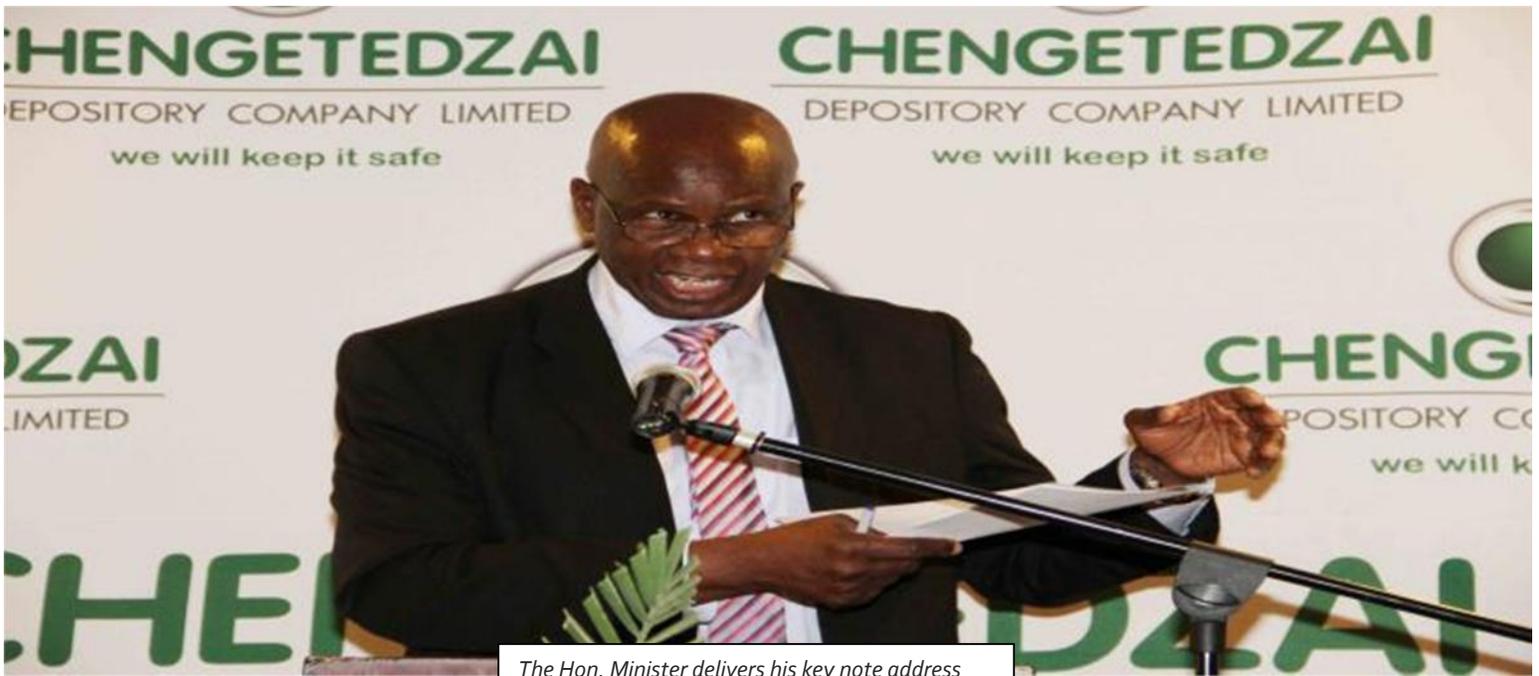


2015

Hon. Minister Chinamasa Launches the CSD





The Hon. Minister delivers his key note address



The SECZ Chair delivers her speech



The CSD Chair delivers his speech



The CSD CEO delivers his speech



The MC kicks off proceedings



HON. MINISTER CHINAMASA OFFICIALLY LAUNCHES THE CENTRAL SECURITIES DEPOSITORY (CSD)

'The automation of the Capital market is a dream that had remained elusive with Zimbabwe's capital market being one of the last to automate.'

On 25 August 2015, Capital market players gathered at the Rainbow Towers Hotel to celebrate the realization of an important milestone; the official launch of Chengetedzai Depository Company Limited (CDCL), which operates the sole Central Securities Depository (CSD) for the securities market in Zimbabwe.

