

Association of Global Custodians¹
Middle East and Africa Focus Committee (“AGC ME&A”) responding to The Capital Markets Act 2016; Subject to Supplemental Comments

30 April, 2017

Securities and Exchange Commission, Zimbabwe

Attention: Tafadzwa Chinamo
Email: tafadzwac@seczim.co.zw

The AGC ME&A are grateful for the opportunity to meet with you on the 24 March 2017. We have captured the discussion of the meeting below and would welcome further dialogue when we are in Zimbabwe in May and June 2017.

Recognition of International Sanctions

The AGC ME&A requested further understanding and knowledge with respect to international sanctions programs and Sanctions Laws in Zimbabwe and any measures that the SEC maybe considering to consolidate international sanctions law principles into the Zimbabwean regulatory framework. To that end, we discussed the possible implementation of provisions that allowed identification of sanctioned individuals/entities at issuer/investor/infrastructure level.

We note that Zimbabwe is a member of Eastern and Southern Africa Anti-money laundering group (www.esaamlg.org) and is committed to comply with all sanctions directives issued from UN authorities. The SEC also complies with FATF recommendations and the SEC disseminate sanctions directive from UN and ESAAMLG to all financial market intermediaries for compliance.

It was noted however that Zimbabwe doesn't recognise sanctions introduced by specific countries, such as the US and EU nor OFAC. The AGC ME&A highlighted the regulatory risk faced by global organisations in complying with sanctions requirements where there is inconsistency (international regimes such as US and EU versus domestic regimes, such as Zimbabwe).

The AGC ME&A also requested access to data to enable the facilitation of required sanctions checks, noting that in some instances data is difficult to obtain for this purpose. We are grateful for the position taken by the SEC to provide, on request, information to custodian banks for all entities licensed by SEC. Additionally, the SEC also advised that within the next year, Issuers will also be regulated by the SEC and detailed information on Issuer shareholding can also be provided.

Amendments to the Securities Act 17/2004 (the ‘ACT’)

The AGC ME&A sought clarification concerning the obligation on custodians to hold cash on trust. We are pleased to note that the SEC and the AGC ME&A have a consistent understanding as to the interpretation of the Act and that the SEC will review the language in the next draft with a view to using the word ‘cash’ account rather than ‘trust’ account to ensure it is clear cash is not required to be held on trust.

The AGC ME&A also raised the desire to include in the Act (or other relevant legislation) provisions that ensure the final and irrevocable settlement of trades executed at ZSE. We are grateful that this suggestion will now be considered in the next draft of the Act.

¹ The Association of Global Custodians is an informal *group of 12 financial institutions that provide securities safekeeping services and asset-servicing functions to primarily institutional cross-border investors worldwide. As a non-partisan advocacy organization, the Association represents members' common interests on regulatory and market structure matters through comment letters, white papers and interaction with legislative and regulatory authorities and financial industry organizations around the globe.* The members of the Association of Global Custodians are: BNP Paribas; BNY Mellon; Brown Brothers Harriman & Co; Citibank, N.A.; Deutsche Bank; HSBC Securities Services; JP Morgan; Northern Trust; RBC Investor & Treasury Services; Skandinaviska Enskilda Banken; Standard Chartered Bank; and State Street Bank and Trust Company. For more information visit www.theagc.com.

Settlement Cycle

The AGC ME&A raised the pending implementation of the change in settlement cycle from T+5 to T+3. The SEC noted that there would be a detailed implementation plan from ZSE and that the SEC would review and approve the implementation plan after sign off from key market stakeholders (including custodian banks).

Repatriation

The AGC ME&A members remain focused on the repatriation issues and the growing lack of confidence that their clients have in investing in the market. The AGC ME&A raised possible solutions to manage the delays going forward, being (a) greater transparency of the issue; and (b) the establishment of a set percentage of the FX allocations to foreign investors to reduce the current pending list and to demonstrate the importance of the foreign investor community. The SEC agreed to discuss our concerns / suggestions with the Central Bank Governor.

SEC Strategy

The AGC ME&A was very interested to hear the 2017 – 2018 key priorities of the SEC, being:

1. New Securities Act and the circulation of the next draft in April for comment and thereafter parliamentary approval in May/June 2017
2. The introduction of Fixed Income securities in ZSE
3. Remote Access to ZSE and CSD for Foreign participants
4. The introduction of more products (such as REITS and derivative) post the revised Securities Act.

We would like to once again thank you for your collaboration and time. We look forward to our continued dialogue and discussions and working with you.

Yours sincerely,



Prepared by the Middle East and Africa Committee,
Julia McKenny, Chairperson.