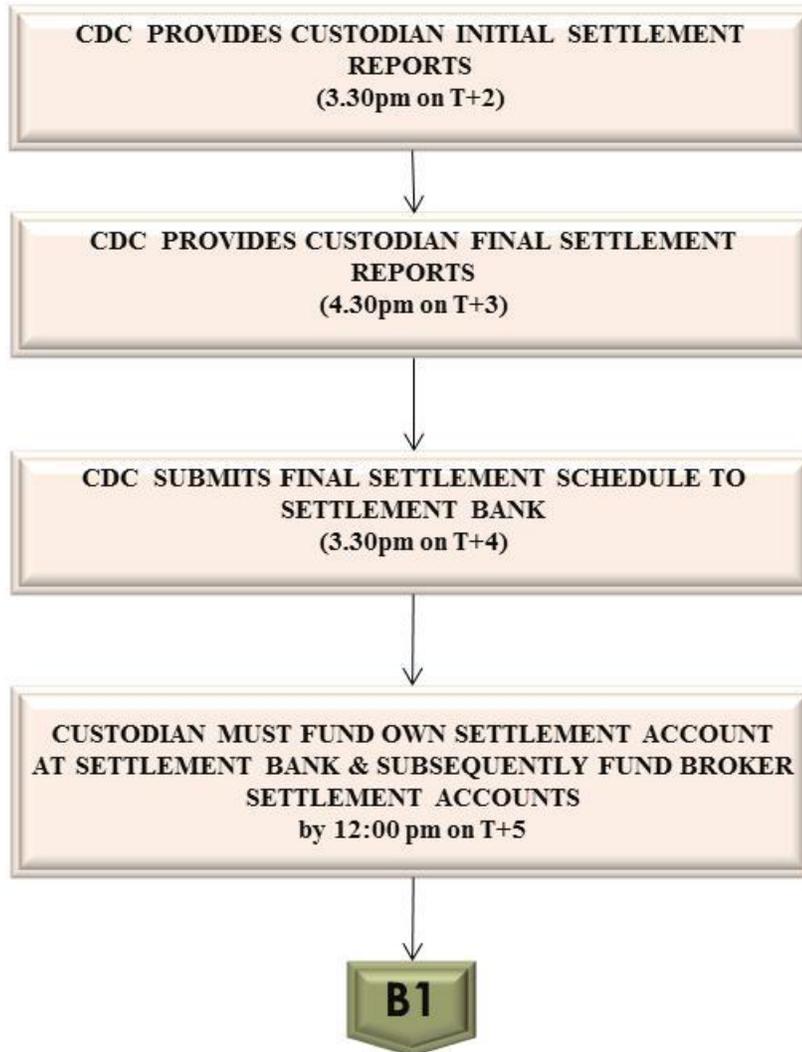
- 4.5.1 The broker shall be allowed to re-allocate to a client with sufficient securities by **T+3, 10:00 am**, and the custodian of the new client shall authorise the re-allocation by **T+3, 3:30 pm**
- 4.5.2 Where a broker cannot re-allocate securities to a client with sufficient securities, the CSD system withhold the deal affected for settlement on **T+5**, pending delivery of securities. Should the securities be delivered, by **T+6**, the deal shall be sent for settlement
- 4.5.3 A penalty equivalent to **0.2 %** of the value of the transaction shall be imposed to the broker per day, on deals that are past the original settlement date, but whose securities are pending delivery
- 4.5.4 Where securities are not available by **T+6**, CDC shall add 15 days to the settlement cycle and initiate a buy-in.
- 4.5.5 The defaulting broker shall be required to buy the securities on the market within 5 trading sessions and the Trade shall be provisionally allocated to the defaulting broker's **Provisional Account** established for this purpose for subsequent delivery to the initial buyer.
- 4.5.6 Trades affecting the Broker's provisional account shall only be allowed in procedures 4.5.
- 4.5.7 Once the defaulting Broker acquires the required amount of securities, the original failed trade shall be allocated to the defaulting Broker's provisional account and settled at most three days after full buy-in.
- 4.5.8 If the buy-in is not successful within five trading sessions, the Trade shall subject to the decision of the Risk and Compliance Committee be cancelled and the defaulting broker shall be liable to pay a penalty of **2%** of the value of the transaction **at the ruling market price** (pro-rata in case of partial fill). **25%** of this amount will be given to the buyer in the failed transaction as compensation. The remaining **75%** shall be retained by the CDC as processing fee.

