
CIRCULAR NO. 3

TO : ALL CAPITAL MARKET OPERATORS AND THE GENERAL PUBLIC

SUBJECT : GUIDANCE ON SPECIFIC CAPITAL MARKETS BUSINESS CONTINUITY MEASURES IN THE WAKE OF COVID-19 PANDEMIC

DATE : 1st APRIL 2020

1.0 INTRODUCTION

Further to Circular No.2 of 2020 issued on 18th March 2020, the Securities and Exchange Commission (hereinafter referred to as “Commission” or “SEC”) has continued to monitor the developments over the ongoing Corona virus Disease (Covid-19) global outbreak. According to the daily briefings provided by the Ministry of Health, Zambia’s Covid-19 cases are on the rise and as such there is need for everyone to heighten measures to fight the pandemic.

Whilst our objective is to ensure that the Zambian Capital Markets continue to operate and serve clients, it is extremely important that we ensure the safety of the capital markets workforce, clients and other stakeholders. To this end, the Commission is hereby issuing the Guidelines stipulated herein.

In essence, this Circular sets out some of the specific market interventions aimed at reinforcing business continuity measures that are presently being implemented by the Commission and various Capital Market Operators. Kindly note that these Guidelines have been arrived at following several consultations with various industry stakeholders. Thus, we implore all Capital Markets Operators to adhere to the Guidelines which are a collective effort to ensure business continuity amidst the Covid-19 pandemic.

2.0 GENERAL INTERVENTIONS TO AVOID THE SPREAD OF COVID-19

2.1 Practical Business Continuity Measures

2.1.1 Use of Secure Online Portal and Reduction of paper instructions

2.1.1.1 The market to create and utilize secure online portal for instructions and reduce the movement or exchange of paper instructions if they can. The SEC has issued a public notice, accessible from the Commission website (www.seczambia.org.zm) with details of contacts, including emails to be used for submission of various returns and reporting obligations. The LuSE has made available VPN connections through which



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Brokers/Dealers can access the Central Securities Depositories securely from remote locations. These efforts have been put in place to ensure there is no market disruptions during this period.

2.1.1.2 All Capital Markets Operators are required to put in place strong controls around electronic instructions and transactions. Authentication procedures, confirmations, secure passwords must be followed to ensure there is no breach or access to these systems by unauthorized individuals.

2.1.2 Social distancing for essential staff

2.1.2.1 Capital Markets Operators should comply with the advice by the Zambian authorities on social distancing. For instance, non-essential staff should be allowed to work from home. Furthermore, companies must consider the option of splitting essential staff between alternate or disaster recovery (DR) sites.

2.1.3 Key market infrastructure to share BCP Plans and Internal Controls put in place

2.1.3.1 Capital Markets Operators are required to inform the Commission and if possible publicise their Business Continuity Plans and other measures they have put in place to mitigate impact of Covid-19 in all possible scenarios.

3.0 COVID 19 IMPACT OF IFRS 9 AND SUBSEQUENT EVENT REPORTING

The well-functioning of capital markets demands timely and accurate information. Investors and other users of financial statements rely on financial reporting – backed by high-quality auditing. However, in times such as these, companies and their auditors are likely to face unprecedented challenges in preparing and auditing financial information.

The Commission is fully aware that at this stage, there is inadequate verifiable forward-looking information on the impact of Covid-19. However, companies must make sufficient and reasonable disclosures of any changes made to estimate the overall impact of Covid-19. Further, additional disclosures should be made in the audited financial statements as required under IFRS for events subsequent to the reporting date related to the impact of Covid-19 that will emanate should a reasonable assessment of the impact of Covid-19 on the Company be made.

Going forward, the Boards of all Capital Markets Operators will be required to make periodic market updates of the impact of the Covid-19 on their company's going concern. These announcements will be subject to review by the Commission.

4.0 NEW TIMETABLES FOR SUBMISSION OF AUDITED ANNUAL REPORTS

The Commission will only consider extension of submission dates of annual reports on a case-by-case basis. Therefore, any Capital Market Operator that seeks an extension should write to the Commission stating its specific grounds for consideration and the extension period being requested.

5.0 UPHOLD HIGH STANDARDS OF INVESTMENT ETHICS

All Capital Market Operators are requested to exhibit increased levels of professionalism as well as high standards of ethics and a duty of care to the capital markets clients. To this effect the Commission wishes to DIRECT all Capital Market Operators to regularly consult the Commission whenever need arises. Additionally, please find time to acquaint yourselves with the Securities rules and guidelines which can be accessed on the Commission's website (www.seczambia.org.zm).

6.0 PROCESSES AND CONTROL MEASURES TO FACILITY SECURE TRADING

6.1 Trading and Settlement

6.1.1 Front office and Trade Instructions

- 6.1.1.1 Brokerage firms to immediately secure remote access to the Lusaka Securities Exchange Plc (LuSE) Automated Trading System(ATS) and Central Securities Depository (CSD) via VPN installed for machines that will be off site Brokerage Firms
- 6.1.1.2 Brokers/Dealers to continue to request existing and potential/future clients to submit trade instructions via email or any other printable form.
- 6.1.1.3 Brokers must continue to ensure that necessary client instructions forms are accessible via email or online or other acceptable electronic means.
- 6.1.1.4 Brokers/Dealers will continue to have the onus of ensuring that all instructions are complete and supported with necessary requirements as per regulations as well as specific individual firms' procedures.

Control Measures:

- 6.1.1.5 LuSE shall ensure that the VPN is accessed by only the maximum number of Registered Representatives (RRs) they have listed with them.
- 6.1.1.6 Telephone instructions shall continue to be disallowed and therefore under no circumstances should these be processed.



