



SECURITIES AND EXCHANGE COMMISSION
Protecting Investors in the Capital Markets

PUBLIC ALERT

CONTRACT FARMING SCHEMES/AGREEMENTS

The SEC has received several enquiries in the recent past as to whether companies or individuals that are advertising and soliciting (asking) for the public to invest in contract farming schemes/agreements are regulated by the Commission.

Much as the Commission welcomes innovations and possible partnerships in the various sectors, members of the public are urged to be cautious and conduct the necessary due diligence before making an investment.

The investing public is hereby notified that contract farming together with the concerned promoters (entities as well as individuals) who are soliciting for the public to invest in these schemes do not fall under the supervisory purview of the SEC. To this end, members of the public investing in contract farming schemes or considering entering into agreements thereof should ensure to undertake the necessary background checks and adequate due diligence to consider the associated risks/safety of the investment before making the decision to enter into such agreements.

Pursuant to our shared mandate enshrined in the National Strategy for Financial Education to foster financial education in Zambia, the SEC wishes to remind the investing public to make smart financial decisions. To this end, as a smart investor you are expected to exercise caution before placing your savings with anybody soliciting funds to be invested in a scheme and/or other financial products.

As a smart investor, you should never proceed to entrust your current or future financial well-being with anyone unless you are certain that they possess the requisite knowledge, skills, and licence to either provide investment advisory services and/or deliver the promise that they make regarding growing your money.

Investors are advised to be smart and do the following to reduce investment fraud and other risks: -

- ✓ **Tip No.1:** Ask Questions and do not be ashamed or shy to keep asking questions about the investment being offered to you. Do so before deciding to invest and if you do, continue to ask questions during the investment period. Fraudsters are counting on you not asking questions. Do not fail to ask the right questions and do not be in a hurry to invest.
- ✓ **Tip No.2:** Verify whether the investment scheme or product is regulated by one of the financial sector regulators. Ask if the entity or individual selling you the product in the scheme is licensed or whether they do not require to be licensed by SEC or another regulator in the financial sector (Bank of Zambia or Pensions and Insurance Authority). It does not matter whether you know the person well or not. As a smart investor, it is important to get investment advice from a licensed individual or entity such as a broker, investment adviser, bank, etc. In the case of capital markets products (including schemes like collective investment schemes), the SEC licensees who promote the products are required to follow supervisory rules and regulations that are put in place to safeguard an investor by mitigating risk exposures to investments. Do not shy away from demanding to see a requisite SEC licence or checking the SEC website to verify whether the entity or individual is licensed or not. If you decide to deal with an unlicensed individual and schemes/products which are not regulated, your investment will not be under the supervision of a financial sector regulator.
- ✓ **Tip No.3:** Due diligence by you as a smart investor (checking up on the scheme to know more about it or the promoters) by doing independent research on the scheme or products being offered to you. Conduct research on a product before you invest. This enables you to assess the level of risk associated with the investment and the expected return thereby guiding you in selecting the most favourable investment. Unsolicited emails, messages, testimonials, and all manner of adverts should not be the sole basis for your investment decisions. Understand a company's business and its products or services before investing. If necessary or where you are not sure, do not hesitate to consult the SEC or any of the other financial sector regulator for clarity.
- ✓ **Tip No. 4:** High returns are usually a big red flag. Apply simple logic. If money could multiply so fast, why are individuals doing similar businesses like keeping chickens or growing cabbages not making similar promised returns.

WHO/WHAT IS THE SECURITIES AND EXCHANGE COMMISSION?

The Securities and Exchange Commission (“SEC”) is the regulator for Capital Markets in Zambia. Pursuant to section 9(2) of the Securities Act No.41 of 2016 (the “Act”), the SEC has a regulatory mandate to support the growth and development of an orderly capital market and to take all reasonable steps to protect the interest of people who invest in securities.

Access the SEC website at www.seczambia.org.zm to learn more about SEC.

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A handwritten signature in blue ink, appearing to read 'P. Chitalu', is written over a faint, light blue grid background.

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