



## **What is the Zimbabwe Stock Exchange?**

The Zimbabwe Stock Exchange (ZSE) is a stock exchange licensed in terms of the Securities and Exchange Act (24:25) to assist companies to raise long term capital through listing of securities as well as offer an investing platform through trading of listed securities. Securities are defined in the Securities and Exchange Act (24:25) to mean shares, debt securities, depository receipts, futures and or contracts for differences.

## **Zimbabwe Stock Exchange History**

### **1. Commencement of share trading**

The practice of share trading in Zimbabwe (then called Rhodesia) began in 1891 with S Hyman setting up the first stockbroking firm. The firm acted as an intermediary for settlers who wanted to buy shares on the Johannesburg Stock Exchange and the London Stock Exchange.

### **2. First Stock Exchanges**

The first Stock Exchange in the country, the Salisbury Stock Exchange, was opened on June 20 1894 in the Masonic Assembly Room. The exchange had 33 members and 18 listings. The Bulawayo Stock Exchange is believed to have been set up in April 1895. Later two other exchanges emerged in Gweru and Mutare around 1898. These exchanges were intended to meet the capital needs of the gold mining industry, whose rapid expansion was fueled by expectations of a 'Second Rand' in Southern Rhodesia. When the expectations of a 'Second Rand' did not materialize, there was financial chaos on the stock exchanges and as mining companies withdrew, the local stock markets collapsed. By 1902, all the local exchanges had ceased to operate.

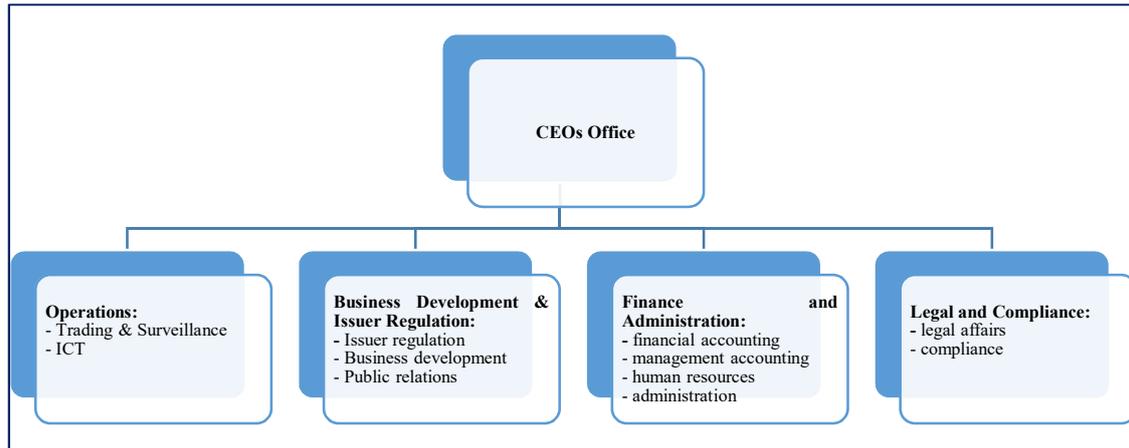
### **3. Post World War II**

Post World War II, the Bulawayo Stock Exchange was opened in January 1946 whilst the Salisbury dealing floor was opened in 1951. These two centers, trading by telephone, continued operating independently until the passing of the Rhodesia Stock Exchange Act in 1974. The Act was later amended to the Zimbabwe Stock Exchange Act in 1996. The ZSE Act was repealed by the enactment of the Securities Act in 2004. The Securities Act became operational in September 2008 when the Securities Commission of Zimbabwe

(SECZ) was formed. In 2013, the Securities Act was amended, giving rise to the enactment of the Securities and Exchange Act [Cap24.25].

## ZSE Structure

The ZSE has four key departments as follows:



## Instruments listed and traded on the ZSE

The ZSE currently facilitates the listing and trading of the following security types:

- ordinary shares;
- preference shares; and
- fixed income instruments such as debentures, notes and bonds.

