**What has been done to protect investors to ensure confidence that investors will get their money?**

The main objectives of the Securities & Exchange Commission of Zimbabwe are to protect investors and maintain fair, orderly and efficient markets. It is every investor's right to be protected against misleading, manipulative or fraudulent practices by Securities Market Intermediaries (SMI). Investor protection is therefore mandatory and automatic once an investor participates on the capital markets.

The capital market has in place a combination of diverse but closely integrated measures to protect investors, boost investor confidence and preserve the efficiency, integrity and transparency. Such measures include;

- market surveillance;
- registration and licensing;
- supervision of all SMIs;
- enforcement of information disclosure requirements;
- establishment of Investor Protection Fund (IPF); and
- raising consumer education and awareness, among others.

1. **Market Surveillance and Enforcement...**

a) Surveillance involves market monitoring for any malpractices and investigating all suspected malpractices;

b) Developing and enforcing rules and regulations that govern the activities of all SMIs;

c) Regulation of capital markets is designed primarily to give all market participants confidence and to make markets more credible, transparent and efficient.

**2. Licensing and Supervision of Capital market intermediaries....**

a) Through licensing, the Commission screens institutions seeking to provide services to investors based on financial soundness, experience and good standing of the persons behind the institutions;

b) The Commission sets the minimum capital for all SMIs and qualification requirements for people operating within the capital market. This ensures that only strong SMIs that are run by professionally, experienced and competent personnel able to uphold high ethical standards operate in the market;

c) SECZ supervises all capital market players through both on-site and off-site supervision to ensure that all the players operate within the confines of the law and that weak institutions are booted out of the capital markets before they cause serious systemic disturbances; and

d) In case of any violations of the set rules, the Commission has powers to suspend or cancel registration/ licences. The Securities & Exchange Act provides for criminal proceedings for those who would have broken the law (offenders).

**3. Information Disclosure and Accessibility….**

a) It is only through a steady flow of adequate, timely, comprehensive and accurate information that investors are able to protect their interests and make informed investment decisions. All exchanges have Listing Requirements which outline the minimum disclosures that issuers of securities are obliged to fulfill;

b) The market strives to ensure full disclosure by listed companies and licensed players of information deemed relevant to investors' decision-making; and

c) Such information includes publication of Annual Reports by listed companies, Cautionary Statements, Notices of shareholders' meetings, Prospectuses for corporate transaction, among others.

## 4. Investor Compensation Schemes

Apart from licensing SMIs as well as setting rules and regulations to protect investors, there are a number of compensation schemes that are administered in the capital markets with the aim of protecting investors. These schemes include:

a) **Investor Protection Fund (IPF)**

i. The Securities and Exchange Act [24:25] provides for the establishment of an IPF;

ii. The Fund provides an additional layer of protection for investors and offers partial reimbursement for losses suffered as a direct result of a licensed intermediary or firm becoming insolvent;

iii. This is an investor's fund since the investors contribute to it through a levy when buying and selling securities; and

iv. The Fund is administered by an Independent Board of Trustees.

b) **Professional Indemnity and Fidelity Guarantee insurance policies**

SMIs are required to purchase insurance cover against losses resulting from negligent or dishonesty behaviour by their members of staff.

5. **Investor Education….**

a) SECZ believes that educated investors are informed and can make knowledgeable investment decisions and assert their rights; and

b) Educated investors can identify and avoid scams and unscrupulous players.

It is with this in mind that SECZ undertakes various free investor awareness campaigns to help investors build their financial knowledge to better understand markets and the basic principles of investing..

6. **Modernisation of capital markets**

The local market has embraced modern trading and settlement technologies promoting transparency, accountability and clear transaction trails thus minimising risks of fraud and market abuse. Developments in the capital market include:

- ZSE Automated Trading System; and
- Central Securities Depository

**Question: How can we assure investors that the political situation won't have an impact on their investments?**

This is a difficult question to answer. Investments, like most things in life come with certain inherent risks which cannot be wished away; instead they can be managed. Without doubt, the political environment has an impact on investments because it affects the macro-economic environment as well as the intrinsic values of investments via the political risk premium.

The ultimate goal of making any investment is to get a return commensurate with the level of risk. It is important that the investor gets a rate of return on their investments that exceeds the rate of inflation and is able to meet desired investment objectives. Although capital market investments such as equity investments are most rewarding, they are also prone to a lot of risks which include, among others, political risk. Investing in the capital markets has no guarantees or assurances. In as much as one can make a lot of money, one can easily loose it as well. For instance, in the stock market, share prices can go up or down depending on the general micro and macro environment which the investors have no control over.

The concept of market efficiency implies that stock prices reflect all available information including the risk related to political fluctuations. The impact of political news depends on investors' perceptions: if the new information leads to an upward revision of investors' expectations, the equity prices should increase and vice versa.

Despite the political risk that is inherent in an investment in any economy, our Government has put in place investor-friendly policies to enhance capital market stability and ensure the safety of capital market investments. Such measures include:

(i) **The Establishment of the Securities & Exchange Commission** (whose thrust is to create fair & transparent markets, safeguard investments, develop and increase participation in capital markets as well as advise Government on matters relating to capital markets and on any measures by Government which might have an impact on the investing public; and

(ii) **Promulgation of a raft of rules and regulations, through SECZ, to guide capital market operation** (Securities rules)

Although the Government is generally responsible for ensuring an environment conducive for business, political risk is inherent in capital market investments. Investors can mitigate their exposure to risk by doing the following:

(i) **Monitoring Investments**

Once one has invested in the capital market sector, it is essential to periodically monitor one's investments. It is the investor's responsibility to monitor his/her investments by tracking investment performance and the economic trends and general market conditions.

(ii) **Obtain specialist advice**

Investors can make use of investment specialists such as asset managers, stockbrokers and investment advisors to get guidance on how to manage their investments and minimise risk.

(iii) **Diversification**

Diversification minimises risk by spreading out one's investment assets across different companies, asset classes, sectors and even economies. An adverse event related to any one company or economy would not expose investors to immense risk. So if one business or sector or economy fails or does badly, investors won't lose all their investments, as the loss will be diluted by the sector or economy that performs better. Globalization also makes political risk more diversifiable wiping out the risk premium related to political ambiguity

A Capital market investment in itself comes with certain inherent risks i.e. systematic risks which cannot be diversified. Investors are thus rewarded for taking on such systematic risks while investing in equities. It can be said that although equity investments come with certain risks, if the time horizon is long and diversification is done properly, capital market investments such as equities are worth investing in since they allow investors to achieve their long term goals.