



CHENGETEDZAI

DEPOSITORY COMPANY LIMITED

Presentation to Insurance & Pension Funds Webinar 13 May 2021

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About - Chengetedzai Depository Company (CDC)

Chengetedzai - We will keep it safe

- Chengetedzai Depository Company was registered in 2010 to establish and operate a central securities depository for the Zimbabwe Capital Markets, in accordance with **section 69** of the Securities and Exchange Act.
- CDC won the public tender to establish the first Central Securities Depository (“CSD”) company in Zimbabwe in December 2010.
- 61.48% shareholding controlled by Quasi-Government entities.
- Balance held by founding promoters and strategic partners.
- Went Live in September 2014 which then resulted in all listed counters on-boarding on the CSD as it became mandatory to have a CSD account in order to trade on the Zimbabwe Stock Exchange (ZSE).

Purpose of a Central Securities Depository

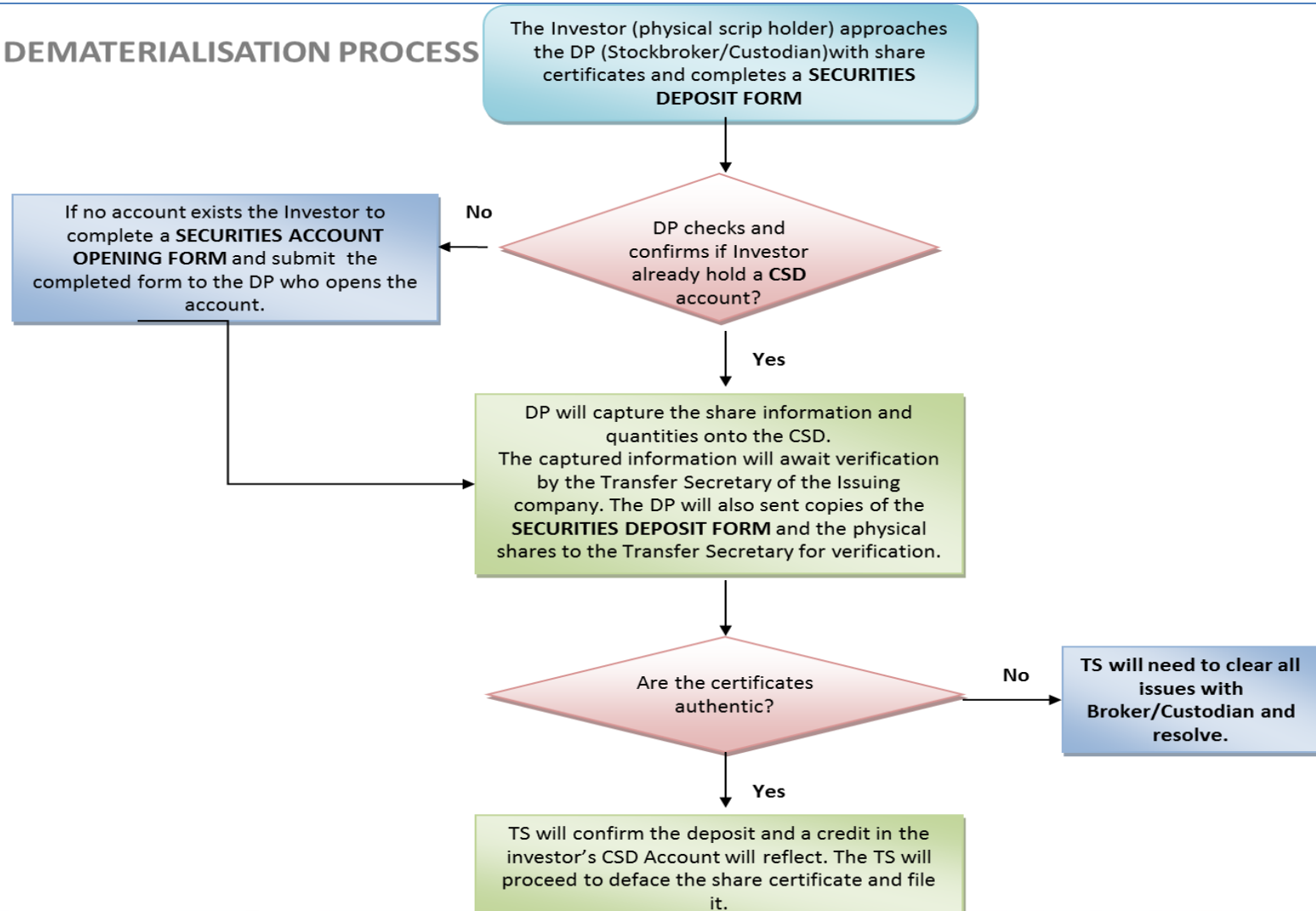
- The main purpose of a CSD is to maintain an electronic register of securities such as shares, bonds, debentures, derivatives, etc.
- Allows for ownership of the above to be easily transferred through electronic book entries.
- It replaces paper certificates with electronic balances.
- The CSD system facilitates the clearing, settlement (on T+3) and safekeeping of securities.
- The settlement is done using RBZ placed funds and takes place upon delivery of securities (DVP), helping to reduce default and settlement risks.
- The primary objectives of the CSD are to reduce risk and improve efficiency in trading and settlement as electronic clearing and settlement systems will help to reduce counter party, systemic and liquidity risks.