## Transaction costs on the ZSE

Transaction costs are levied on buying and selling of securities on the ZSE . Fees are determined from time to time by the Ministry of Finance and Economic Development. The fees are charged based on the security type and currently stand as follows:

### 1. Equities

	<b>Buying</b>	<b>Selling</b>
Brokers Commission	0.92%	0.92%
VAT (15% of brokerage)	0.138%	0.138%
CSD Levy	0.10%	0.10%
Stamp Duty	0.25%	Nil
ZSE Levy	0.10%	0.10%
SECZ Levy	0.16%	0.16%
Investor Protection Levy	0.025%	0.025%
Capital Gains tax	Nil	1%
<b>Total</b>	<b>1.693%</b>	<b>2.443%</b>

**Grand Total** **4.136%**

## 2. Fixed Income Securities

	<b>Buying</b>	<b>Selling</b>
Brokers Commission	0.065%	0.065%
VAT (15% of brokerage)	0.00975%	0.00975%
CSD Levy	0.01%	0.01%
ZSE Levy	0.012%	0.012%
SECZ Levy	0.01%	0.01%
Investor Protection Levy	0.003%	0.003%
Total	0.10975%	0.10975%
<b>Grand Total</b>	<b>0.2195%</b>	

## Major Achievements in the ZSE History

### 1. Trading in USD

After a brief hiatus between November 2008 and January 2009, the ZSE commenced trading on 19 February 2009 in USD. The Stock Exchange of Mauritius is the only other African Stock Exchange that allows investors to transact in USD. The formal adoption of the USD as the transacting currency greatly reduced foreign exchange risk for international investors who responded in kind by increasing their participation on the market as follows:

<b>Mix of Local and Foreign Investors on the ZSE</b>									
	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>Cumulative</b>
Local	82%	77%	64%	59%	50%	47%	44%	48%	60%
Foreign	18%	23%	36%	41%	50%	53%	56%	52%	40%

### 2. Automation

On 6 July 2015, the ZSE migrated to an online trading platform through its launch of the Automated Trading System (ATS) which replaced the traditional open-outcry manual based trading. An ATS is a computer system designed to match buy and sell orders placed by an authorised trader. Each trader is given a unique login user name and password to access the trading system. The ATS software consists of an electronic order book which enables traders to post their buy and sell orders. When an order is matched, the trader immediately receives a confirmation of the execution of the trade. Some of the benefits of the ATS are:

- Transparency in security trades;
- Enhanced trade execution speed;

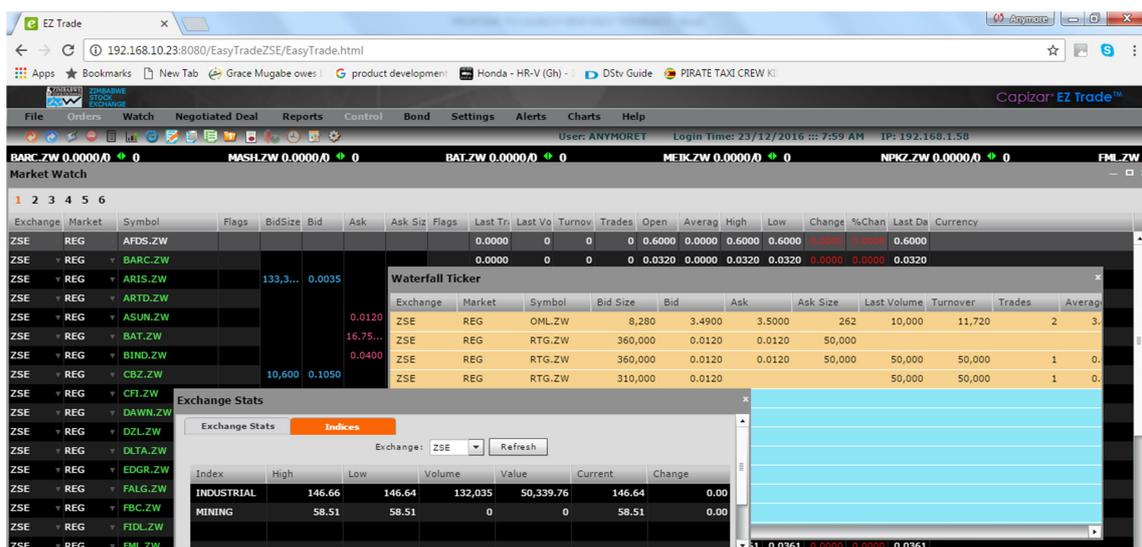
- Convenience: eliminates human interference and stockbrokers can do business from anywhere without attending “Call-Over” sessions at the ZSE; and
- Enhanced information: the ATS generates real time data that can be accessed by anyone with access rights to the system. Such information is vital to traders and investors in making investment decisions.

