



SECURITIES AND EXCHANGE COMMISSION

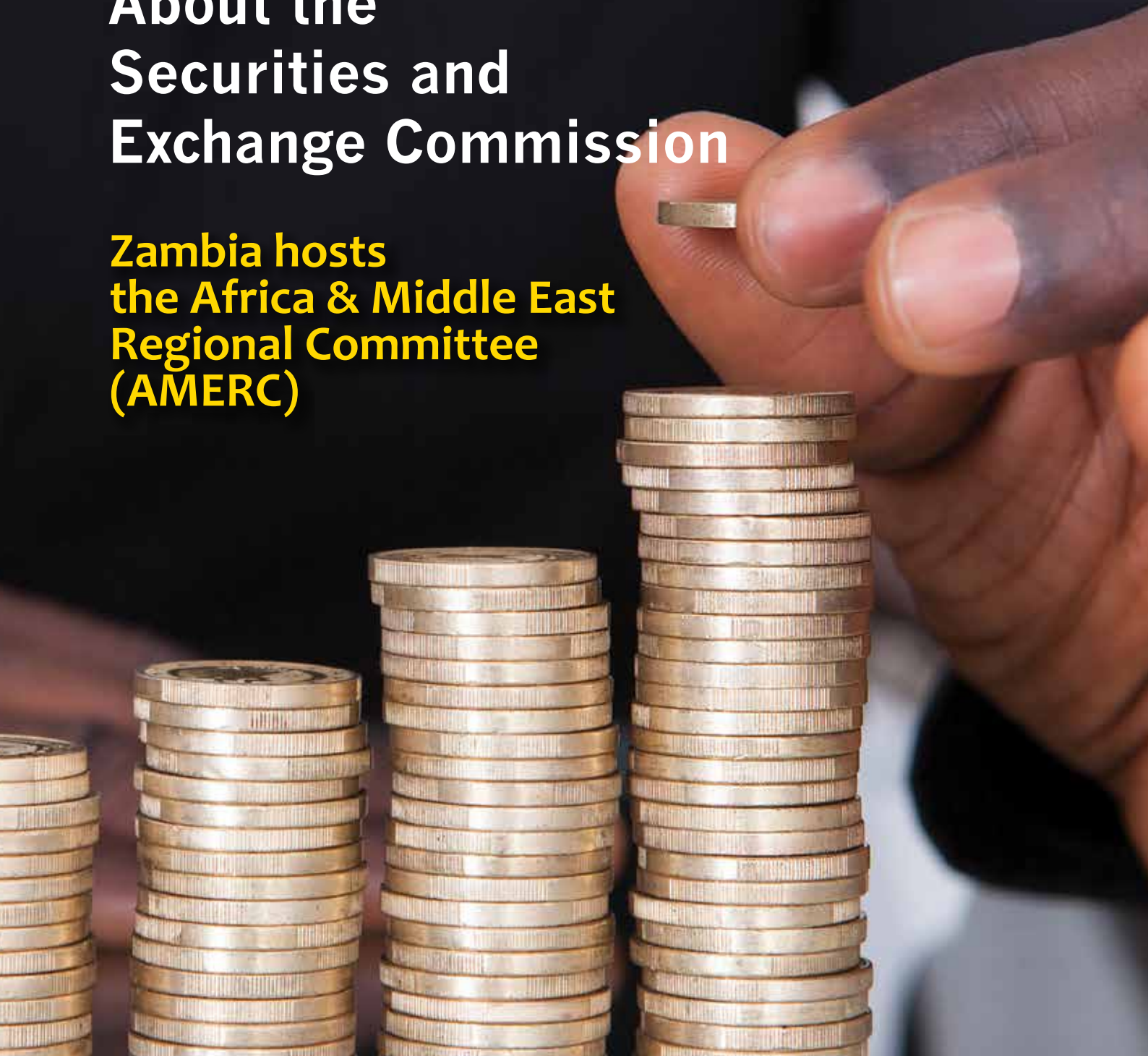
Capital Markets

A Quarterly Publication of the Securities and Exchange Commission **Bulletin**

Volume 1/2014

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Protecting Investors in the Capital Markets



SECURITIES AND EXCHANGE COMMISSION

Our focus is in providing a safe and secure environment for issuers to raise Capital while protecting investors. This is aimed at creating orderliness and ultimately protecting investors in the Capital Markets.



By Dingase Nunkwe Makumba
Manager – Market Development

Welcome to the first edition of the Capital Markets Bulletin. This is an exciting development on our part and we hope that this publication will soon become your favourite read as it aims to furnish you with important information on what is happening on the Zambian Capital Markets and how that affects you.

I have taken it upon myself to ask those I am in contact with to tell me what they know about the Securities and Exchange Commission and generally the Capital Markets in Zambia. In my view, the responses have stirred a great concern in me because it is clear that the knowledge about Capital Markets in Zambia is inadequate to help the public make sound investment decisions based on the products that are offered in the Capital Markets. Yet this is our innermost wish; to see the sector grow and bring financial benefit to the public and the economy.

It is not surprising that many people when asked whether they own any listed share rarely give affirmative responses. The bottom line is that as regulators of the Capital Markets we have reason to be concerned about the poor levels of knowledge and consequently the low participation of both the public and the private sectors on the Zambian Capital Markets. We can be rest assured that without intervention as well as consistent and timely dissemination of the right information, our Capital Markets will remain stunted for a long time to come.

This Newsletter is precisely meant to address these knowledge gaps; providing you, our valued public with pertinent information on developments and happenings in the Capital Markets upon which to base your financial decisions. We believe we have useful and expert knowledge, which needs to get to our different stakeholders including—individuals looking for savings or investment options and businesses seeking to raise capital. It is also possible that some of these entities may indeed want to participate as intermediaries such as setting up an exchange market.

In this first publication, SEC will have the pleasure of introducing itself and explain some basics about Capital Markets. We will also share with you what we have been up to so far this year.

We are truly delighted that you are reading this newsletter and hope that you will enjoy the rest of the edition. Needless to mention, we value your feedback and please do not hesitate to contact us.

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PROFILE:

Chairman of the Securities and Exchange Commission of Zambia



Mr. Chintu Y. Mulendema

Mr. Mulendema has served on various boards for both private and public institutions. Mr. Mulendema is an Advocate of the High Court for Zambia (AHCZ) and is a Fellow of both the Association of Chartered and Certified Accountants (ACCA) of the United Kingdom and the Zambia Institute of Chartered Accountants (ZICA). He is the immediate past President of ZICA and a ZICA Life Time Achievement Award Recipient.

Under civic and community leadership, Mr. Mulendema was Chairperson of the HIPC Expenditure Monitoring Team on behalf of the civil society and donors. He is also a former headman of Mulendema Village in Chipapa under Chieftainess Nkomesha Mukamambo II.

Mr. Mulendema has over 30 years demonstrable work experience and comes with a wealth of experience in business strategic planning, external oversight, management accounting, corporate and financial planning, auditing, financial and management accounting, forensic investigations, merchant and commercial banking, management consultancy, project management and leadership.

Currently Mr. Mulendema serves as Managing Partner at CYMA-Chartered Accountants and Management Consultants, amongst his numerous engagements, both in his private and public capacities.

Mr Mulendema became Chairman of SEC on 16th August, 2013.