Dematerialisation of Securities

- Securities **dematerialisation** is a process by which the **physical certificates of an investor** are taken back by the company through the Transfer Secretary and destroyed, and an equivalent number of securities are credited in the CSD account of that investor. **This is done at the request of the investor.** The dematerialised securities will be deposited into the investor's electronic CSD account. It is the **same principle as depositing your cash in your bank** account.
- Securities that can be dematerialised include shares and debt instruments such as Fixed or Variable Income Securities (Bonds).
- Investors can also **rematerialise** (withdraw) their shares which will again be done through the DP and the investor will get back their physical certificates.
- An investor will only be able to access the CSD through an intermediary authorised to be a Depository Participant (DP) i.e. Custodians, Transfer Secretaries and Stock Brokers.
- However for institutional investors and other big corporates, there is an option of accessing the CSD directly through **Business Partnership (BP) Agreements**. This will enable the BP to dematerialise their shares without going through a Custodian.

Dematerialisation Process

DEMATERIALISATION PROCESS

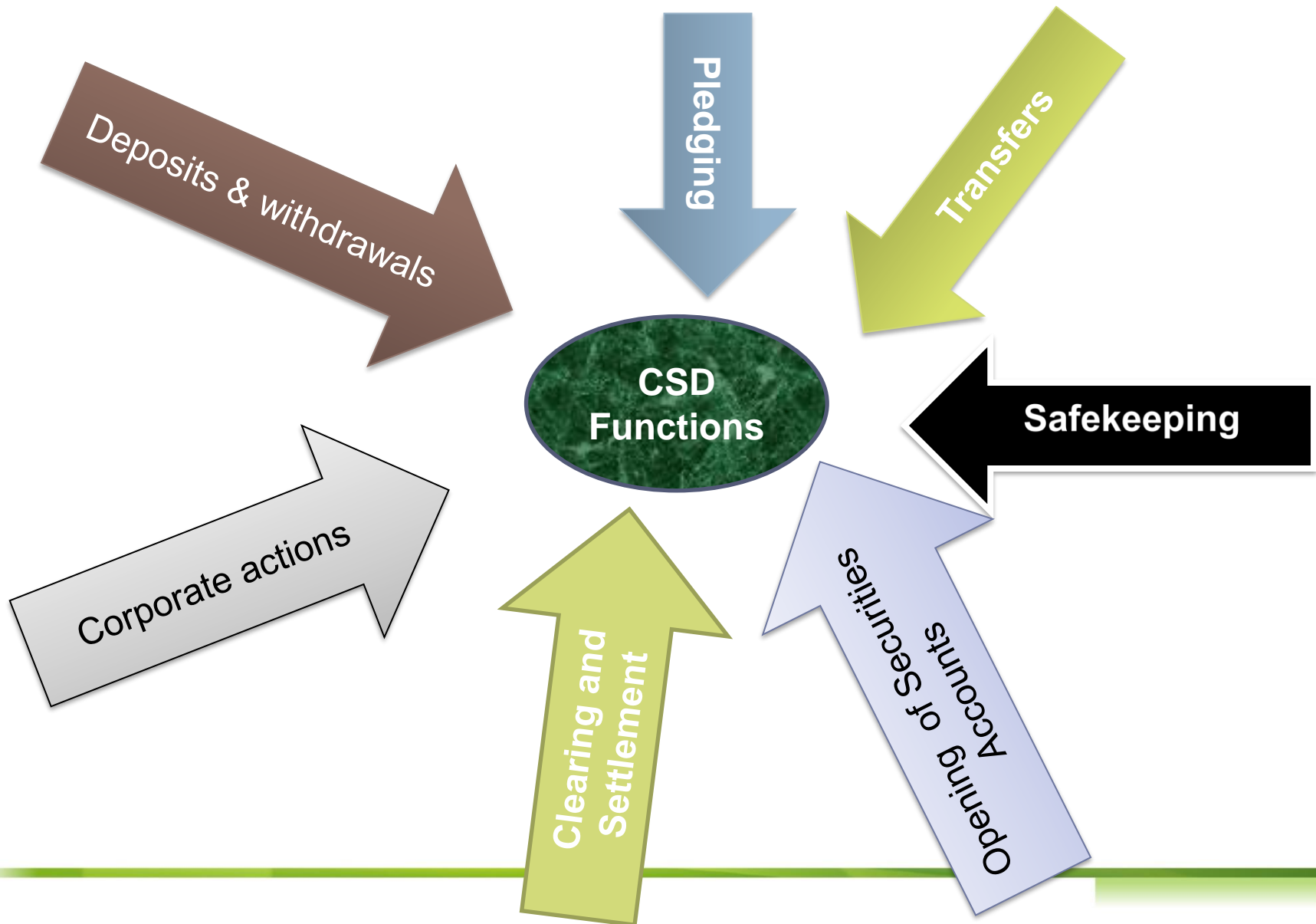


Bank versus CSD

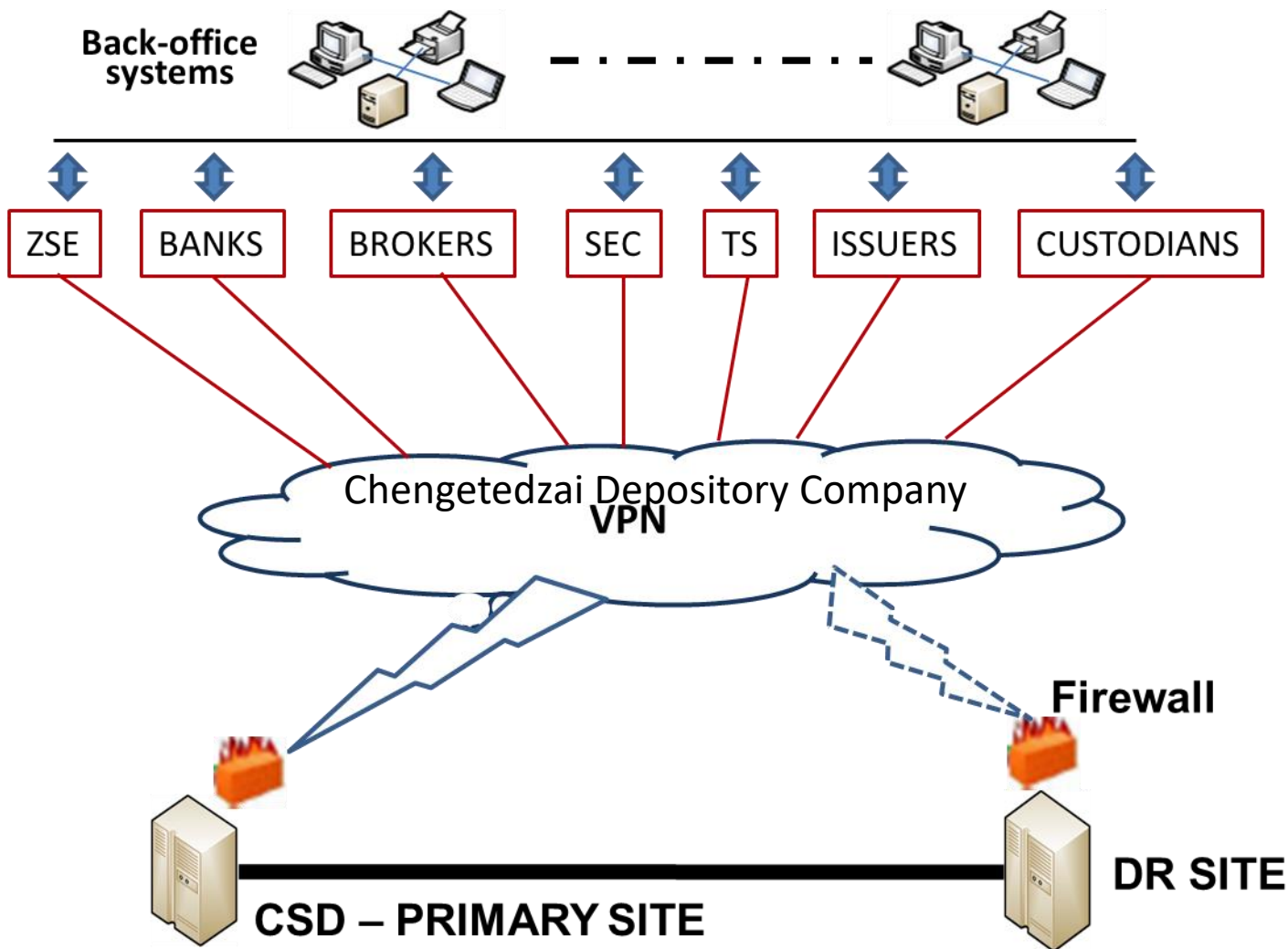
“A CSD is to securities what a Bank is to cash”.

Bank	CSD
Holds funds in accounts	Holds securities in accounts
Transfers funds between accounts on the instruction of the account holder	Transfers securities between accounts on the instruction of the account holder.
Facilitates transfer without having to handle money	Facilitates transfer of securities without having to handle paper certificates.
Gives monthly statement of funds in accounts	CSD gives monthly statement of securities in the CSD
Facilitates the safekeeping of money	CSD facilitates the safekeeping of securities.

Functions of the CSD



The CSD Network Architecture



Benefits of Dematerialisation through CDC

1. Safe Custody of Securities

- ✚ On-boarding securities on the CSD assures safety of the securities as they will be held in electronic form just as cash is held in a bank.
- ✚ Institutional investors will be able to easily do reconciliations and get update balances and account statements regarding movement of their securities, be they equities or bonds.
- ✚ On-boarding securities on the CSD can help attract a broader profile of investors to institutional investors as their assets will be safely kept and easily traceable and transferable.

2. Ability to get Value Through Pledging of Securities

- ✚ The institutional investors can easily pledge the securities and borrow against the pledges done through CDC using the available securities.
- ✚ Where institutional investors lend money, the same will apply and they will keep the pledged securities safely at CDC.