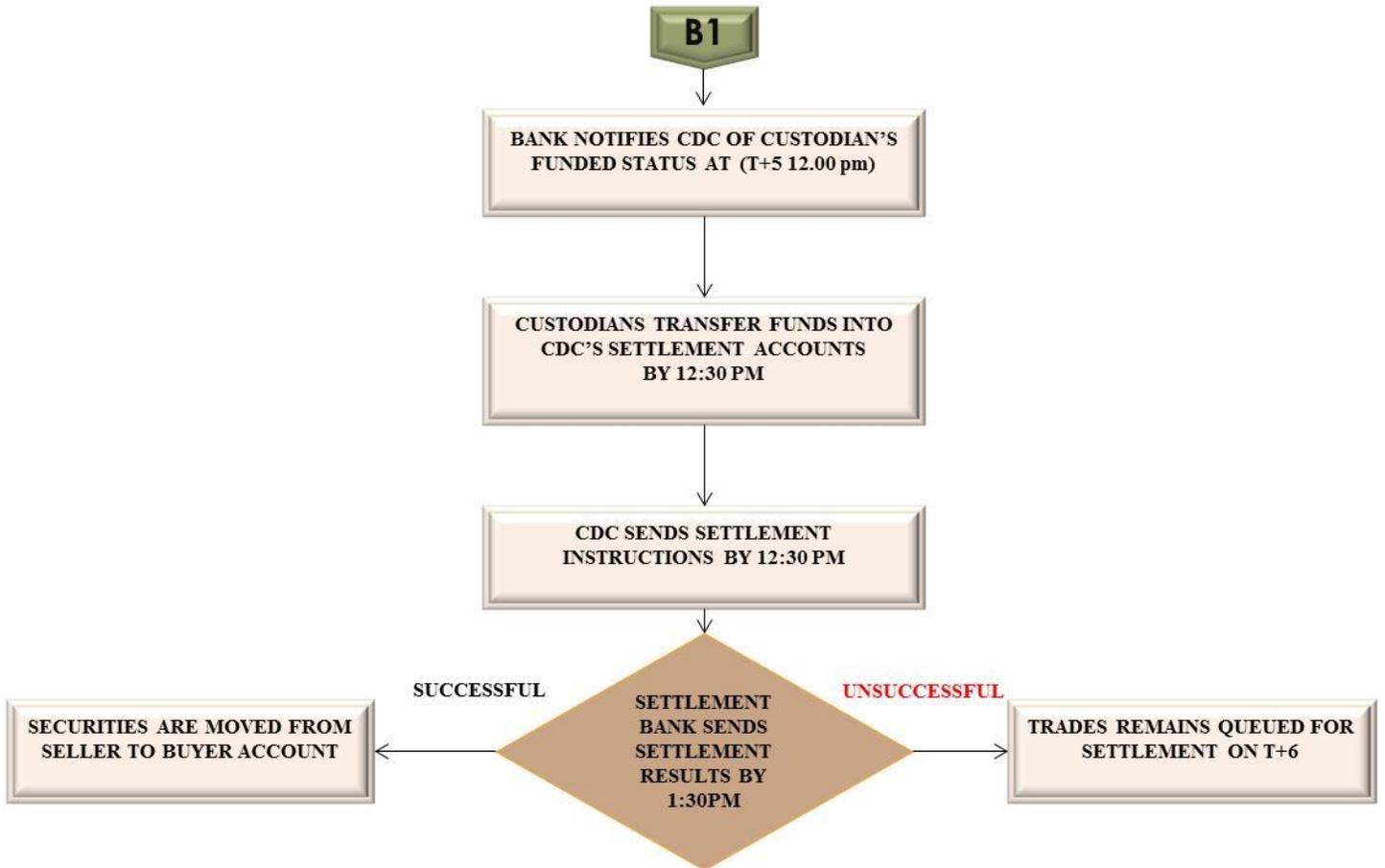
5. CLEARING AND SETTLEMENT

This function stipulates the procedures to be complied with by the Depository Participants in respect of reporting and confirming transactions to the CDC to clear and settle such transactions through the services of CDC.

5.1 SECURITIES AND FUNDS SETTLEMENT

- 5.1.1 CDC will provide Custodian Banks with their respective Initial Settlements Reports **by 4.30 pm on T+2**
- 5.1.2 CDC will provide Custodians and Stockbrokers with their respective Final Settlement Reports **by 4.30 pm on T+3**
- 5.1.3 CDC will submit to the Settlement Bank a Final Settlement schedule by **3.00 p.m. on T+4**
- 5.1.4 Each Custodian must have funds **available** in the Custodian Settlement Account at the Settlement Bank in accordance with the Final Settlement Report before **12:00 p.m. on T+5**.
- 5.1.5 In the event that there are inadequate funds for settlement by **T+5, 12:00 p.m.**, the Settlement Bank will notify CDC.
- 5.1.6 The custodian/settlement bank shall move funds to CDC's Settlement Accounts, segregated by the broker originating the deal on **T+5, 12:30 p.m.**
- 5.1.7 CDC will send to the Settlement Bank, a Settlement file in respect of trades for settlement on **T+5, 12.30 p.m.**
- 5.1.8 The settlement Bank shall carry out settlement in accordance with the Settlement Instructions, by **1.30 p.m. on T+5**.
- 5.1.9 The Settlement Bank will confirm settlement of funds by exchanging message files via a file adapter to the CDC immediately whereupon CDC will forthwith transfer the securities. The settlement of funds and movement of securities shall in any case occur by **2.00 p.m on T + 5**.