About the Securities and Exchange Commission

What the SEC does

The Securities and Exchange Commission (SEC) is the regulator of Capital Markets in Zambia. SEC is a relatively young organization having been established through an Act of Parliament, the Securities Act CAP354 of 1993 to undertake the important role of:-

- Supervising and development of the Zambian Capital Markets
- Licensing, registration and authorization for financial intermediaries, issuers of debt and equity instruments and

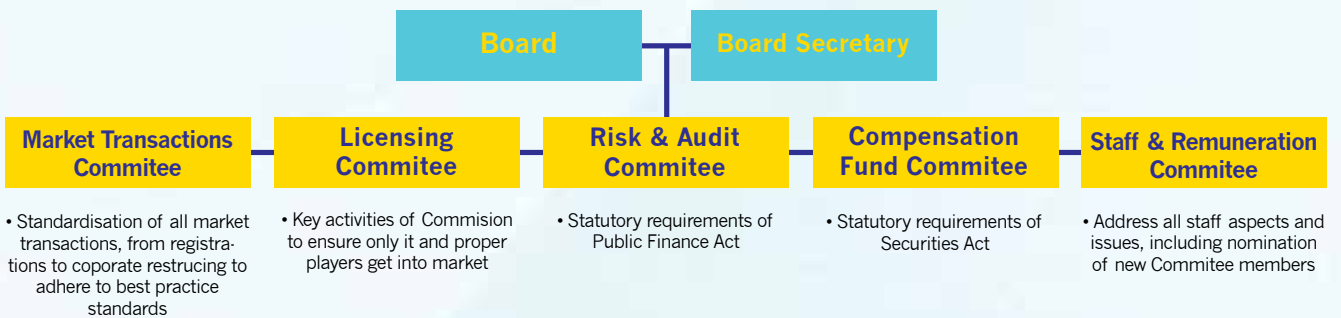
- collective investment schemes.
- Protecting of interests of persons who invest in securities to suppress illegal, dishonorable and improper practices

Governance

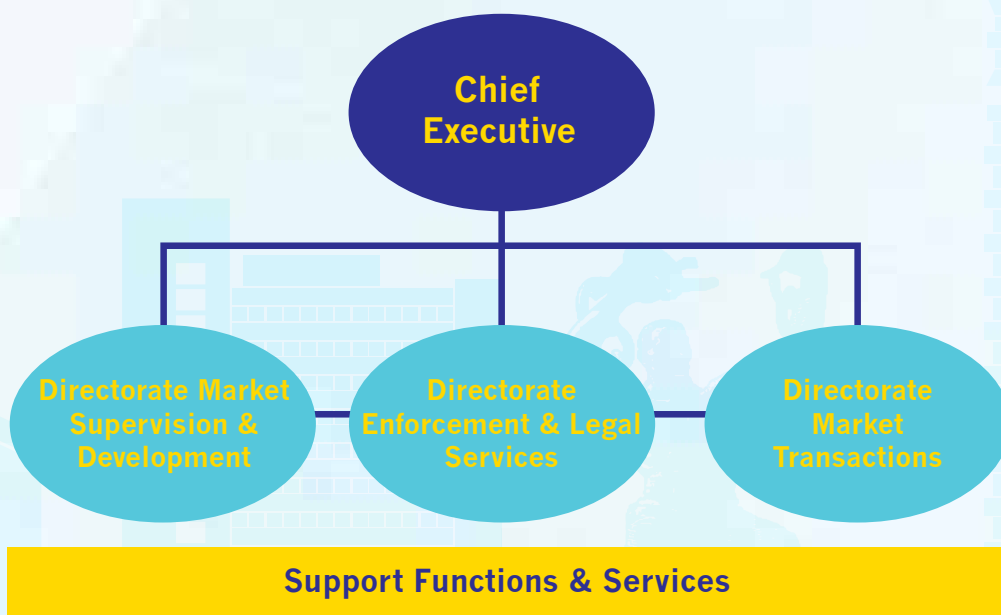
The functions of the SEC vests in the Commissioners nominated by various institutions and then are appointed by the Minister of Finance in accordance with the provisions of the Securities Act. The institutions that nominate commissioners include the Law Association of Zambia (LAZ), Ministry of Justice,

Bank of Zambia (BoZ), Zambia Chamber of Commerce and Industries (ZACCI), NGOCC, and the Zambia Association of Chartered Accountants (ZICA). This broad representation of various stakeholders on the Commission ensures that a diverse skills set would be ideal in delivering an effective investor protection as envisaged by the Securities Act. The Board appoints a Chief Executive who helps discharge their mandate, a management structure that suits the delivery of the Commissions mandate as depicted below:

BOARD STRUCTURE



ORGANISATION STRUCTURE



Mission Statement

To have Zambian Capital Markets that provide a safe and secure environment for issuers to raise Capital while protecting investors and providing for transparent and secure trading, settlement and clearing.

Vision

The SEC aims to be the regulator of Zambian Capital Markets that make their rightful contribution to the economic development of the country, while being effectively and efficiently supervised.

SEC Values

- To be a Reliable and Impartial supervisor of the Zambian Capital Markets.
- To be Dependable at all times and in all circumstances.
- To reflect unsurpassed levels of Commitment to the Capital Markets and all players in it.
- To be Responsive to the needs of the Capital Markets and all the players in it.

Our Mandate

The SEC core functions are to:

Promote

- High Standards of Investor Protection
- Integrity of Industry
- Self Regulation of Industry Players
- Orderly Growth & Development of Industry
- Operation of Free, Orderly, Informed Market

License and Supervise

- Industry Players
- Industry Activities – Exchange & Settlement
- Approve Players Constitutions, By-laws etc
- Safeguard Interests of Investors
- Compliance & Reform

Enforce Regulation

- Regulate Manner & Scope of Trading & Settlement
- Proposals for Reform of Act & Regulations
- Ensure Compliance

Other

- Co-operate with other Regulatory Bodies
- Exercise other Functions Conferred or Imposed

Specific provisions have been made in the Securities Act for the SEC to undertake:

- Licensing and supervision of securities exchanges
- Licensing of industry players
- Registration of securities to be traded in the Capital Markets
- Supervision of the conduct of securities businesses
- Licensing and supervision of Collective Investment Schemes
- Maintenance and management of a compensation fund
- Watching out for and controlling improper trading
- Specification of powers of intervention.

Existing Players in the Zambian Capital Markets

The different categories in the Zambian Capital Markets are as follows:

- The Securities Exchanges
- The Lusaka Stock Exchange (LuSE)
- Bond and Derivatives Exchange (BaDEX)
- The Commodities Exchange (to be regulated)
- African Carbon Credits Exchange (to be established)
- LuSE Central Securities Depository
- Broker dealers and their representatives
- Collective Investment Schemes
- Custodians
- Investment advisers and their representatives

In short, everything that SEC exists to do is aimed at creating orderliness and ultimately protecting investors in the Capital Markets





SEC as the Investors Advocate

**Protecting Investors: How the Securities & Exchange Commission
Protects Investors, maintains Market Integrity
and Facilitates Capital Formation**

The SEC oversees the key players in Capital Markets, who include securities exchanges, securities brokers and dealers, investment advisors, fund managers, collective investment schemes and issuers. Here the SEC is concerned primarily with promoting the disclosure of important market-related information, maintaining fair dealing, and protecting against fraud.