A Central Securities Depository (CSD) is a computer system that facilitates the holding of securities such as shares, bonds and money market investments in electronic accounts in contrast to paper certificates. The CSD also caters for the transfer of securities between beneficial owners via a book entry, and for the settlement of cash following transactions on organized exchanges such as the Zimbabwe Stock Exchange (ZSE). The guests at the function included CDCL shareholders, directors and staff members, custodians, transfer secretaries, stockbrokers, fund managers and delegates from the Reserve Bank of Zimbabwe (RBZ), the Zimbabwe Stock Exchange (ZSE) and the Ministry of Finance and Economic Development. The Honourable

Minister of Finance and Economic Development, Hon. Patrick Chinamasa was the guest of honour and he presented the event's keynote address. Other speakers included CDCL Chief Executive Officer, Mr. Campbell Vincent Musiwa, CDCL Board Chairman, Mr. Zwelibanzi Ndlovu and the Securities and Exchange Commission of Zimbabwe (SECZ) Chairperson, Mrs. Willia Bonyongwe. Zimbabwe boasts of one of the oldest and most advanced capital markets on the continent with the first stock exchange in country having been established in 1896. However, the automation of the Capital market is a dream that had remained elusive with the country capital market being one of the last to automate.





THE CEO'S SPEECH- THE STORY OF CHENGETEDZAI DEPOSITORY COMPANY

The CEO noted that the issue of the implementation of the CSD in Zimbabwe has been a major topic for a period of nearly two decades and the country had remained lagging behind in the automation of its trade and post trade processes, thus making it less attractive to the discerning foreign investors.

Mr. Musiwa outlined the key drivers for establishing a CSD as follows:

- To reduce market wide operational risks in the capital markets of Zimbabwe;
- To improve operational efficiencies on the settlement of capital markets transactions, culminating in the reduction in overall settlement time from T+5 business days to T+3;
- To attract global capital market investors, who would have shunned our market for lack of an automated infrastructure;
- For transparency and building confidence, with deliberate focus on distant global investors who may not be available to physically monitor the custody of their securities; and
- To improve accountability and compliance in the Zimbabwean capital markets

According to the CEO, the major delay in the implementation of a CSD in Zimbabwe was attributable to the lack of a legal framework that would enable this key market infrastructure to be put in place. The promulgation of the Securities Act in 2004 set up the pace for this new development. The Act outlines the need to implement a CSD as well as the setting up of a Securities & Exchange Commission (SECZ). The Act was later to be augmented by Statutory Instruments 63 of

2013 which spelt out the specifics on how the CSD would be run and governed.

In 2008, SECZ was set up and made the implementation of the CSD as one of their key deliverables. After extensive market consultation, a tender was floated in 2010 for bidders capable of providing a turnkey solution. The tender was won by a joint consortium comprising of First Transfer Secretaries (Private) Limited, as the lead bidder and Inter link Solutions (Private) Limited. The former is an established transfer secretarial company and the latter a consortium of seasoned technocrats in the IT industry.

In 2011, the project was placed on hold as Cabinet decided to rationalise the shareholding structure to include quasi- government institutions as the project was deemed to be a project of national interest. In 2012, following the signing of a CDC Shareholders Agreement, the Infrastructure Development Bank of Zimbabwe (IDBZ), National Social Security (NSSA), ZB Financial Holdings Limited and the Zimbabwe Stock Exchange (ZSE) were introduced as shareholders in the company taking up 51 percent of the CSD's equity. With subsequent Rights Issues, quasi government institutions have increased their stake in the company to 58 %.

Subsequent to the signing of the shareholders agreement, the issue of the appropriate CSD Software system had to be extensively revisited. In March 2013, a contract was signed between the company and with CMA Small Systems AB of Sweden for the implementation of the Depo/X system. CMA is a highly rated software vendor with a global footprint in more than 50 countries. The company has African experience

through its installation of a successful CSD system in Rwanda.

In November 2013, the company was technically ready to Go- Live but could not do so as the issue of the CSD license and a gazetted CSD levy were still pending. These issues were subsequently granted on 6 May 2014 and 11 July 2014 respectively paving way for the project to go live.

In August 2014, the company commenced dematerialisation of three pioneer counters and subsequently went Live on 8 September 2014. The on-boarding of further counters was done on a phased approach basis in order to avoid a grid lock as had been experienced in other countries. To-date 61 out of the 62 active counters have been on-boarded by the CSD. Only one counter, which is under judicial management, remains outstanding.