3. Benefit from using Strong Regulatory Framework.

- ✚ Regulatory requirements that CDC adheres to meet the most rigorous international standards.
- ✚ The CDC CSD Rules have been crafted with input from international players and are in line with international best practice.

Benefits of Dematerialisation through CDC

4. Placing Securities on an Internationally 'A' Rated Platform.

- ✚ Institutional Investors will be able to get comfort and assurance of best services and safe custody of their assets from CDC's positive international risk rating of A-.
- ✚ CDC has been rated A- by Thomas Murray Data Services, an International Rating Agency that specializes in rating CSDs, Stock Exchanges and other Financial Market Infrastructures (FMIs).

CSD Rating						
Overall Rating	Asset Commitment Risk	Liquidity Risk	Counterparty Risk	Asset Safety Risk	Asset Servicing Risk	
A-	A-	BBB	AA-	AA	N/R	
CSCS Rating:						

RATING SCALE	
AAA	Extremely low risk
AA+	Very low risk
AA	
AA-	
A+	Low risk
A	
A-	
BBB	Acceptable risk
BB	Less than acceptable risk
B	Quite high risk
CCC	High risk
N/R	No rating has been given due to insufficient information

Benefits of Dematerialisation through CDC

5. Platform for future listing on the Zimbabwe Stock Exchange (ZSE)

- ✚ CDC settles ZSE trades and the Institutional Investors can benefit from on-boarding their securities on the CSD if they wish list on the ZSE in the future.
- ✚ The ZSE offers companies access to the deepest pool of capital in the Zimbabwean capital market.

6. Focus on Risk Management

- ✚ CDC's operations have been structured with a conscious emphasis on Risk Management. All Rules, process flows and procedures are designed to follow International Best Practice and the 24 Principles of Financial Markets Infrastructure (IOSCO and the BIS).
- ✚ The company has a Dedicated Disaster Recovery (DR) site with real time replication of all transactions between the primary site and DR site.
- ✚ Penetration testing (Black box and White box), were carried out before system implementation and on a regular basis thereafter. The CSD also undergoes independent Annual System Audits.

Benefits of Dematerialising through CDC

7. Efficient Securities Holdings Reviews

- ✚ Keeping securities in electronic form simplifies and enhances efficiency of reviews and checks that maybe conducted by Regulators, Auditors and other stakeholders authorised to do such.

8. Attracting International Investors

- ✚ The flow of international investment into a market tends to favor efficient clearing, settlement and custody practices. International investors are attracted into markets where there are no risks of inefficient manual systems, and CDC offers that safe, tested and tried platform which is internationally recognised and rated.

How can an Investor efficiently dematerialise & manage their share portfolio

1. Dematerialisation through CSD Market Participants.

- ✚ The investor can approach a Custodian, open an account and ask that their shares be dematerialised. There are currently five custodians as well as 16 Broker Controlled Custodians. All these can facilitate this process.

2. Business Partnership Arrangement

- ✚ The investor can also enter into a Business Partnership (BP) arrangement with CDC and be directly connected to the system to initiate the share dematerialisation on their own and complete it in liaison with a Transfer Secretary in charge of that listed counter. Terms and conditions for the BP arrangement are available. This arrangement is recommended for institutional investors as it will be cheaper and more efficient and convenient in the medium to long term.

Unclaimed Shares

- **Claiming Process**
- The investor approaches CDC and fills in a claim form and also submits a copy of their ID and proof of residence.
- CDC sends the form to Cormaton for authorisation
- After receiving authorisation from Cormaton, CDC transfers the shares to the active account and the investor fills in an acknowledgement form.
- d) There is no cost on claiming
- e) The process takes at most 4 days.
- Portfolio value as at 31 December 2021 was ZWL\$361.32 million.



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THANK YOU



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Questions & Comments