By Dingase Nunkwe Makumba
Manager – Market Development

Our mission as the Securities and Exchange Commission is “To have Zambian Capital Markets that provide a safe and secure environment for issuers to raise Capital while protecting Investors and providing for transparent and secure trading, clearing and settlement.”

As more and more investors turn to the markets to help secure their futures, pay for homes, and send children to college, our mandate to protect investors is more compelling than ever. Also, as our nation’s securities exchanges develop into globally competitive players, the need for sound market regulation cannot be overemphasized.

In a growing economy like Zambia, it is undeniable that our common interest as Zambians is to have a growing economy that produces jobs, improves our standard of living, and protects the value of our savings. The foregoing entails that all of the SEC’s actions must be taken with “good judgement” toward promoting the capital formation that is necessary to sustain economic growth.

The world of investing is attractive and intricate, but can also be profitable. However, in the financial world, deposits could lose value due to inflation for instance and the price of shares, bonds and other securities can go up and down during the investment period. There

are no guarantees. That is why it is said investing is not a spectator sport. By far the best way for investors to protect the money they put into the securities markets is to do research and ask their brokers the right questions (refer to the article of how to invest in Zambian Stocks (on page 21 of this edition).

The laws and rules that govern the Securities Industry or Capital Markets in Zambia derive from a simple and straightforward concept: all investors, whether large institutions or private individuals, should have access to certain basic facts about an investment prior to buying it, and so long as they hold it. To achieve this, the SEC requires public companies to disclose meaningful financial and other information to the public. This provides a common pool of knowledge for all investors to use to judge for themselves whether to buy, sell, or hold a particular security. Only through the steady flow of timely, comprehensive, and accurate information can people make sound investment decisions.

The result of this information flow is a far more active, efficient, and transparent Capital Market that facilitates capital formation, which is so important to the growth of Zambia’s economy. To ensure that this objective is always being met, the SEC continually works with all major market players, including the various investors in the Capital Markets - to listen to their concerns and to learn from their experience.

Crucial to the SEC’s effectiveness in each of these areas is its enforcement authority. Each year the SEC conducts inspections of its licensees (securities exchanges, dealers, investment advisers) and

have in the past dealt with parties found in violation of the securities laws. One of the major sources of information on which the SEC relies to bring enforcement action is investors themselves — another reason that educated and careful investors are so critical to the functioning of efficient markets. To help support investor education, the SEC offers the public a wealth of educational information on different forums which also includes the SEC website; ongoing investor education awareness programmes; and the Financial Education Coordinating Unit (FECU) which is an institution set up under the auspices of the Financial Sector Development Plan (FSDP) tasked with the responsibility to drive the National Strategy on Financial Education through various avenues such as awareness road shows, radio programs and more distinctly through the education curriculum. This has been necessitated by the fact that imparting of knowledge at a young age is critical to cultural transformation. Creating a cadre of financially literate citizens is cardinal to a vibrant economy made through financially sound decisions.

Though it is the primary overseer and regulator of the Zambian Capital Markets, the SEC works closely with many other institutions, including the Bank of Zambia, the Pensions and Insurance Authority and other government departments and agencies, the self-regulatory organizations (e.g. the stock exchanges i.e the Lusaka Stock Exchange and BaDEX), stock brokers and various other private sector organizations.

This article is an overview of the SEC’s mandate to protect investors and its importance thereof.

Zambia hosts the Africa & Middle East Regional Committee(AMERC)

The Securities and Exchange Commission- Zambia was this year privileged to host the 32nd International Organisation for Securities Commissions (IOSCO) AMERC Meeting which was successfully held in Livingstone and ran from the 10th to 11th February 2014, under the theme, “Balancing Development with Emerging Regulating Challenges”.

About IOSCO



By Chileshe Mwamulima
PA - DMSD

The International Organization of Securities Commissions (IOSCO) was established in 1983. It is the acknowledged international body that brings together the world’s securities regulators and is recognized as the global standard setter for the securities sector. IOSCO develops, implements, and promotes adherence to internationally recognized standards for securities regulation, and is working intensively with the G20 and the Financial Stability Board (FSB) on the global regulatory reform agenda.

IOSCO is a leading international policy forum for securities regulators with more than 95 percent of the world’s securities markets in over 115 jurisdictions.

Its members include over 120 securities regulators and 80 other securities markets participants (i.e. stock exchanges, financial regional and international organizations etc.). IOSCO is the only international financial regulatory organization which includes all the major emerging markets jurisdictions within its membership.

The Africa/Middle East Regional Committee (AMERC) is one of the four Regional Committees of IOSCO. Ms. Arunma Oteh is the Chairperson of AMERC. Others are Asia Pacific Regional Committee; European Regional Committee and Inter-American Regional Committee.

32nd AMERC Meeting

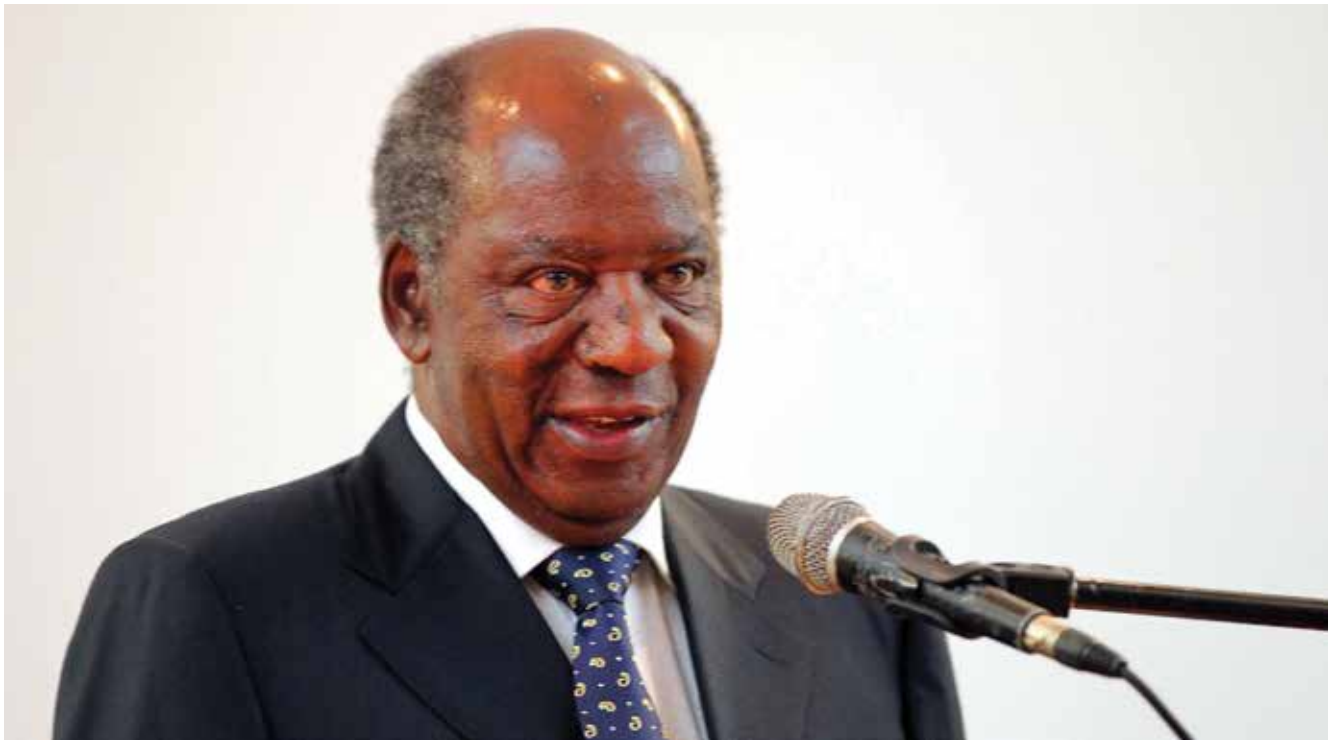
Zambia was honoured to have been accorded this opportunity to host the 32nd AMERC Meeting. It was the first time Zambia was hosting the meeting which was held in Livingstone, Zambia at the Zambezi Sun Hotel. The meeting provided participants an opportunity to connect and network on global