5.2 AMENDMENTS TO THE SETTLEMENT INSTRUCTIONS

- 5.2.1 CDC will provide Amended Settlement Schedules and Amended Settlement Instructions to the Settlement Bank in the event of funds or securities failure.
- 5.2.2 In case of funds default CDC will effect funds settlement as outlined in Procedure 5.3
- 5.2.3 In case of securities default CDC will effect settlement as outlined in Procedure 5.4

5.3 FUNDS DEFAULT BY CUSTODIAN

- 5.3.1 The settlement Bank will inform CDC of any short fall in the funds settlement by **1.30 p.m. on T+5** and will **Roll Over** the fund settlement to **T+6**
- 5.3.2 CDC will provide for the short fall in accordance with the Guarantee Fund procedures, by **T+6** by **12.30 p.m.**
- 5.3.3 CDC will submit to the Settlement Bank an amended Settlement Instruction by **T+6 12.30 p.m.**
- 5.3.4 The Settlement Bank will proceed with funds settlement in accordance with the amended Settlement Instructions by **1.30 pm on T+6.**
- 5.3.5 The Settlement Bank will confirm settlement of funds to CDC by **1.30 p.m., on T+6**, whereupon CDC will proceed with posting of trades for the day.
- 5.3.6 The defaulting custodian shall pay **0.2%** of the market value of the total transactions under default per day, until settlement is done.

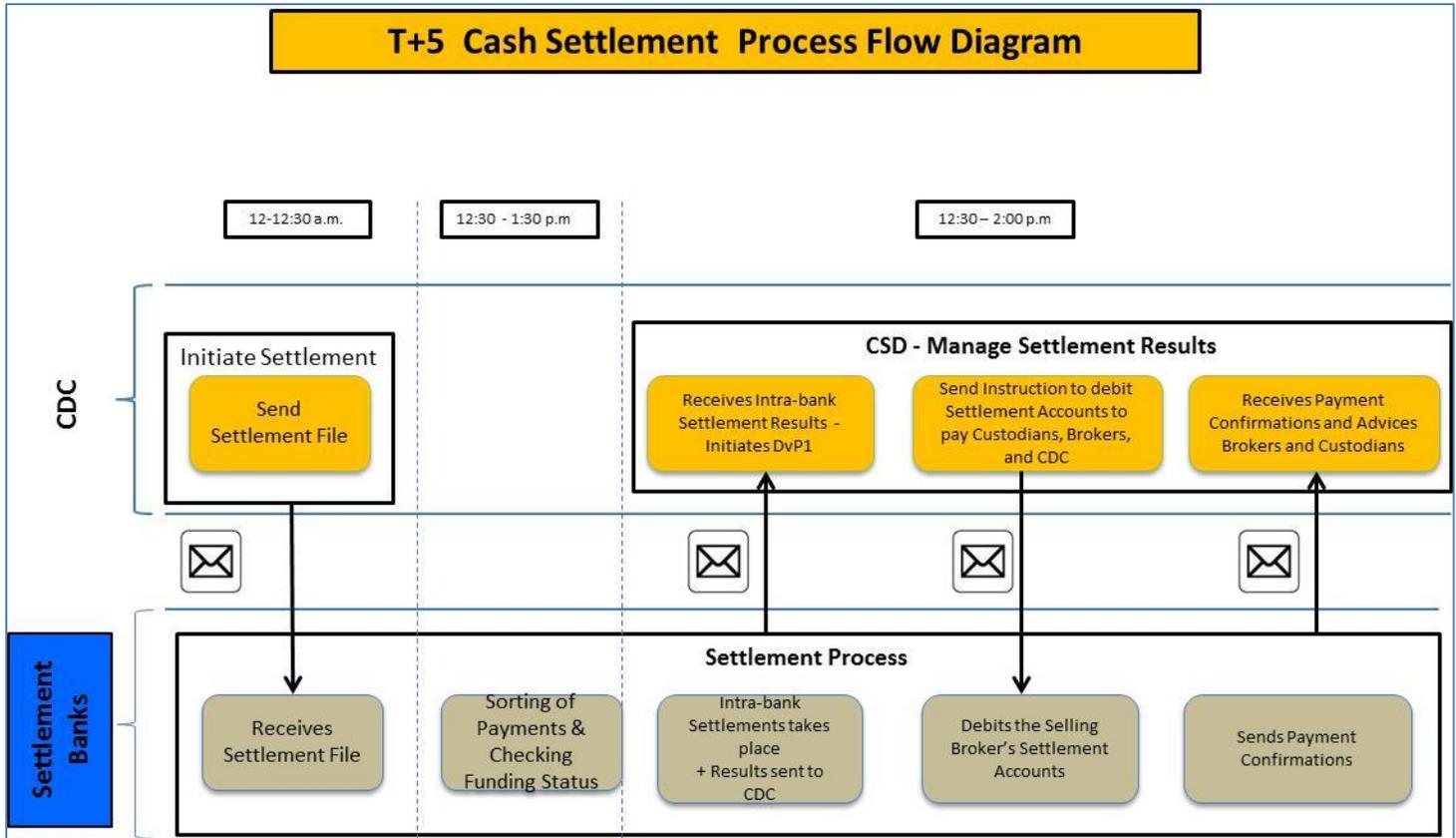
5.4 FAILURE TO SETTLE DUE TO LACK OF SECURITIES

