

# Frequently Asked Questions

## Move to a T+3 Settlement Cycle

...we will keep it safe

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**CHENGETEDZAI**  
DEPOSITORY COMPANY LIMITED



## What is the move?

Chengetedzai Depository Company Limited is changing its settlement cycle from trade date plus five business days (**T+5**) to a settlement cycle of trade date plus three business days (**T+3**).

## What does “settlement cycle” mean?

Settlement cycle is the time from when a trade occurs until when that trade settles. When a trade occurs, settlement of that trade currently happens five business days later. It is on the settlement date that the securities and cash that were traded, are exchanged and you become the owner of the securities you have purchased or receive the cash for the securities you have sold.

“**T**” is the date on which a trade occurs. Currently, a trade settles five business days after **T** (“**+5**”). Under the upcoming changes, a trade will settle three business days after “**T**” (“**+3**”).

## Which trades will the move affect?

All trades in Zimbabwe Stock Exchange (**ZSE**) listed equity securities that are settled through Chengetedzai Depository Company Limited.

## When is the move happening?

Chengetedzai Depository Company Limited has scheduled to move to a **T+3** settlement cycle beginning with all trades executed as from 2 May 2017. Trades executed on the ZSE on 2 May 2017 shall therefore settle on 5 May 2017.

## What will a move to T+3 mean for me?

**Retail investors** – When you trade, you will be required to provide securities and cash to settle those trades earlier. You will need talk to your broker, and your custodian about what they require of you in order to settle your trades following the change. Your trades will also settle two days earlier, meaning that you will receive cash from a sale, or securities you have purchased, sooner.



## What will a move to T+3 mean for me?

**Institutional investors and custodians** – when you trade, you will be required to provide the securities or cash to settle those trades earlier. If you instruct a broker to purchase shares on behalf of a number of funds, or you are a custodian for a fund who has received settlement instructions, you will need to ensure settlement instructions are correct, and make any amendments sooner, so that trades can settle. Your trades will also settle two days earlier, meaning that you will receive cash from a sale, or securities you have purchased, earlier. You will need to consider your processes and make changes to ensure you receive cash and securities within the required time frame. This also means that you will be able to distribute cash from a sale, or securities purchased, on behalf of investors sooner.

**Stockbrokers** – as a broker, the trades you have executed on behalf of investors will settle sooner. You will need to educate your clients on this change to ensure that they provide settlement instructions to their custodians on time. If as a broker, you offer Broker Administered Accounts, you will be required to settle trades that you have executed, earlier. You will need to consider your processes and make changes to ensure you receive cash and settlement instructions within the required time frame. You will also receive securities purchased, and cash from sales, earlier.

**Issuers and Transfer Secretaries** – this change will have less direct impact on you. However, in order to facilitate the move to a T+3 settlement cycle, the timetable for corporate actions will be amended in line with the new settlement cycle. You will need to be aware of this change when setting your own timetable for corporate actions.

## What does the move to T+3 mean for corporate actions?

On the capital market, the timetable for corporate actions (for example, paying of dividends on shares or entitlements for a rights offer), is aligned with the settlement cycle. This timetable will shorten at the same time as the move to T+3.



**What does the move to T+3 mean for corporate actions?**

Every corporate action has a record date, which is the close of trading on a date selected by the Issuer. Everyone who is on the register at this time is entitled to the benefits of the corporate action. Under the current settlement cycle, any trades that occur within the five business days up to and including the record date (the ex-dividend period) do not settle in time to affect who is on the register at the record date.

Under the new timetable, the ex-dividend period will reduce to three business days (inclusive of the record date). So any trades that occur in the three business days up to and including the record date will not settle in time to affect who is on the register at the record date

**What will happen during the transition period?**

You will need to manage your own transition to **T+3**. As part of this you will need to consider that there will likely be two days during the transition period where the final two days of trades from a **T+5** settlement cycle will need to settle along with the first two days of trades on a **T+3** settlement cycle.

**How can I be involved?**

Chengetedzai Depository Company Limited will be communicating with you through various channels, including its corporate website, stakeholder meetings and consultation on changes required to the CSD Rules, Operational Procedures and Business Process Flows. Keep checking [www.chengetedzai.com](http://www.chengetedzai.com) for key dates and information. To make further enquiries, you can also contact:

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