regulatory best practices as well as share experiences from within Africa and the Middle East. 18 countries participated and these included: Angola; Botswana; Dubai; Ghana; Ivory Coast; Jordan; Kenya; Malawi; Mauritius; Nigeria; Qatar; Saudi Arabia; South Africa; Tanzania; Uganda; United Arab Emirates; Zambia; Zimbabwe.

The delegates comprised senior executives from IOSCO, capital markets regulators, stock exchanges, central banks, International Finance Corporation, Government officials and other key institutions. The Meeting was graced by the Minister of Finance who was at the time acting President of Zambia, Honourable Alexander Chikwanda. Livingstone being Zambia’s tourist capital and with our venue the Zambezi Sun Hotel being in close proximity with the mighty Victoria Falls, one of the seven natural wonders of the world, our guests were treated to a host of social activities aimed at them exploring Zambia.



Left to Right: Guest of Honor - Hon. Alexander B. Chikwanda, Minister of Finance accompanied by Southern Province Minister- Hon. Daniel Munkombwe being welcomed by Deputy Secretary General- IOSCO Tajinder Singh and SEC Director Market Supervision & Development- Ms Mutumboi Mundia.



Minister of Finance Hon. Alexander B. Chikwanda gracing the AMERC conference



AMERC Chairperson Ms Arunma Oteh, delivering her speech



IOSCO Deputy Secretary General Tajinder Singh delivering his speech



AMERC Organizing Team: Left to right; Tunde Kamali -SEC Nigeria, Frana Chukwuogor-SEC Nigeria, Bruce Mulenga-SEC Zambia, Yvonne Mwala-SEC Zambia, Mayford Chikoya-SEC Zambia, Mutumboi Munda-SEC Zambia, Okokon Akpan-SEC Nigeria, Chileshe M. Hamuwele-SEC Zambia and Saviour Mooya-SEC Zambia



Dr. E. D. Wala Chabala at the Welcome Cocktail at The Royal Livingstone with Delegates from Mauritius



Ms Mutumboi Mundia (Director - Market Supervision and Development) at AMERC entertaining guests

The ZIBCT Stock Brokers Course



Dr E.D Wala Chabala, SEC Secretary and Chief Executive officiating at the ZIBCT Stock Brokers Graduation Ceremony

Zambia Insurance Business College Trust in conjunction with The Securities and Exchange Commission and The Lusaka Stock Exchange conducts a “Basic and Advanced Investment Advisors and Stock Brokers Course”.

This Course enables participants advance their knowledge of the Capital Markets and further enhance their capacity as Investment Advisors, Stock Brokers and Financial analysts. The Stock Brokers Course is targeted at Fund Managers,

Accountants, Stock Brokers, Lawyers, all Financial & Investment Advisors and anybody who wants to sharpen their career to be relevant to the dynamic business environment.

For SEC, the Stock Brokers course is essential to the development of the Capital Markets. As key market players; the Investment Advisors, are equipped with skills to undertake transactions and professional advice on the Financial Securities Market. Participants are enabled to interface with the would-be clients

as the “Front Line Officers” and “Back Line Officers”. This course is also of benefit to those who have interest in understanding how the Securities Market operates in Zambia.



By Dingase Nunkwe Makumba
Manager · Market Development



Graduands and dignitaries from the Securities and Stock Exchange, The Pensions & Insurance Authority and Zambia Insurance Business College Trust pose for a photo during the Stock Brokers Course graduation ceremony held in February 2014.



Dr E.D Wala Chabala presents a certificate to a graduating student at the 2014 Stock Brokers Course graduation ceremony.

Africa Women Economic Summit 2014 & what one of the SEC participants had to say

The 3rd Women Economic Summit was this year held in Zambia at the Mulungushi International Conference Centre under the theme, African Women realizing Africa's Economic Potential.



Mudenda Libongani(Far Left) and Yvonne Mwala both from SEC pose for a photo during AWES with Mrs Graca Machel (Centre)-Founder of New Faces New Voices(NFNV)

By Mudenda Libangani

The Summit was interesting in the sense that we learnt a lot from women that were participating in the summit which brought women from all walks of life to exhibit products and services and showcase how best they can use their talents and skills.

The displays were done by women from all over the country.

This was done by women with skill and talent using natural resources and recycled material. I strongly believe that women in Zambia have the potential to grow in business given the opportunity especially with the help and support from stakeholders such as financial institutions.

The Securities and Exchange Commission as a regulator in the financial sector was one

of the Gold Sponsors of the summit and took part in the exhibition where participating women in business were educated on how they can raise money on the Capital Markets; financial aspects being the cornerstone of the summit.

It was a good experience rubbing shoulders with the former first lady of the Republic of South Africa, Mama Gracia Mashal Mandela.



***“There is no force
equal to a woman
determined
to rise”***

W.E.D Dubois

**AFRICAN
WOMEN'S
ECONOMIC
SUMMIT
2014
SPONSOR**

Our Values

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- To be dependable at all times and in all circumstances.
- To reflect unsurpassed levels of commitment to the Capital Markets and all players in it.
- To be responsive to the needs of the Capital Markets and all the players in it.



SECURITIES & EXCHANGE COMMISSION

2014 FINANCIAL LITERACY WEEK



Director Market Transactions and Investments – Mr. Phillip Chitalu with pupils



SEC Team with Matero Boys and Lusaka High School Pupils



Sec team with Munali Boys and Girls Pupils



By Leah Kusensela
Assistant Accountant

The Financial Sector Development Plan (FSDP) Secretariat in collaboration with Financial Sector regulators notably Bank of Zambia, Pensions and Insurance Authority, and Securities and Exchange Commission spearheaded the

commemoration of the 2014 Financial Literacy Week which ran from 13th - 18th March, 2014 under the theme 'Saving'. The goal of the Financial Literacy Week 2014 was to sensitize children, youth and adults by empowering them with the knowledge and understanding about savings so as to develop a habit of saving by individuals and ultimately create a better savings culture in Zambia.

Amongst the activities lined up, SEC exhibited at the Levy Junction with other financial institutions, educating

the public and also providing information about Capital markets and SEC's role as a regulator. On 20th March 2014, SEC in partnership with PIA (Pensions Insurance Authority) held a Job shadow for pupils from 4 schools namely: Munali Boys, Munali Girls, Matero Boys and Lusaka High School. This was to give the pupils a feel and experience of an actual job. The pupils were assigned to various offices and departments.