- 5.4.1 Buy-in will be done by the defaulting stockbroker, under the supervision of the Securities Exchange.
- 5.4.2 The CDC will inform the Stock Exchange of the buy-in by **9:00 am** on the fifth Business Day following the Business Day on which the trade took place (**T+5**), and will provide the Stock Exchange with the following details:
 - 5.4.2.1.1 The defaulting Stockbroker,
 - 5.4.2.1.2 The security, its price and quantity undelivered.
- 5.4.3 The Stock Exchange will ensure that the buy-in trade is done.
- 5.4.4 Partial fill for the quantity to be purchased will be allowed in each of the buy-in trade sessions.
- 5.4.5 An amended settlement instruction will be sent to the settlement bank in not more than 3 working days after successful buy-in by the defaulting broker.

6. SETTLEMENT BANK PROCESS FLOW

- 6.1** Settlement and Collection Accounts should be opened under CDC, and are identified by name of the underlying broker
- 6.2** CDC will require full access to the settlement accounts through Electronic banking
- 6.3** Settlement Accounts are used by buying brokers for settlement purposes
- 6.4** Collection Accounts shall receive settlement proceeds on behalf of the Selling broker
- 6.5** Both Settlement Banks shall open Accounts identified by the names **ALL** brokers (14 Accounts)
- 6.6** CDC will decide which Accounts are for settlement and for collection purposes
- 6.7** Settlement will therefore be intra-bank as the paying bank will credit the Collection Account of selling broker
- 6.8** CDC will give instructions to debit Collection Accounts as follows:
 - 6.8.1** in favour of the custodian of the beneficial owners with net sell proceeds
 - 6.8.2** in favour of the brokers for proceeds relating to transaction costs, e.g. brokerage fee, taxes and levies

T+5 Cash Settlement Process Flow Diagram



7. WITHDRAWALS

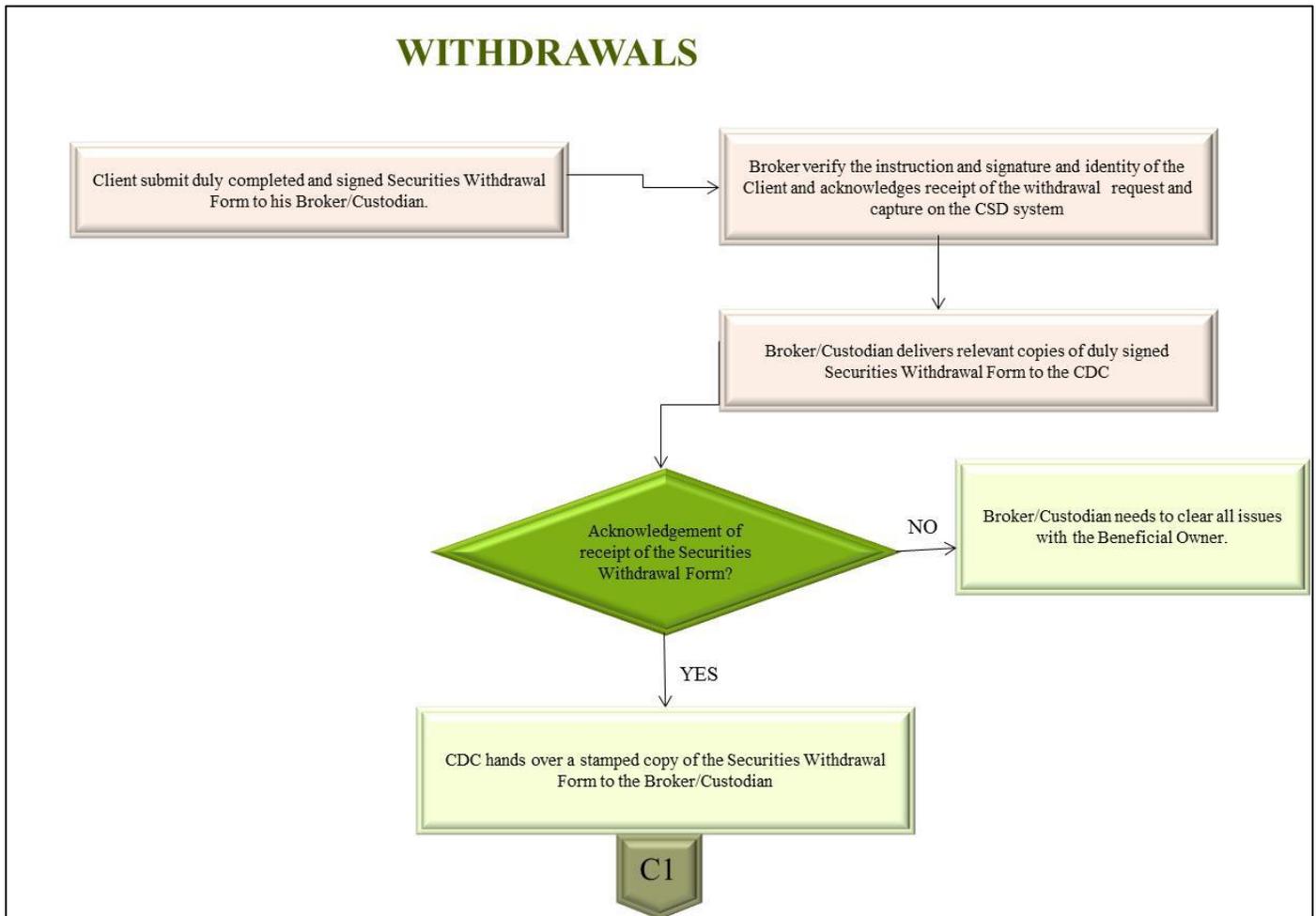
This function describes the procedures to be complied with by the Depository Participants with respect to accepting, verifying, and filing of Securities Withdrawal Form and submission of withdrawal documents to the CDC.