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6.1.1.7 Brokers/Dealers/Investment Advisers must ensure that Clients are notified in writing about the above measures and other measures that the Brokers may put in place in accordance with their individual Business Continuity Plan. To this end, notices must be emailed to clients and further the notices should be placed at the registered premises of concerned Brokers as well as placed on the company websites. Kindly ensure that the notices contain valid mobile phone numbers and email addresses of key liaison personnel together with details of a senior official(s)

6.1.2 Middle office and Back office

6.1.2.1 As each Broker/Dealer/Investment Adviser has a unique back office system, internal measures on how processes will be implemented needs to be established by each individual Capital Markets Operator, if need be during this period.

Control Measures:

6.1.2.2 Each brokerage firm must submit its internal “after trading processes” in line with its Business Continuity Plan to LuSE and SEC for review and approval. The Trading department and the Settlement department for each brokerage firm must continue to demonstrate to the LuSE and SEC that they are working in synchronization and have checks in place to prevent or detect the following:

- Late payments to sellers of securities
- Over/ under payments to sellers of securities
- Duplicated payments to sellers of securities
- Omitted payments (for sellers that are selling large volumes in small tranches)
- Sufficient funds received for buy orders of securities
- Instructions and orders placed on the market match

6.1.2.3 Further, a periodic reconciliation involving each brokerage firm, LuSE and SEC will be carried out for all traded accounts during this period to ensure all is in order. All trade records are available and saved in the LuSE CSD for inspection.

6.1.3 Settlement

6.1.3.1 Settlement will be achieved via online banking. Brokers/Dealers shall take steps to ensure that the online banking processes are not disrupted during the period.

6.1.3.2 Brokers must continue to ensure that clients wishing to buy securities listed on the LuSE send funds to the brokers’ accounts via bank transfer, DDAC, RTGS or any other payment method that ensures funds from an investor are available in the respective broker’s account in time for settlement.



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6.1.3.3 Similarly, Brokers should ensure that Clients wishing to sell securities listed on the LuSE are able to receive funds through any of the above-mentioned means. To this end, brokers shall need to collect the seller's payment method details on receipt of the sell instructions.

Control Measures:

6.1.3.4 Brokers are able to view their accounts online and are therefore able to track debit and credit entries and match them to instructions received from investors. Only bank signatories have access to credentials that allow them to view the bank account and authorize payments.

7.0 CONTINUED INFORMATION DISSEMINATION BY ISSUERS

7.1 Continuing Obligations on Market Disclosures

7.1.1 Regular Announcements and Notices

7.1.1.1 Issuers of securities listed on the LuSE ("Issuers") must notify the Commission and LuSE in writing of their designated officers mandated with the responsibility for dissemination of information to the market as well as market surveillance of the performance of their securities. The designated officers shall be expected to be in regular contact with the Issuer's sponsoring broker, LuSE and SEC

7.1.1.2 Sponsoring brokers are required to liaise with Issuers and draft a timetable for when scheduled announcements are due and share these dates with the LuSE and SEC to avoid approval delays and late or absent announcements.

Control Measures:

7.1.1.3 Issuers must designate more than one officer so as to ensure a flawless communication system during this period.

7.1.1.4 Contact details of the designated officers must be made available to the sponsoring broker, LuSE and SEC.

7.1.1.5 The Issuers, Sponsoring broker, LuSE and SEC must continue diarize all scheduled announcements and set reminders five days prior to the due date of the announcements.

7.1.2 Support by Sponsoring Brokers

7.1.2.1 Sponsoring Brokers shall continue to provide professional guidance to Issuers on all continuous obligation matters, including reporting requirements.

Control Measures:

7.1.2.2 Sponsoring Brokers shall continue to provide Issuers with useful tools such as check lists derived from provisions of the Securities Act and LuSE by-laws.

7.1.3 Market Surveillance

7.1.3.1 LuSE and SEC will continue to collaborate to ensure market surveillance is enhanced going forward.

7.1.3.2 Details of the key surveillance contacts at both SEC and LuSE are as follows:

Institution	Key Contact	Position	Email
SEC	Mrs. Leah Simasiku	Surveillance Officer	lsimasiku@seczambia.org.zm
SEC	Mr. Nonde Sichilima	Manager – Market Supervision	nsichilima@seczambia.org.zm
LuSE	Mr. Inken’I Hinji	Legal & Compliance Officer	inkeni@luse.co.zm
LuSE	Ms Lenganji Nanyinza	Trading Assistant	lenganji@luse.co.zm

8.0 SUBMISSION OF STRESS TESTS OF COVID-19 IMPACT

To pave way for additional guidance on regular reporting of Covid-19 impact on Capital Markets Operators, the Commission DIRECTS the Chief Executive Officer and Chief Financial officers to submit stress scenarios of the going concern of their respective companies. These should reach the Commission by Friday 10th April, 2020.

9.0 UPDATES ON MARKET INTERVENTIONS DURING COVID-19 PANDEMIC

The Commission will endeavor to provide necessary market related updates, if need arises, in line with Government directives and unfolding developments on the Covid-19 pandemic. In the meantime, the Commission advises all Capital Markets Operators to equally keep abreast of best practices that shall ensure that we remain in business whilst working together to do our part in combating Covid-19.

The Commission will also continue to engage with other regulators on the possible impact of Covid-19 and prospect any additional guidelines or interventions to help in the functioning of our capital markets.

Dated at Lusaka this 1st April, 2020



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A handwritten signature in blue ink, appearing to read 'Phillip K. Chitalu'.

PHILLIP K. CHITALU
CHIEF EXECUTIVE OFFICER