THE CHAIRMAN'S SPEECH

CDCL Chairman, Mr. Zwelibanzi Ndlovu attributed the successful launch of the CSD in Zimbabwe to the collaborative efforts of various stakeholders in the capital market.

He thanked the promoters and founding shareholders of CDCL for the critical role they played during the company's formative stages from the initial tender process all the way to the negotiations with the Government of Zimbabwe to introduce quasi-government institutions as shareholders. He also expressed his gratitude to all the current shareholders of CDCL for their patience and support during critical periods including the capitalisation exercises the company has undertaken since its formation and during the periods when the project was delayed for various reasons as highlighted by the C.E.O.

The Chairman also acknowledged the CDCL Board of Directors, management and staff for their role in guiding the operations of the company. He also recognized and emphasized the efforts of the first Board of CDCL, which led the company during the formative stages and was later replaced by the current Board.

Mr. Ndlovu also expressed appreciation to various capital market participants for the role they played in making the CSD a reality. He said CDCL was thankful for the efforts of the Stockbroking community, the Custodians Association of Zimbabwe, the Association of Transfer Secretaries, Fund Managers and Pension Funds. He conveyed gratitude to regulators and partners in the capital market such as the Zimbabwe Stock Exchange (ZSE), the Reserve Bank of Zimbabwe (RBZ), the Insurance and Pensions Commission (IPEC) and the Securities and Exchange Commission of Zimbabwe who regulate the CSD.

Last but not least, the Chairman documented the critical role played by the Government of Zimbabwe and the Ministry of Finance in the CSD Project. He told delegates that the Government through the Ministry of Finance had always supported the project and ensured that, as a project of national interest, the CSD had strong shareholders through the introduction of quasi-government institutions. The ministry also played a key role in unlocking the obstacles that CDCL encountered along the way.



SECURITIES AND EXCHANGE COMMISSION OF ZIMBABWE CHAIR'S SPEECH

Mrs. Bonyongwe told the delegates that the CSD was a key market infrastructure in the capital market and she was honoured and humbled to preside on the occasion to mark the launch of Chengetedzai. According to the SECZ Chairperson, the implementation of a CSD in Zimbabwe was long overdue.

However, Mrs. Bonyongwe highlighted that the CSD launch was not the end but a precursor of other important developments in the capital market that Zimbabwe still needs to achieve. For instance, it would not have been possible to implement the Automated Trading System (ATS) without a functioning CSD. To achieve all this, a lot of effort was put to ensure that there was adequate regulatory framework, which the SECZ, in consultation with the market successfully implemented.

The SECZ Chairperson highlighted that given the progress that has been made since the launch of the CSD, the future of the capital market was exciting. The CSD opens up the capital markets, brings transparency, efficiencies and places Zimbabwe's capital market in the right international standing.

Mrs. Bonyongwe then introduced the Honourable Minister of Finance and Economic Development, Hon Patrick Chinamasa and thanked him for accepting the invitation to grace this momentous occasion.





THE HON. MINISTER'S KEY NOTE ADDRESS

The Hon. Minister told the gathering that he was honoured and privileged to officially launch Chengetedzai Depository Company Limited. According to Hon. Chinamasa, the coming on board of the Central Securities Depository (CSD) was a significant milestone for Zimbabwe's capital market and the economy in general. He acknowledged that the financial services sector plays the critical role of channeling funding to the country's productive sectors. As such, it is a strategic sector in the Government's drive to attain economic growth and social development goals through attracting adequate capital. The government recognises the importance of strengthening and capacitating key financial institutions.

The Hon. Minister highlighted that in order for the financial services sector to succeed in attracting capital, investors should be assured of the safety of their investments and efficiency and transparency in the operation of the markets. The CSD will eliminate some of the challenges in the certificated securities system that tended to slow down the growth of the capital market such as loss of certificates, forgery, mutilation and theft of certificates and also reduce settlement risk and the processing time with the settlement cycle being expected to be reduced from the current seven (7) days to three (3) days.

The CSD, together with the introduction of an Automated Trading System (ATS) by the Zimbabwe Stock Exchange, also enhances the Securities and

Exchange Commission of Zimbabwe's (SECZ) ability to proactively monitor all securities transactions and exercise their oversight role on the capital market for the benefit of investors. The Government therefore recognises the CSD as an important market infrastructure for ensuring efficiency and promoting accountability and transparency in the management of the country's capital market. The Government has been closely involved in the CSD project offering its support and guidance every step of the way.