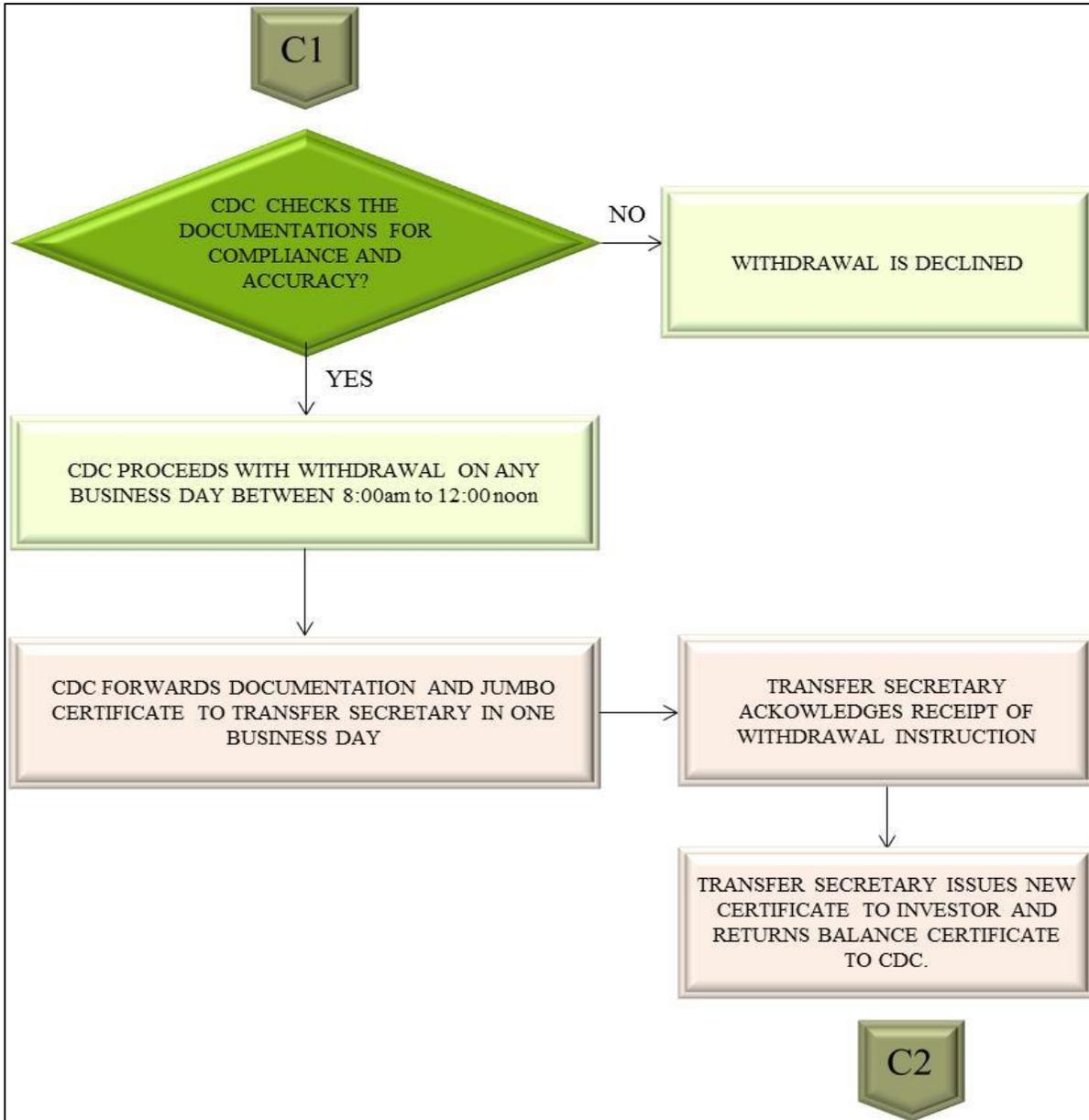
- 7.1 The Depositor will submit in quadruplicate duly completed and signed Securities Withdrawal Form CSD 3 to his Custodian.
- 7.2 The Custodian will verify the instruction and signature and identity of the depositor and will acknowledge receipt of the withdrawal request by returning to the depositor a copy of the Securities Withdrawal Form, duly signed, and capture on the CSD system.
- 7.3 The Custodian will deliver by its authorized personnel relevant copies of duly signed Securities Withdrawal Form to the CDC.
- 7.4 The CDC will acknowledge receipt of the Securities Withdrawal Form by handing over a stamped copy of the Securities Withdrawal Form to the Broker/Custodian.
- 7.5 The CDC will check whether information provided in the documents are in conformity with the CSD Rules and Procedures and proceed with the withdrawal of securities.
- 7.6 The CDC will reject, giving reasons for rejection, and return for collection by Broker/Custodian's authorized personnel incomplete withdrawal documents.
- 7.7 CDC will accept request for withdrawal of securities from Broker/Custodian between 8.00am to 12.00 noon on any Business Day.
- 7.8 CDC will within one business day forward the Securities Withdrawal Form duplicate together with Jumbo certificate registered in the name of CDC or its nominee to the Issuer/Transfer Secretary.
- 7.9 The Issuer/Transfer Secretary will immediately acknowledge receipt of the withdrawal documents by returning to the CDC the duplicate of the Securities Withdrawal Form, duly signed.
- 7.10 The Issuer/Transfer Secretary will issue a Securities certificate registered in the name of the depositor within a period of 14 days and issue the **Balance Jumbo certificate** accordingly.

