

Opening CSD Accounts and Dematerialisation

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Zimbabwe's Central Securities Depository (CSD), operated by Chengetedzai Depository Company Limited (CDC), is a system that caters for depositing and transfer of securities between beneficial owners, and for settlement of cash following transactions on organised exchanges such as the Zimbabwe Stock Exchange (ZSE). In order for shares to be deposited onto the CSD, the investors should have opened CSD Accounts into which their shares are deposited. For transactions to settle via the CSD, both the selling and buying investors ought to be on the same CSD platform to allow their securities to be exchanged through electronic book entry. This article looks into how to open a CSD account, and how to deposit shares in the CSD.



1. Account Opening: A Pre-Trading Requirement

The Zimbabwe regulatory environment requires that shares for an investor be segregated and be registered under the name of the beneficial owner. Where shares are registered under the nominee of a licenced Custodian, the CSD caters for segregation of such shares so that each underlying beneficial owner has a separate account number and hence a segregated portfolio of shares. This implies that before an investor can transact on shares that have been dematerialised, they should open an 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. Where investors have proceeded to trade on the ZSE before CSD accounts were opened, this has resulted in delays in the processing of their trades, and settlement of trades involving such investors.

2. How to Open a CSD Account Through a Custodian

The CSD is all about safekeeping/custody of securities and Settlement of trades and a CSD account is opened to facilitate that an investor can access such services. Only licenced 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 shall manage the shares portfolio of the investor (safekeeping and reporting, not investment management which is done by asset managers), and shall be responsible for settling trades belonging to that particular investor. For clarity, investors should open CSD accounts through one of the five licenced Custodians, namely, CBZ Bank, Old Mutual, Standard Chartered Bank, Stanbic Bank and ZB Bank. Where an investor provides all the KYC requirements, an account should be opened instantly by the Custodian.

3. 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 licenced 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 an investor some CSD 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 but may come with minimal reporting in order to manage costs.

4. Account Opening Requirements

Individuals shall submit Identification Documents (ID) such as National ID or Passports, proof of residence in the form of utility bills or as per the requirements of the Custodian in question, two passport size photographs, and a valid bank account. Work is being done to include mobile money transfer services in place of bank accounts. Where an individual is deceased, the Death Certificate, particulars of the executor, as well as the court order giving the executor the mandate to manage the estate shall be required.

Corporates shall submit registration documents such as the Certificate of Incorporation, the IDs for all directors and appointed signatories, the passport size photographs for signatories, as well as their banking details. A special mention goes to Trusts, which ought to be registered, and the trustee deeds as well as the particulars of the trustee which must be presented to Custodians.

5. Dematerialisation of Shares

Dematerialisation is the process of depositing shares into the CSD so that they are converted from physical form into electronic balances to be credited into an investor's CSD Account. This process takes three days (72 hours).

Investors can dematerialise their shares by submitting their shares to the Custodian, and completing the CSD Securities Deposit Form, which shall be 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 shall deposit their shares through their Stockbroker, who shall in turn process the deposits in partnership with the sponsoring Custodian.

It is important that the shares be registered under the name of the investor, as is appears on the CSD account prior to dematerialisation. Thus it is not possible to deposit shares belonging to a different person into your CSD Account. Where the shares are registered differently, the Custodian shall first re-register the shares in the name of the investor, as it appears in the CSD system. If this is the case, the dematerialisation process may take longer than the stipulated 72 hours because of the pre-dematerialisation processes such as re-registration of shares. This has frustrated many investors, and the public is encouraged to carry out dematerialisation on time to avoid delays when they decide to sell their shares.

Next Steps

Investors are encouraged to go early in their numbers, to open CSD Accounts, as well as to dematerialise their shares, even before they decide to trade on the ZSE. This allows for safekeeping of shares, and avoids delays when the investor eventually decides to trade on the ZSE. Investors are advised that opening of CSD Accounts and Dematerialisation of shares is a free service.