In February 2011, the Government recognised the CSD as a project of national interest. The Ministry of Finance then opened negotiations with the founding shareholders of Chengetedzai with a view to bringing on board strategic quasi-government institutions as shareholders culminating in the signing of a shareholders agreement on 26 June 2013. As a result, quasi-government institutions such as the National Social Security Authority (NSSA), Infrastructure Development Bank (IDBZ), and ZB Financial Holdings (ZBFH) jointly own 58% of the shareholding in Chengetedzai Depository Company Limited.

The launch of the Central Securities Depository sets the stage for further increasing the depth of the capital markets in Zimbabwe. Government expects to see other financial instruments coming on to the CSD and market such as Fixed Income securities, commodities, derivatives, mortgage-backed securities, alternative investments and other sophisticated securities.

Hon. Chinamasa highlighted that the CSD offers a platform from which such sophisticated financial instruments can now be introduced on to the Zimbabwean market and implored management of Chengetedzai to be at the forefront of efforts to broaden the scope of the capital markets through working with other market participants to introduce such products.

The Minister told delegates that the next challenge is for CDCL to grow its business and meet global depository standards. He reiterated that the Ministry of Finance and affiliated institutions will continually offer support and guidance to ensure the attainment of this objective.

Hon. Chinamasa also encouraged all stakeholders whose activities affect the growth and development of the CSD to offer their support to ensure that the vision for which the CSD was established is realized.



Fully integrated...



...to make transactions faster

CDC OPERATING UPDATE

MAJOR CHANGES

1. BENEFICIAL OWNER MODEL

CDCL has implemented a model where securities are registered in the names of the actual beneficial owners as opposed to an omnibus model where securities can be registered in nominee accounts.

In a beneficial owner model, investors' assets are clearly segregated from the assets of their service providers such as stockbrokers and custodian banks. This ensures that investors' assets are not open to abuse and that they can easily be separated in the event of failure of the stockbroker or custodian.

The beneficial ownership model is now considered international best practice though many jurisdictions have struggled to migrate to this model after operating under the omnibus model for a long time.



2. CUSTODIAN SETTLEMENT MODEL

Prior to the CSD, stockbrokers acted as the investors' agent for both trading and post trade activities such as clearing and settlement. In addition to this, stockbrokers also provided safe custody services to investors through the use of nominee accounts.

The CSD environment has replaced this broker centric model with a custodian model where there is segregation of responsibilities. A custodian is a specialized financial institution that holds customers' securities for safekeeping so as to minimize the risk of their theft or loss. Custodians normally handle a variety of activities, including holding equities and bonds in physical or electronic (de-materialised) form, settling purchases and sales, reporting the status of assets, tax compliance and reporting, and management of the client's accounts and transactions.

In the new model, stockbrokers perform the trading function while custodians are responsible for clearing and settlement and safe custody of securities. This adds a layer of

protection for investors since there is independent verification by the custodian of all transactions. Most custodians are also units of banks that are subjected to international standards for risk management and also have to pass a rigorous test for fitness by SECZ.

3. OPENING CSD ACCOUNTS

Effective from the date of on-boarding, all trades in the on-boarded counter relate to electronic (de-materialised) securities.

This implies that before an investor can transact in electronic (de-materialised) shares, they should open a CSD account first. It is a requirement that Stockbrokers shall only trade on behalf of investors who have CSD accounts, by insisting on quoting a valid CSD Account number when an investor places an order. Only licensed Custodians have the mandate to open CSD accounts, because all settlement duties have been transferred from the Stockbrokers to Custodians. Thus a Custodian, by opening a CSD account, becomes the investor's



appointed securities settlement agent, who manages the share portfolio of the investor (safekeeping and reporting, not investment management which is done by asset managers), and is responsible for settling trades belonging to that particular investor. Investors can open CSD accounts through one of the five licensed Custodians, namely, CBZ Bank, Old Mutual, Standard Chartered Bank, Stanbic Investor Services and ZB Bank.

Where an investor provides all the KYC requirements, an account should be opened instantly by the Custodian.