7.11 The CDC will upon receipt of the Jumbo Certificate verify contents and acknowledge receipt by issuing a receipt to the Issuer/Transfer Secretary.

7.12 The Issuer/Transfer Secretary will make available the Securities certificate to the Broker/Custodian or the Beneficial Owner as it may deem appropriate.

8.1.13 The CDC shall charge a fee of USD 75.00 per certificate for every withdrawal.





8. TRANSFER OF ACCOUNTS

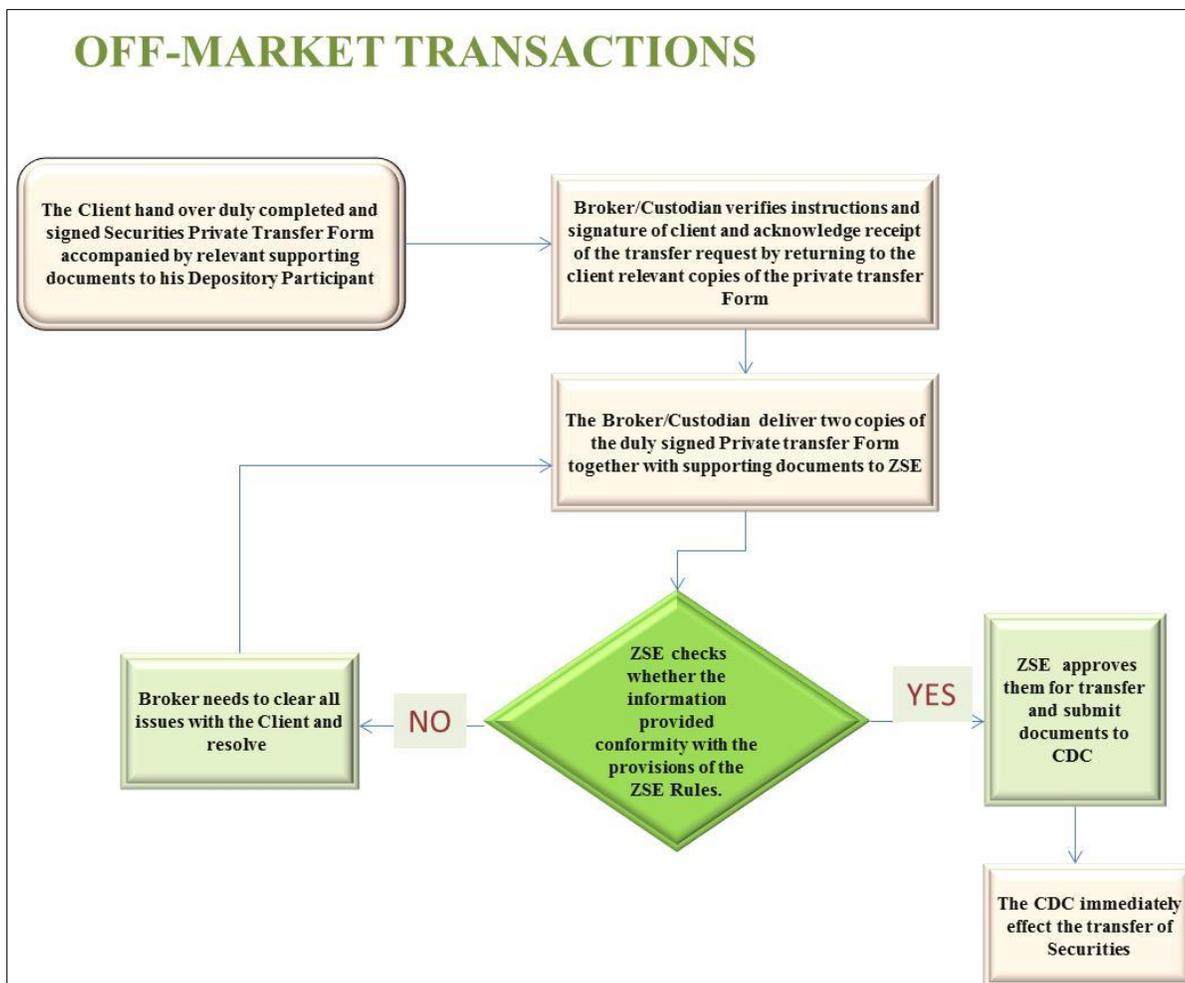
This function describes the procedures to be complied with by the Broker/Custodian with respect to accepting, verifying, filing of Securities Transfer Forms and submission of the Transfer Documents to CDC.