Capital Markets and Economic growth

Capital Markets as an instrument for economic development



By Bruce Mulenga
Manager - Market Transaction

Is there a correlation between economic growth and the Capital Markets? Some Empirical studies done seem to support this assertion while other empirical studies have concluded to the contrary. The Capital Market plays a significant economic role.

Capital Markets bring together deficit units and surplus units to ensure there is efficient allocation of resources. A company with good investment projects may be in need of financing while individuals with surplus cash may be looking for investment opportunities in which to invest their savings, Capital Markets bring the borrower (deficit unit) in contact with the lender (surplus unit) and in the process make both better off. For example a few months ago, Copperbelt Energy raised ZMW 387.5 million on the local capital market through a rights issue to finance its expansion programmes, CEC was the borrower that needed the funds for its growth and the

shareholders were the lenders that had the cash to lend in anticipation of a return in the form of a dividend or capital appreciation. What is the possible impact on the economy of this example I have just given, for illustrative purposes let's assume the company wanted to build a hydro plant or perhaps increase their distribution lines from the funds raised, the company would probably employ more people skilled and unskilled hence creating employment. Those employed would be expected to pay tax hence creating revenue for the government. There is a multiplier effect in the economy. Now if more companies were raising capital from the local capital market for expansion be it infrastructure or investing in technology, this will have a positive impact on the economy in terms of growth and on the capital market in terms of positive investor sentiments expressed through high share prices.

For the last few years, Zambia has experienced phenomenal economic growth averaging between 6% to 7% growth per annual. As a matter of fact, the Zambian economy is among the ten fastest growing in the world. Some critics have however argued that this has not translated in to the growth of the capital market. There are various indicators that are used to measure the size of the stock market, such as the market capitalization GDP ratio

and the number of domestic listed companies.

In 2013 the market capitalization GDP ratio for Lusaka Stock Exchange (LuSE) was 19%. The market capitalization ratio simply measures the size of the stock market relative to the size of the economy. It is widely believed that a country with a market capitalisation ratio of over 100% of GDP has a capital market that plays a significant role in the economy. To put this in to the Zambia Capital Market context, would we possibly say the capital market is not playing a significant role in our economy if we go by the market capitalization ratio.? I beg to differ, the market capitalization GDP ratio should not be read in isolation as there are other factors that need to be taken into account when interpreting this figure such as the number of listed companies and the non adherence to the 25% free float which may affect the size of the market capitalization.

My personal conclusion is that the Capital Market is contributing to the growth of the economy of Zambia although not at the levels we would like. The SEC has formulated a strategic plan to grow the capital market so that it can take up its rightful role in our economy. Rome was not built in a day, and it is imperative to appreciate that this will not be achieved over night.

Investment Options in Zambia

SEC calls for maximization of investment options available on the Capital Markets

Interview with Mayford Chikoya and Bruce Mulenga

On the back of a thriving economy, there is increased appetite by companies to invest in capital projects so as to meet demand, but unlike other sources of capital available on the financial market, the capital market is naturally able to provide funds at a much lower interest rate.

“Companies can use the stock market and issue bonds and get the money they need for their capital needs. It’s much cheaper than getting loans from commercial banks where interest rates are far higher,” states Mayford, Chikoya, SEC Finance Manager. This is echoed by Bruce Mulenga, SEC’s Manager - Market Transactions: “so why not choose Capital Market over banks for long term financing?”

Besides equity and bond instruments, the capital market offers Collective Investment Schemes (CIS) which currently allows investors to reap up to 13 percent return on investment as opposed to about three percent that banks are currently offering on your savings accounts. Principally, collective investment scheme involves collecting money from different investors and then combining all the money collected to fund the investment. The investment manager invests

in a wider range of assets on your behalf. Investments may typically include government bonds, corporate bonds, stocks and shares and properties.

Despite this opportunity, Mr. Chikoya observes that most companies undertaking long-term projects appear not to appreciate the use of the Capital Markets for raising long-term finance. The few Zambian companies that have used the Zambian Capital Market such as Copperbelt Energy Plc (CEC) can give testimony on the benefits of using the Capital Markets. CEC this year raised ZMW387.5 million through a rights offer to finance its projects in Nigeria and Namibia. This clearly demonstrates the capacity of our market to raise such a huge amount of long-term finance.

It is in this respect that the SEC has commenced an aggressive awareness programme which is also aimed at getting more companies to be quoted on the Lusaka Stock Exchange (LuSE) for purposes of growing the market because of its potential to contribute to economic growth. Currently, there are 22 listed companies on LuSE. Mr. Chikoya disclosed that the SEC has had meetings with government-owned entities to explain to them the need to have their + shares

quoted on the bourse. The same goes to the mines, where SEC has actively been engaging them to fully list their shares on the capital market. Currently, most of the mining companies are only quoted on the LuSE.

Further, as part of sensitization, SEC along with the Bank of Zambia and the Pensions and Insurance Authority working under the auspices of the Financial Sector Development Program has succeeded to have the new school curriculum have a component of financial literacy. This means that from elementary level, young people will acquire knowledge about the capital market.

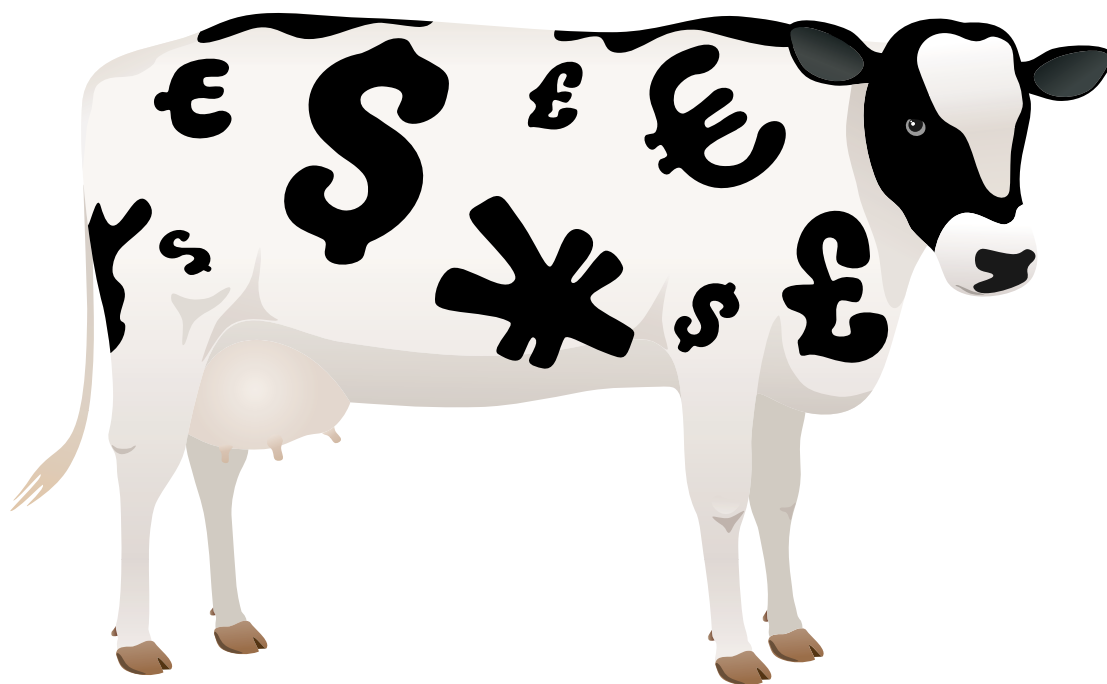
And highlighting the benefits of listing on the stock market, Mr. Mulenga said listed companies enjoy tax benefit tax in the first year of listing.