- BROKER CONTROLLED CSD ACCOUNTS- CSD ACCOUNTS CO-MANAGED BY STOCKBROKERS

Retail investors may find it administratively demanding to approach a Custodian, and often the cost of maintaining an account directly with a custodian tends to be on the higher side. In order to cater for this segment, the CSD allows investors to approach their stockbrokers who will facilitate the opening of CSD accounts through an underlying licensed Custodian. The investor need not know the sponsoring Custodian, as they would be accessing the services through their broker. In this case, the broker collects the Know Your Client (KYC) documents as stipulated by the underlying Custodian, and provides the investor with CSD Account Opening Forms to complete for the opening of the CSD Account. On settlement, the stockbroker has the right to access the settlement status of broker controlled accounts, so that they can be able to report back to the investor. This is an alternative to opening accounts via a Custodian; it is cheaper as it does not have annual or monthly custodial fees. Charges relate only to transaction related fees. However, it also comes with minimal reporting in order to manage costs.

4. DEMATERIALISATION

Dematerialisation is the process of depositing shares onto the CSD so that they are converted from certificate or physical form into electronic balances to be credited into an investors' CSD Account. This process takes three

business days (72 hours). Dematerialised securities are transferrable between investors through electronic book-entry. Investors can dematerialise their shares by submitting their shares to their Custodian, and completing the CSD Securities Deposit Form, which is the proof of deposit to be kept by an investor. This is similar to a bank where a depositor retains a deposit slip as proof that they have deposited money into their account. Investors who have broker controlled CSD accounts deposit their shares through their Stockbroker, who in turn process the deposits in partnership with the sponsoring Custodian.

5. MANAGING TAINTED SECURITIES

All securities that are deposited onto the CSD are confirmed by the issuing company's Transfer Secretary. The market is therefore protected as all trades relate to electronic (dematerialised) securities which have already been confirmed by the Issuer through their Transfer Secretary.

6. SIMULTANEOUS, FINAL, AND IRREVOCABLE DELIVERY VERSUS PAYMENT

The settlement of all trades on the CSD is done through Simultaneous, Final, and Irrevocable Delivery Versus Payment (SFIDvP) which links the movement of securities to the payment in a matter of split seconds. This reduces settlement risks for market participants and investors as it guarantees that investors will not make payments and fail to get delivery of the shares bought or deliver shares sold and fail to receive payment.

7. SECURE PLATFORM FOR PLEDGING SECURITIES

The CSD allows investors and lenders to enter into pledge transactions on a secure platform that safeguards the rights of both parties. A Pledge is initiated through submission of a duly signed pledge form by the Pledgor and the Pledgee. The pledged securities are moved from Pledgor's Available Balance to a Locked/Pledged Balance which cannot be traded. The CSD system thus ensures securities can only be pledged once and a new pledge cannot be registered on the same securities. The

securities can only be moved back to the Available for Trading balance upon termination of the pledge by the Pledgee through the submission of a pledge release form.

ACHIEVEMENTS SINCE GOING LIVE

ON-BOARDING OF SECURITIES

Since going live on 8 September 2014, the CSD has on-boarded 61 of the 62 active counters on the ZSE. A phased approach was also adopted for equities on-boarding and the table below provides a summary of the on-boarding activities by the CSD:

Phase	Date	No. of counters
One	8 Sep 2014	3
Two	6 Oct 2014	14
Three	3 Nov 2014	10
Four	1 Dec 2014	16
Five	2 Mar 2015	7
Six	6 Apr 2015	1
Seven	15 Apr 2015	1
Eight	3 July 2015	8
Total		61

The pace of equities on-boarding compares favourably with other markets that have adopted a phased approach. For example, in South Africa the first counter was on-boarded in November 1999 and it took eight months before more counters could be migrated onto the CSD with eleven counters coming on-board in June 2000. All counters took 2 years and three months to be migrated onto the CSD.

CSD ACCOUNT OPENING

A total of 2,901 CSD accounts had been opened so far. These are dominated by local institutional and retail investors. Local investors account for 73% of the CSD accounts opened with foreigners having a 27% share.



The CSD's on-going effort to educate investors through the print and electronic media has witnessed a progressive improvement in investor awareness and this is expected to continue driving the opening of new accounts.