- 8.1** The Depositor will submit in triplicate duly completed and signed Securities Transfer Form to his current and receiving Broker/Custodian. The receiving Broker/Custodian shall ensure that the depositor signs a new Account Opening Form and submits supporting documents for its records.
- 8.2** The Current and receiving Broker/Custodian will verify the instructions and signature of depositor and will acknowledge receipt of the transfer request by returning to the depositor a copy of the Securities Transfer Form, duly signed and stamped.
- 8.3** The Current and Receiving Broker/Custodian will deliver by its authorized personnel relevant copies of duly signed Securities Transfer Form to CDC.
- 8.4** Requests for transfer of securities accounts from current and receiving Broker/Custodian must reach CDC by 12:00 pm, if the transfer is required the same day. Transfers received after 12:00pm will be processed the following day.
- 8.5** The CDC will acknowledge receipt of transfer of documents by handing over a copy of the Securities Transfer Form, duly signed and stamped.
- 8.6** CDC will check whether the transfer request is in conformity with the CSD Rules and Procedures and will immediately effect the transfer of Securities: or
- 8.7** The CDC will within one business day reject, giving reasons for rejection, and return for collection by current and receiving Broker/Custodian's authorized personnel incomplete transfer documents.

9. OFF MARKET TRANSACTIONS

This section stipulates the procedure to be completed with by the Depository Participants with respect to:

1. Hereditary transfer of securities already deposited in the CDC
2. Transfer of eligible securities between custodians and between custodians and their depositors
3. Donations
4. Gifts
5. Other dispositions of eligible securities with prior regulatory approval

