

SECTION 3-THE SECURITIES (ACCOUNTING AND FINANCIAL REQUIREMENTS) RULES

Statutory Instrument

171 of 1993

RULE 31-THE SECURITIES (SPECIFICATION OF APPROVED ASSETS, LIQUID ASSETS AND RANKING LIABILITIES) NOTICE

Notice by the Securities and Exchange Commission

1. This Notice may be cited as the Securities (Specification of Approved Assets, Liquid Assets and Ranking Liabilities) Notice.

Title

2. In this Notice, unless the context otherwise requires-

Interpretation

"licensed bank" means a bank registered under the Banking Act or licensed or registered under any Act amending or replacing that Act;

"the Rules" means the Securities (Accounting and Financial Requirements) Rules, 1993.

3. The following assets of a licensed dealer or investment adviser, which form part of his business of dealing in securities and are beneficially owned by the dealer or investment adviser, as the case may be, are hereby specified as approved assets for the purposes of rule thirty-one of the Rules, to the extent of their valuation in accordance with clause six:

Approved assets

- (a) cash and foreign currency in hand;
- (b) money or foreign currency on account with a licensed bank;
- (c) certificates of deposit, acceptances and floating-rate notes issued by a licensed bank;
- (d) amounts receivable in the ordinary course of business of dealing in securities, but excluding amounts receivable which are due to be settled against delivery of securities and remain outstanding for more than five bank trading days;
- (e) prepaid expenses;
- (f) shares in a licensed securities exchange at nominal value;
- (g) treasury bills issued by the government;
- (h) eighty per cent by value of net investment in bonds issued by the government with a remaining term of five years or more, ninety per cent by value of those with a remaining term of less than five years but not more than one year, one hundred per cent by value of those with a remaining term of one year or less;
- (i) sixty per cent by value of net investment in shares traded on a licensed securities exchange;
- (j) sixty per cent by value of net investment in a collective investment scheme authorised under Part X of the Act;

- (k) gold bullion and coins; and
- (l) certificates representing any of the assets included in paragraph (g), (h), (i) or (j), valued consistently with the prices ascribed to those assets under this notice;
- (m) repurchase agreements with the Bank of Zambia; and
- (n) interests in immovable (real) property in Zambia, subject to a maximum value of twenty-five per cent of the requisite minimum net capital required under rule twenty-eight of the Rules.

4. The following approved assets of a licensed dealer or investment adviser are hereby specified as liquid assets for the purposes of rule thirty-one of the Rules to the extent of their valuation in accordance with clause six; Liquid assets

- (a) cash and foreign currency in hand;
- (b) money or foreign currency on account with a licensed bank;
- (c) certificates of deposit, acceptances and floating-rate notes issued by a licensed bank;
- (d) amounts receivable in the ordinary course of dealing in securities, but excluding amounts receivable which are due to be settled against delivery of securities and remain outstanding for more than five bank trading days;
- (e) treasury bills issued by the government;
- (f) eighty per cent by value of net investment in bonds issued by the government with a remaining term of five years or more, ninety per cent by value of those with a remaining term of less than five years but not more than one year, one hundred per cent by value of those with a remaining term of one year or less;
- (g) sixty per cent by value of net investment in shares traded on a licensed securities exchange;
- (h) sixty per cent by value of net investment in a collective investment scheme authorised under Part X of the Act;
- (i) gold bullion and coins;
- (j) certificates representing any of the assets included in paragraph (e), (f), (g) or (h), valued consistently with the prices ascribed to those assets under this notice; and
- (k) repurchase agreements with the Bank of Zambia.

5. (1) Subject to subclause (2), the following liabilities of a licensed dealer or investment adviser are hereby specified as ranking liabilities for the purposes of rule thirty-one of the Rules: Ranking liabilities

- (a) amounts payable in the ordinary course of business of dealing in securities;
- (b) overdrafts and loans from licensed banks or overseas banks;
- (c) accrued expenses;
- (d) tax payable or provided for, including that on current year profits;
- (e) any liability that is secured on an approved asset within the meaning of clause three;
- (f) all other liabilities that are regarded as liabilities under generally accepted accounting principles;
and
- (g) provision for contingent liabilities in accordance with generally accepted accounting principles.

(2) Notwithstanding subclause (1) where a licensed dealer or investment adviser in the acquisition of any fixed asset that is used in the ordinary course of business of dealing in securities, incurs any liability that is not required to be settled within twelve months, the liability shall not, to the extent of the net book value of the asset, be included as a ranking liability for the purposes of calculating the liquidity margin of the dealer or investment adviser, as the case may be.

6. Subject to subclauses (2) and (3), all approved and liquid assets shall be valued in accordance with generally accepted accounting principles.

Valuation of approved and liquid assets

(2) The following assets shall be valued at the market value of each such asset:

- (a) shares traded on a licensed securities exchange;
- (b) investment in a collective investment scheme authorised under Part X of the Act; and
- (c) gold bullion and coins.

(3) An interest in immovable (real) property shall be valued at market value by an independent valuer accepted to the Commission.