“Also when a company is listed, it gets a valuation of the firm whereby shareholders know the worth of the business.”

“Listing is also good as a listed company can offer employees share options which is good for motivation and in a way retain employees. A listed company further gets visibility in that everybody would be interested to know what the company is doing”.

The Securities and Exchange Commission wants more investors to tap into the Capital Market and raise funds that are critical to spur their investment requirements. The market capitalization of LuSE as at 31st July 2014 stood at US\$10billion. Market Capitalization is ‘one of the indicators used to measure the size of the stock market.

Saving in Cattle and Goats versus Capital Markets



By Phillip Chitalu
Director Market Transactions

People save for a rainy day in a number of ways. In our African economic setup, we have always saved for future consumption in goats, cattle, chickens, traditional grain silos (ubutala, butala, etc). However, we often hear about how low or poor our saving culture is. This alleged poor savings culture is probably due to the poor understanding of our local perspective of savings, which should be integrated within the mainstream western style financial system. We need to know the amount of resources saved and thus held up in all the cattle and goats that we have always kept from one generation to the next.

Cattle and goats aside, we will attempt to look at a form of a savings vehicle that we find within the western style financial setup. This article, which is a start to many that the Securities and Exchange Commission has embarked on, will look at some of the similarities between Collective Investment Schemes (CIS) and bank accounts.

CISs are a form of a savings mechanism, where members of a scheme make regular savings and after member's savings are large enough, the manager puts these contributions in an investment. CIS afford individuals an opportunity to make investments, which individually they would not be able to make. Therefore, in this way, a group of members save together to make large investments. For instance, a collection of people, just like in a banking setup, may not necessary know each other, but they could each make monthly savings, and when these savings are large enough, a hammer mill, a few cattle, or even a fleet of buses could

be bought for the benefit of the members.

According to the Securities Act, a Collective Investment Scheme or simply CIS, is an arrangement with respect to money or other property of any description under which provisions are made for persons taking part in the arrangements to participate in or receive profits or income arising from the acquisition, holding, management or disposal of the property or sums paid out of such profits or income. The Securities Act further states that such property should be owned or held in trust, while the interests of persons participating in the arrangements is represented by shares, units or other securities.

This is a paraphrased legal definition. However, from a practical point of view, a CIS simply collects member's savings, just like a bank would collect deposits. The CIS however has an "appointed" manager who acts for the benefit of the scheme members. *(continued to pg.21)*

CIS Vs Ordinary banking

Comparison and contrasts of a CIS from an ordinary banking arrangement such as a deposit account. We do this by looking at three (3) characteristics including the following:

Management

A CIS has an appointed manager whom members can fire. The appointed manager receives a pre-defined remuneration, which is typically about 3% per annum of the total funds under management. However, in a banking set-up, depositors do not usually have a direct say on who manages their savings and what these managers are paid. Each depositor searches for a “well-managed” bank where savings are safely put away. The depositors in the banking arrangement are thus not directly involved in determining what salaries, for instance to pay the managers.

Distribution of income

As mentioned above, members of a CIS determine what to pay the managers of the scheme, which is typically about 3% of scheme

assets. The members therefore can control how much should be due to themselves. In a banking scenario, depositors are paid a return called interest, determined in advance by the bank managers. In Zambia, and in the recent past, deposit rates have been around 4% per annum, which is even below inflation. The below inflation real interest rates tends to make savings unattractive, as the effective real return is negative.

However, in a well-managed CIS, all the income generated and after the payment of the managers’ costs belongs to the members. The real rate of return in a CIS arrangement is therefore only limited to the performance of the CIS itself. You can imagine how as members of a CIS, you could benefit if the financial results of one

of the best performing financial institutions was distributed to the members (depositors) and not the managers.

Withdrawing your savings

The withdrawal of savings made into a CIS is as easy as walking to the bank or other financial institution to get money out of a long-term deposit account. It is usual that a notice is given to the manager on your need to get some money out of your account. Typically, a member can have access to their money from a CIS within five (5) working days.

From the above, it appears that the benefit of making small periodic savings and the fact that the CIS funds are required to invest in various investment instruments and vehicles makes CISs as safe as bank accounts. There is also the additional benefit of ensuring that the income generated by a CIS is left in the scheme for the benefit of the members, with only a limited amount (typically agreed in advance) paid out to the managers.

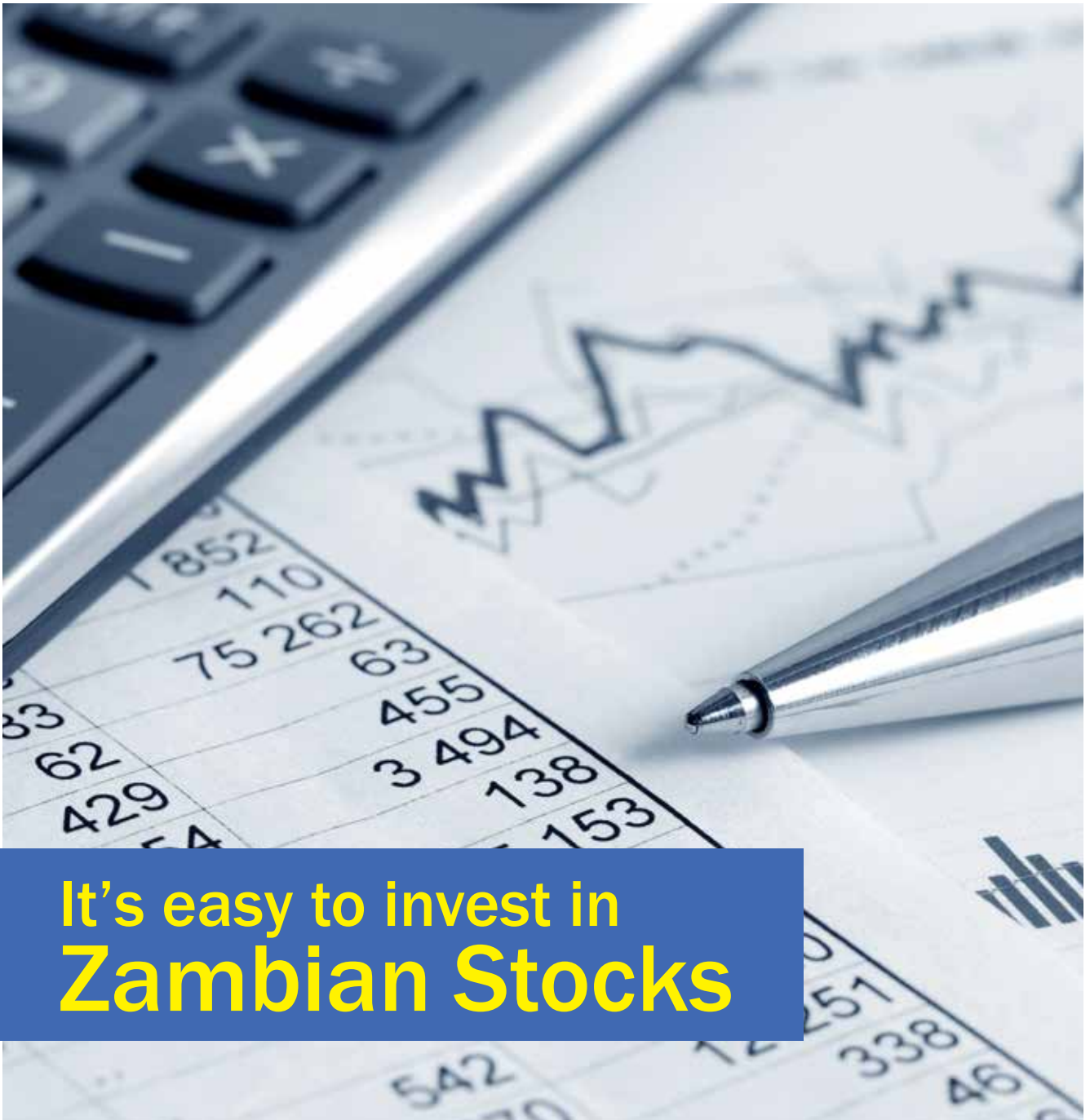
Therefore, savings made in a CIS should ordinarily grow at a rate higher than ordinary bank savings. In conclusion, it can be argued that necessity of CISs in an economy such CIS funds are required