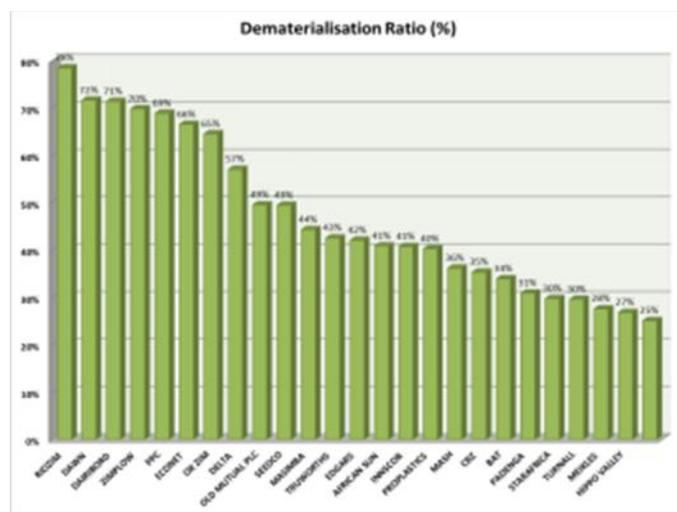
Investor Type	31-Jul	31-Aug	%age
Pension Funds	399	399	0%
Corporates	338	352	4%
Individuals	1,290	1,389	8%
Insurance	25	25	0%
Unit Trust Funds	24	24	0%
Unclassified Local	104	114	10%
Unclassified Foreign	595	598	1%
Total Accounts	2,775	2,901	5%

DEMATERIALIZATION

In the twelve months since going live, CDCL has processed 30,534 deposits with a total market value of US\$1.463 billion as shown below:

Investor Type	Market Value (\$ m)	%age
Pension Funds	260	18%
Corporates	95	7%
Individuals	15	1%
Insurance	385	26%
Unit Trust Funds	22	2%
Unclassified Local	89	6%
Unclassified Foreign	596	41%
Total	1,463	100%

This means that approximately 40% of the total market value of the ZSE has now been deposited on the CSD. The average ratio of electronic shares to total issued shares (Demat Ratio) is now 30%. Empirically, most CSDs have achieved a Demat Ratio of just over 10% in their first year of operation. The top 15 counters by Demat Ratio are now all above 40% with the highest ratio now at 78%. The chart below shows the top 25 counters (by Demat Ratio):



CLEARING AND SETTLEMENT OF TRADES

The CSD has processed 5,120 ZSE trades with a market value of US\$305 million since going live as summarized below:

Trade Status	Number	Market value (\$ million)
Settled Trades	4,956	298.86
Pending Settlement	164	5.91
Delayed Trades	0	0.00
Total Accounts	5,120	304.77

At beneficial owner level, the CSD has processed a cumulative total of 11,993 transactions.

It is also significant to note that the number of trades that delay beyond the T+5 settlement cycle has been kept at a very low level even though the CSD is yet to implement a Penalties Framework to tackle settlement delay.

CSD OUTLOOK

The CSD has transformed the way securities are cleared, settled and kept in custody. The journey is not complete before introducing other classes of securities to improve market depth and the financial products available to investors. Investors and market participants should expect a number of changes that are meant to consolidate the improvements brought by the CSD and further transform Zimbabwe's financial markets. These include:

- Introduction of penalties for settlement offences;
- Implementation of Straight-Through-Processing (STP) with Participants.
- Introducing Fixed Income Instruments; and
- Migration from a T+5 settlement cycle to T+3.

