

PRESS RELEASE

LAUNCH OF RISK BASED SUPERVISION FOR CAPITAL MARKETS IN ZAMBIA

April 5th, 2022, Lusaka - The Securities and Exchange Commission (“SEC”) has today launched the Risk Based Supervision (“RBS”) framework for capital markets in Zambia. The RBS launch follows the SEC Board approval of the SEC Risk Based Supervision Policy in June 2021. The SEC RBS Policy outlines the Commission’s approach to the supervision of capital markets in Zambia.

The Securities and Exchange Commission is the regulator of capital markets in Zambia and was established through Cap 354 of the Laws of Zambia. Its existence has been continued through the Securities Act No. 41 of 2016. The RBS Policy is premised on the Commission’s mandate. The Commission’s mandate as prescribed in Section 9 of the Act is to create and promote conditions in the capital markets aimed at ensuring the orderly growth, integrity, and development of the capital markets. Central to the SEC’s mandate are the objectives of:

- (a) protecting investors;
- (b) ensuring that markets are fair, efficient, and transparent; and
- (c) reducing systemic risk

The RBS framework represents a paradigm shift from the compliance-based supervision model which is a rigid rules/ checklist-based system of regulation. In contrast, RBS places emphasis on the risks posed by market operators and the regulator developing responses using a principles-based approach. This principles-based approach requires supervisors to exercise sound predictive judgement when identifying, assessing and responding to risk posed by capital markets operators.

Principally, the RBS approach is designed to ensure that regulated entities develop and implement risk management frameworks, and governance structures to mitigate the risk arising from their business operations. It provides a basis for improved and better communication with the Regulator focusing on the key risk areas.

The RBS framework will apply to all Capital Market Operators (CMOs) in Zambia including but not limited to Licensees, Issuers of Securities that are registered with the Commission, authorized Collective Investment Schemes, Custodians, Trustees and Self-Regulatory Organisations. The RBS framework also applies to foreign capital markets operators and participants operating in the Zambian capital markets.

In addition to the principles-based supervision, the SEC RBS approach to supervision includes key concepts including:

- 1) Supervisory Intensity and Intervention – the SEC will focus on CMOs that present a higher risk
- 2) Board and Senior Management Accountability – to ensure CMOs have the right tone at the top

- 3) Risk of failure of a CMO – this acknowledges that RBS will not eliminate risk of financial failure, but will ensure that failed entities are effectively managed

The SEC shall be guided by principles that focus on key risks; use of judgement; and forward-looking, early intervention.

It is envisaged that by embarking on the implementation of RBS, the Zambian capital markets will become more resilient and positioned to attract both local and foreign investors and thereby contribute to increased mobilisation of capital for economic development as outlined in key national documents such the Seventh National Development Plan, soon to be replaced with the Eight National Development Plan (“8NDP”).

Capital Markets operators and other stakeholders are encouraged to obtain more information on RBS as follows:

- Commission’s website: <https://www.seczambia.org.zm/#>
- Commission Offices: Plot 3827 Parliament Road, Olympia, P. O. Box 35165, Lusaka.
- By phone on +260 211 227 012/ 222 368
- Email: info@seczambia.org.zm and
- On the following social media platforms:



Issued by

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

Phillip K. Chitalu (Mr.)
CHIEF EXECUTIVE OFFICER