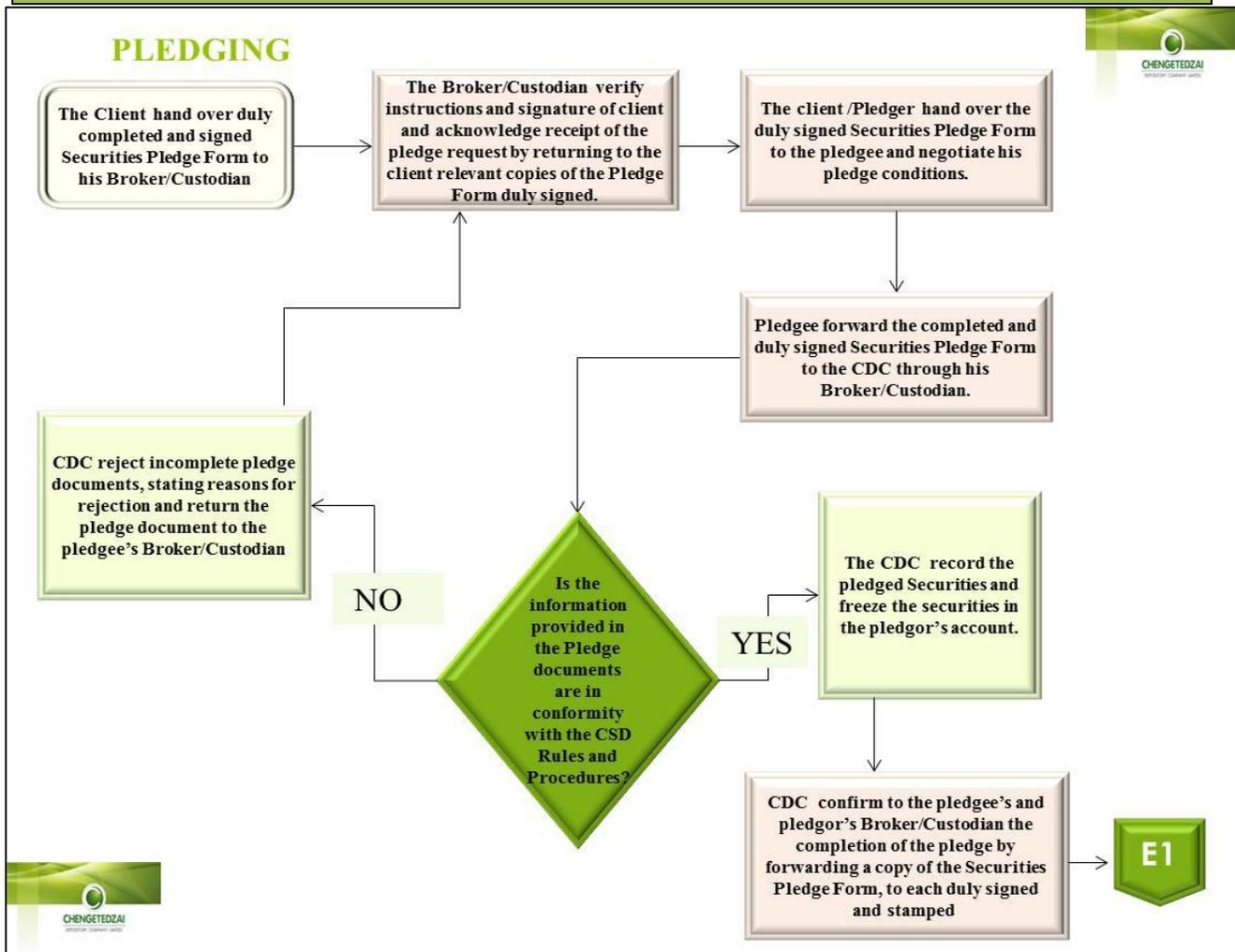


- 9.1** The Depositor will hand over duly completed and signed Securities Private Transfer Form CSD 7 accompanied by relevant supporting documents to his Depository Participant
- 9.2** The Broker/Custodian will verify instructions and signature of depositor and will acknowledge receipt of the transfer request by returning to the depositor relevant copies of the private transfer Form duly signed, stamped and dated
- 9.3** The Broker/Custodian will deliver two copies of the duly signed Private transfer Form together with supporting documents to ZSE
- 9.4** The ZSE will check whether the information provided in the Private transfer Form is in conformity with the provisions of the ZSE Rules for private transfers. If they fulfill all laid down requirements, ZSE shall approve them for transfer and submit documents to CDC.
- 9.5** The CDC will immediately effect the transfer of Securities.

10. PLEDGING PROCEDURES

This section stipulates the procedure to be complied with by Depository Participants with respect to:

1. Pledge of securities already deposited in the CDC,
2. Release of pledge upon termination of the pledge,
3. Foreclosure on securities pledged in the CDC ,and
4. Foreclosure on the securities pledged with the Issuer,



10.1 PLEDGES IN THE CSD

- 10.1.1 The Depositor will hand over duly completed and signed Securities Pledge Form to his Broker/Custodian
- 10.1.2 The Broker/Custodian will verify instructions and signature of depositor and will acknowledge receipt of the pledge request by returning to the depositor relevant copies of the Pledge Form duly signed.
- 10.1.3 The depositor /Pledgor will hand over the duly signed Securities Pledge Form to the pledgee and negotiate his pledge conditions.
- 10.1.4 Pledgee will forward the completed and duly signed Securities Pledge Form to the CSD through his Broker/Custodian.
- 10.1.5 CDC will check whether the information provided in the Pledge documents are in conformity with the CSD Rules and Procedures.
- 10.1.6 CDC will reject incomplete pledge documents, stating reasons for rejection and return the pledge document to the pledgee's Broker/Custodian.
- 10.1.7 The CDC will record the pledged Securities and will freeze the securities in the pledgor's account.
- 10.1.8 CDC will confirm to the pledgee's and pledgor's Broker/Custodian the completion of the pledge by forwarding a copy of the Securities Pledge Form, to each duly signed and stamped.

10.2 RELEASES TO PLEDGOR

- 10.2.1 The pledgee will submit instructions to his Broker/Custodian, on the Securities Pledge Release Form clearly stating that the pledge is being terminated for reasons of payment or any other reason.
- 10.2.2 The pledgee Broker/Custodian will forward the Securities Pledge Release Form to the CDC after verifying the details and signatories and completing the relevant section in the form.
- 10.2.3 Upon receipt of the instructions, CDC will verify whether the form has been properly filled. CDC will then release the pledge in favour of the pledgor, and the securities will be eligible for any other transaction.