PHOTO GALLERY



Mrs. Bonvonawe walks to the podium



The guests of honour



The Vice Chairperson presents a gift to the Hon. Minister



The Vice Chairperson presents a gift to Mrs. Bonyongwe



The Hon. Minister poses for a photo with the guests of honour



The CSD Chairman walks to the podium



The Hon. Minister greets guests as he arrives

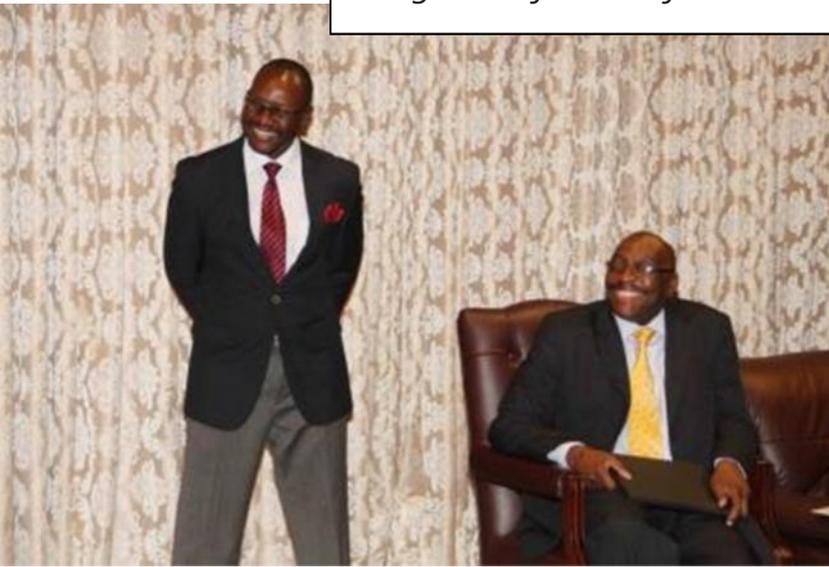


The CSD Chairman with invited guests



The Hon. Minister laughs at a joke

The guests of honour follow through proceedings at the function



The Hon. Minister after his speech





SECZ CEO with invited guests



The Vice Chairperson delivers the Vote of Thanks



Time for mixing and mingling

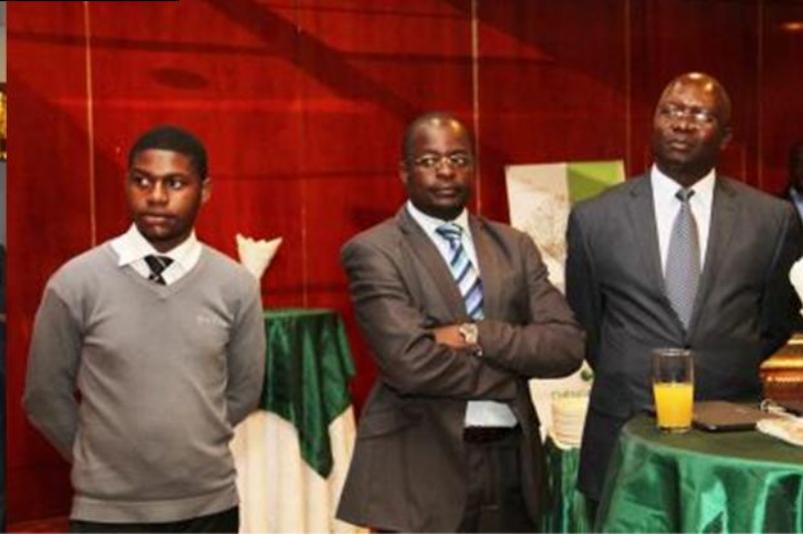
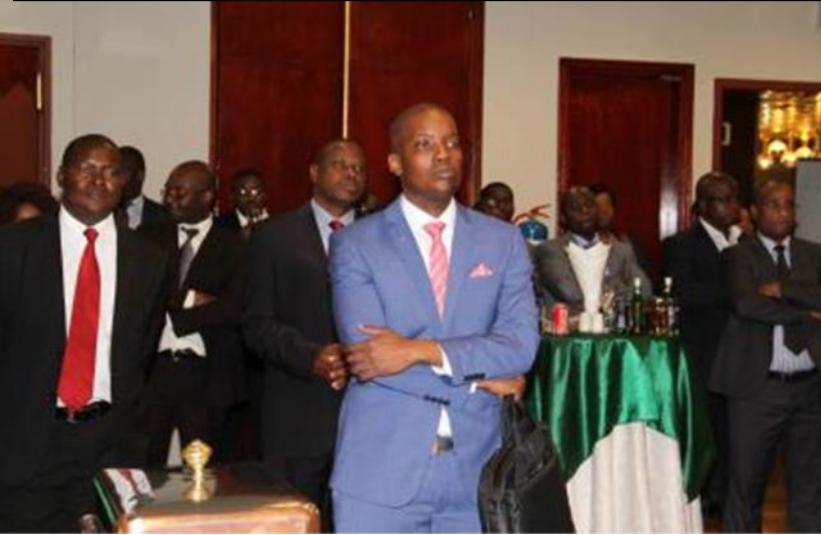




Invited guests follow through proceedings at the function



Invited guests follow through proceedings at the function



Time for mixing and mingling





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