### 3. Revival of the Debt Market

In 2013, the ZSE resolved to revive the regulated trading platform for debt securities. Fixed income securities trading on the ZSE is not a new phenomenon. The ZSE was born out of the Rhodesia Stock Exchange, whose reopening in 1946 was premised on Government stock and corporate bond trading. As far back as 1946, there were a number of local and central Government stock and loan stocks that were listed and traded on the then Rhodesia Stock Exchange. Bond issuance by Government and local authorities remained significant in the 1990s but eventually ceased around 2001. On 28 June the ZSE successfully listed the Getbucks Financial Services Medium Term note, the first such listing in almost 20 years. The revival of the debt market is expected to broaden the investment choices available to investors as well as enable businesses and government to raise long term capital.

### 4. Live data transmission through View Only Terminals

In addition to the trading convenience brought about by the launch of the ATS in 2015, the system also generates data that can be packaged and distributed to subscribers on a real time or historical basis. The ZSE successfully launched live data transmission in February 2017 through rolling out View Only Terminals. View Only Terminals are in actual essence viewing rights to ZSE’s live trading on the ATS. The ZSE provides this service by giving subscribing clients a username and password which will enable them to log in to the ATS and be able to “watch” trading during normal market hours. The client is not however enabled to post any trades through the VOT. The image below indicates some of the statistics that a VOT client will be able to view.



## **5. Demutualization**

The demutualization process of the ZSE commenced in 2014 with the signing of the Memorandum of Understanding (MOU) between the Government of Zimbabwe and stockbrokers. The process has resulted in the formation and incorporation of ZSE Limited and subsequent distribution of shares to the first subscribers; the Government of Zimbabwe (32%) and Stockbrokers (68%). The process has enhanced the corporate governance framework for the ZSE by transforming the entity from a mutual society to a limited company. The corporatization of the ZSE also implies that efficiency, customer care and stakeholder satisfaction become more important. The MOU also provides for the strengthening of the ZSE capital base through private placement and ultimately listing.

## **6. Revision of the Main Board's Listings Requirements**

ZSE commenced stakeholder consultations to revise the Listings Requirements in late 2013, with approvals being granted by the Securities and Exchange Commission of Zimbabwe in 2016. For the Rules to be effective pursuant to the Securities and Exchange Act (Cap 24:25), the Rules are set to be gazetted. The Rules were revised to cater for changes in the micro-economic environment, alignment with new legislation, enhance protection of minorities and prescribe additional disclosures in light of best practice and stakeholder requirements.

## **Future Plans**

The ZSE is working on the following projects which are expected to complement in economy building, broaden investor choice and deepen the local capital markets:

### **1. Online Trading**

In line with the need to leverage on technology and bring convenience to the investing public, the ZSE in collaboration with other market players is working on the introduction of online trading. Online trading will enable investors to post orders on the ZSE ATS through any device with internet access capabilities.

### **2. Exchange Traded Funds**

To widen the product choice for investors, the ZSE is also working on introducing a listing and trading platform for Exchange Traded Funds.

### **3. Zimbabwe Emerging Enterprise Market**

The Zimbabwe Stock Exchange “ZSE” has also resolved to establish a listing platform for Small and Medium companies with growth potential (aptly named Zimbabwe Emerging Enterprise Market – “ZEEM”) after recognizing that the SME sector has become the cornerstone of the Zimbabwean economy. The ZSE seeks to launch ZEEM as a listing and trading platform for small and medium companies with a minimum share capital of USD 250,000. This trading platform will be operated as a separate board of the

ZSE, using the same ZSE infrastructure and personnel and having a dedicated section in the ZSE Listings Requirements.

**Where to get additional information about the ZSE and listed companies:**

Visit our website:

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