to invest in various investment instruments and vehicles makes CISs as safe as bank accounts. There is also the additional benefit of ensuring that the income generated by a CIS is left in the scheme for the benefit of the members, with only a limited amount (typically agreed in advance) paid out to the managers. Therefore, savings made in a CIS should ordinarily grow at a rate higher than ordinary bank savings.

In conclusion, it can be argued that necessity of CISs in an economy such as ours has not been fully exploited as a savings mobilisation scheme. The size of the Zambian CIS market is only about K110

million (about US\$20 million) for a population of 14 million people. In Namibia, CISs manage over US\$3 billion for only 3 million people. This clearly shows that we need to do more as a nation to ensure that we use all available schemes in attracting savings for investment purposes. However, after all is said, savings and investments, like all financial transactions have inherent financial risks attached to them. The public should therefore consult their financial advisors before deciding which financial vehicle to use before putting their excess incomes into any form of saving.

Please contact the Securities and Exchange Commission (SEC) to ensure that your financial advisor is licensed and that the CIS you intend to invest in is authorised by the SEC.



It's easy to invest in Zambian Stocks

With an optimistic economy, stable macro-economic environment, not to mention a stable political environment, Zambia is poised to become an investor's destination of choice. This article explains the steps involved when making an investment in stocks.

Zambia is quietly putting together one of the world's most impressive records of economic growth. The Southern African nation's GDP has grown in excess of five percent annually since 2003, and the IMF

forecasts this economy will expand by seven percent this year, 2014. Zambian stocks have reflected this vibrant growth. The Lusaka Stock Exchange is one of Africa's best performers over the past four years. Its main index surged 89.6 percent (US dollar terms) since March 2009.

Global investors can tap into this market too. Here is a quick guide to opening a Zambian trading account and buying your first shares.

Zambian stockbrokers

There are seven brokers who are licensed to trade on the

Lusaka Stock Exchange. These are African Alliance Zambia, Equities Capital Resources, Finance Securities Intermarket Securities, Madison Asset Management, Pangea Securities and Stockbrokers Zambia. Ask them how much is required to open an account, and what documentation is necessary.

Trading costs

Commissions and fees amount to around 1.38 percent of the total transaction value. This rate is standard across all brokers.

Opening a Brokerage Account

Step 1: Complete the Broker's Account Opening Form

After visiting or emailing a broker and requesting information on how to open an account, they will send you a blank account form. The form typically requires disclosure of your passport number, national registration card, or other

identification number and physical address.

If you would like dividends deposited directly into your account, you should inform your broker of this at this time.

Step 2: Deliver or send documents to your Broker

You are required to provide the original account opening form and photocopy of your identification to your broker. You may email photocopies of all documents to get a head-start on the account opening

process, but they must eventually receive the certified copies or original documentation. The post office or courier could be handy here.

Step 3: Wire funds to your Brokerage Account

After opening your trading account, your broker will provide you with its bank details so that you can fund your account. The most efficient way to do this is via wire transfer. If you have not sent an wire transfer

before, it is advisable to take your broker's bank details to your local bank branch and ask them to walk you through the process. They will ensure that your funds arrive securely.

Step 4: submit a Trade Order

You have done your research and found a stock you would like to buy. All that need to be done now is to submit a written trade instruction. Some brokers may have a special trade mandate form to complete, but for others, a simple email may suffice.

It is important to keep in mind that shares on the Lusaka Stock Exchange are rather illiquid, so it is wise to specifying a limit price for all of your orders. This will help you avoid paying significantly more for

your shares than you had intended to pay.

Your broker will then execute your trade and send you a contract note that specifies the buy or sell price, commissions, and fees. Settlements of share trades takes up to three business days after the trade date, so if you have sold shares, do not expect to receive the proceeds of a sale before then unless you are willing to incur a penalty to settle the trade more quickly.

MISSION ACCOMPLISHED

Follow these steps and you are all set to begin investing in Zambian stocks.



SECURITIES AND EXCHANGE COMMISSION

REVISED LIST OF CAPITAL MARKETS LICENSEES FOR 2014

The investing public is hereby informed that it is a requirement of the Securities Act, Cap 354 of the Laws of Zambia, that all financial intermediaries conducting securities business such as dealing in securities and/or providing investment advisory services in Zambia must be licensed unless otherwise properly exempt by law. Therefore, before any person conducts securities business in Zambia, that person must obtain an appropriate licence from the Securities and Exchange Commission [SEC]. SEC, established under the said Act as the regulator and supervisor of the capital markets and securities industry in Zambia, is the licensing authority for capital markets and securities businesses and intermediaries.

Licensees are required by law to display their licences prominently at all their business premises. Members of the public are warned that you should only give instructions to properly licensed persons, as placing your financial assets and other interests with unlicensed persons places your investments at great risk. When in doubt regarding the licensing status of any person offering you securities business kindly consult the SEC.

The investing public is hereby informed that the following firms and individuals are licensed to conduct the type of securities business in the respective license categories in which they appear for 2014.

A) DEALER'S LICENCES	
1.	African Alliance Securities Limited
2.	African Banking Corporation Investment Services Limited
3.	African Life Financial Services
4.	Aon Zambia Pension Fund Administrators Limited
5.	Barclays Bank (Z)Ltd
6.	Citibank Zambia Limited
7.	Equity Capital Resource Plc
8.	Finance Bank (Z) Ltd
9.	Finance Bank (Z)Ltd
10.	First National Bank
11.	Focus Financial Services
12.	Grofin Zambia Limited
13.	Intermarket Securities Limited
14.	Investrust Bank Plc
15.	Kukula Capital Plc
16.	Laurence Paul Investment Services Limited
17.	Madison Asset Management Limited
18.	Pangaea Securities Limited
19.	Professional Life Assurance
20.	Stanbic Bank Zambia Limited
21.	Stanbic Securities Ltd
22.	Standard Chartered Bank (Z) Limited
23.	Stockbrokers (Z) Limited
24.	TN Medical Support Services (Z) Limited
25.	Zambia National Commercial Bank Plc

(B) DEALER'S REPRESENTATIVE'S LICENCES		
1.	Fumanikile Bbuku	African Alliance Securities Limited
2.	Mataka J. Nkhoma	African Alliance Securities Limited
3.	Sherry Marry Anne Thole	African Alliance Securities Limited
4.	Mutinta Grace Mukale	African Banking Corporation Investments Services Ltd
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6.	Lulumbi Njeleka	African Banking Corporation Investments Services Ltd
7.	Chanda Chansa	African Banking Corporation Investments Services Ltd
8.	Geoffrey Machila Lungwe	African Banking Corporation Investments Services Ltd

9.	Jack Kanyanga	African Banking Corporation Investments Services Ltd
10.	Munakupya Hantuba	African Banking Corporation Investments Services Ltd
11.	Geoffrey Musekiwa	African Banking Corporation Investments Services Ltd
12.	Maron Mwangala	Aon Zambia Pension Fund and Administrators Limited
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14.	Chimuka Muyovwe	BancABC
15.	John Mapiye	BancABC
16.	Rudolph Ngulube	BancABC
17.	Theresa Chiluba	BancABC
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19.	Tiyenzeko Chilembo	Barclays Bank Plc Ltd
20.	Luyanga Mufungulwa	Barclays Bank Plc Ltd
21.	Mate Munalula	Citibank Plc
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23.	Willa Simpungwe	Finance Securities Limited
24.	Zandile Mirriam Shaba	Finance Securities Limited
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28.	Mutinta Lunda	deVere and Partners International Limited
29.	Kabwe C Chikolwa	deVere and Partners International Limited
30.	Choolwe Chiyala	Equity Capital Resources Limited
31.	Nathan de Assis	Equity Capital Resources Limited
32.	Peter Mutale Kang'ombe	Equity Capital Resources Limited
33.	Tushar Thaker	Finance Securities Limited
34.	George Mubipe	Focus Financial Services Limited
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37.	Richard Phiri	Investrust Bank Plc Ltd
38.	Harry Mafuta	Investrust Bank Plc Ltd
39.	Busiwa Ndumba Kayira	Intermarket Securities Limited
40.	Joesph malani lungu	Intermarket Securities Limited
41.	Joseph Mazila	Intermarket Securities Limited
42.	Hope Mikwala	Intermarket Securities Limited
43.	Misento Zibbowah	Intermarket Securities Limited
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45.	Tue Andersen	Kukula Capital Resources
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47.	David C.K Sinkala	Laurence Paul Investment Services Limited
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49.	Muchindu Kasongolo	Madison Asset Management Company Limited
50.	Cecilia Kamba Siabusu	Madison Asset Management Company Limited
51.	Claire Machila Lungwwe	Madison Asset Management Company Limited
52.	Ceaser Siwale	Pangaea Securities Limited
53.	Tidale Mwale-Chisunka	Pangaea Securities Limited
54.	Wendy Nsamwa Ngalazi Tembo	Pangaea Securities Limited
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56.	Pascal Mwila	Stanbic Bank (Z) Limited
57.	Dorothy Moono	Standard Chartered Bank (Z)Limited
58.	Mulolwa Nkhata	Standard Chartered Bank (Z)Limited
59.	Shashank K. Mehta	Standard Chartered Bank (Z)Limited
60.	Remmy Edgar Syanjelele	Standard Chartered Bank (Z)Limited
61.	Charles Mate	Stockbrokers Zambia
62.	Chanda Mutoni	Stockbrokers Zambia
63.	Albert Mulenga	TN Medical Support Services (Z) Limited
64.	Charles Kamungu	Zambia National Commercial Bank Plc
65.	Suzyo M. Ngandu	Zambia National Commercial Bank Plc
66.	Naomi Palale	First National Bank
67.	Jito Kayumba	Kukula Capital Resources Ltd
68.	Brian Chintu	Madison Asset Management Company Ltd
69.	Prabhleen Kohli	Professional Life Assurance Limited

70.	Dean Onyambu	Stanbic Bank Limited
71.	Musenge Komeki	Stanbic Bank Limited
72.	Veronica Sinkala	Stanbic Bank Limited
73.	Victor Chileshe	Stanbic Bank Limited
74.	Jesman Chonzi	Stanbic Bank Limited
75.	Muchindu Lombe	Standard Chartered Bank Plc
76.	Ray Samuel Ngoma	Standard Chartered Bank Plc
77.	Samuel David Chibuye	Standard Chartered Bank Plc
78.	Nicholas Chikumo	Standard Chartered Bank Plc

(C) INVESTMENT ADVISER'S LICENCES

1.	Asset Protection International Limited
2.	Benefits Consulting Services Ltd
3.	Charles Sichangwa
4.	Devere and Partners Investment Services (Z) Ltd
5.	Entrust Financial Services Limited
6.	Imara ECR Asset Management Ltd
7.	Jimmy Mwambazi
8.	Profin Limited
9.	Riscura (z) Limited

(D) INVESTMENT ADVISER'S REPRESENTATIVE LICENCES

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2.	Muhamed Farhan Osman	Asset Protection International
3.	Daniel Meiring Pretoriusde	Vere and Partners International
4.	Samantha Bowen	Devere and Partners International (Z) Ltd
5.	Andrew Ng'ambide	Vere Group
6.	Bwalya Chitide	Vere Group
7.	Gift Kapandede	Vere Group
8.	Julian Visserde	Vere Group
9.	Robinson Daka	Grofin Zambia Ltd
10.	Choolwe Chiyalalmarra	ECR Asset Management Ltd
11.	Jackson Malunda	Kwacha Pensions Fund
12.	Chisala Mulemba	Entrust Financial Services Limited
13.	David Brown	Entrust Financial Services Limited
14.	Nsangu Siwale	Profin Limited
15.	Simon Kalunga	Profin Limited
16.	Simmon Wallington	Profin Limited
17.	Charity Siwale	Riscura Zambia Ltd
18.	Cindy Waheeb Taudrous	Riscura Zambia Ltd

(E) SECURITIES EXCHANGE LICENCES

1.	Bond and Derivatives Exchange Limited
2.	Lusaka Stock Exchange Limited

Issued at Lusaka the 3rd day of January, 2014.
BY ORDER OF THE BOARD OF COMMISSIONERS
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SECURITIES AND EXCHANGE COMMISSION

- High Standards of Investor Protection
- Integrity of Industry
- Orderly Growth & Development of Industry
- Operation of Free, Orderly, Informed Capital Markets

Grow and raise your capital in a secure environment

As more and more investors turn to the Capital Markets to help secure their futures, our mandate to protect investors is more compelling than ever. Also, as our nation's securities exchanges develop into globally competitive players, the need for sound market regulation cannot be overemphasized.

Our focus is on bringing orderliness and ultimately protecting investors in the Capital Markets.