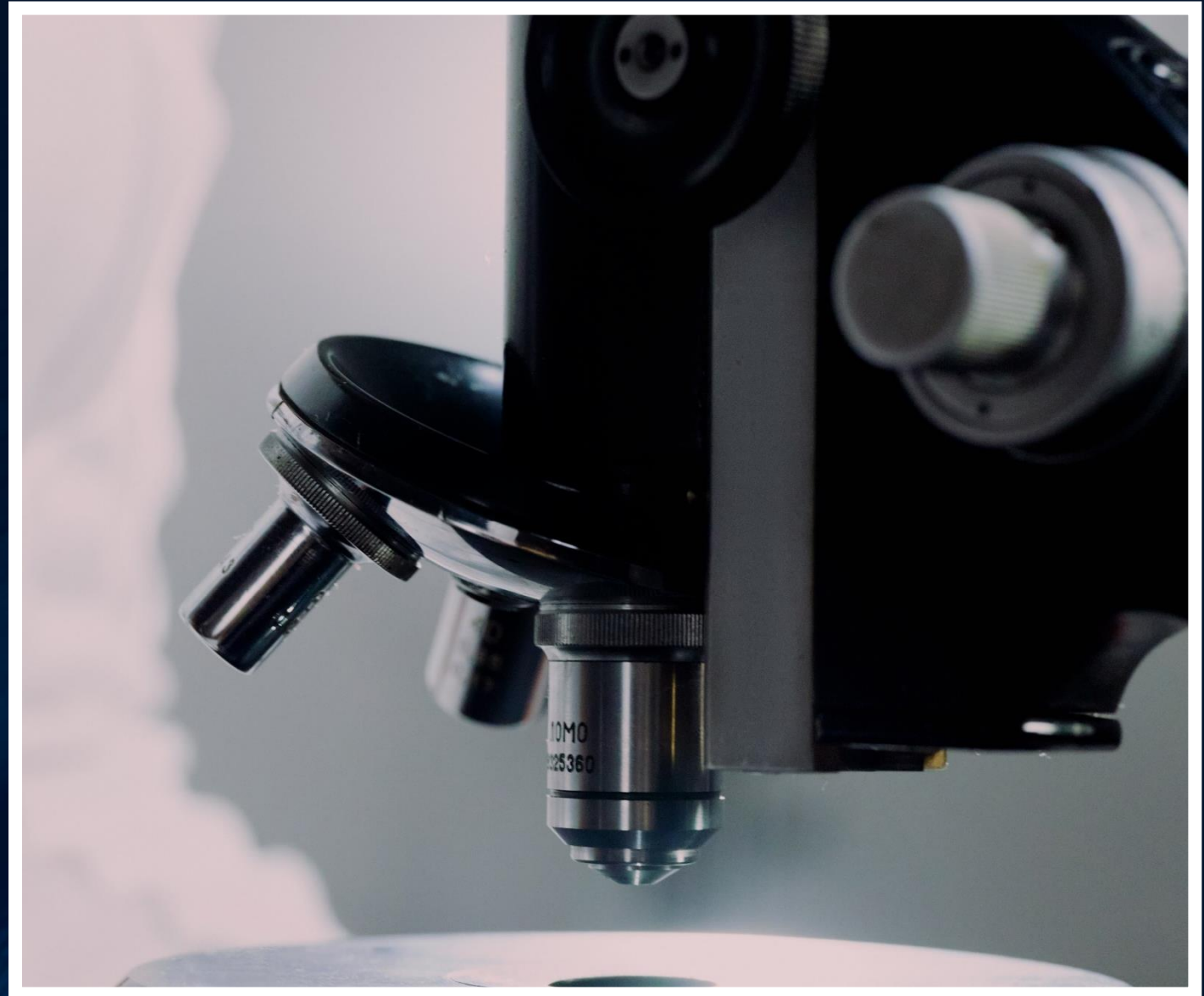


RISK BASED SUPERVISION

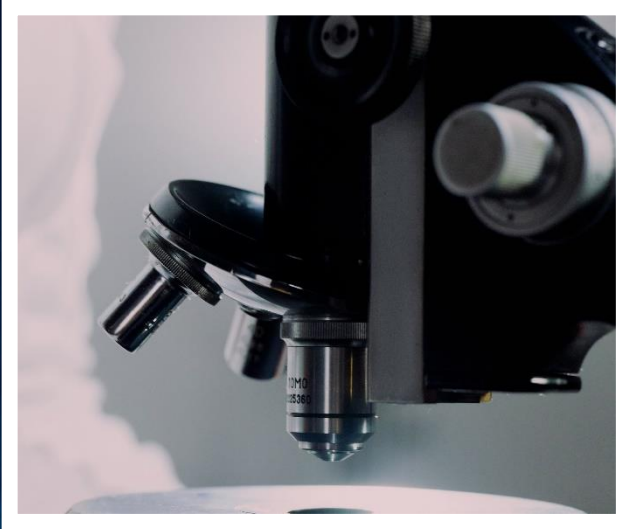
PRESENTATION AT THE LAUNCH OF THE
SEC RBS FRAMEWORK

MULUNGUSHI INTERNATIONAL CONFERENCE CENTRE

5 APRIL 2022



PRESENTATION OUTLINE



Introduction



Summary of the SEC RBS methodology



Next steps



Q & As

WHY RBS?

- ▶ Zambia is faced with a demand for capital and has to compete with other countries with similar demands.
- ▶ To Access this Capital, Zambia needs position as a preferred destination for this capital.
- ▶ On the other hand, Investors/ providers of capital are faced with a variety of options to take their money.
- ▶ Their choice is largely driven by perception of how safe their fund are.
- ▶ A key milestone to Zambia being a preferred destination under the draft CMMP is the achievement of an MSCI Rating as a Frontier Market.
- ▶ Implementation of the CMMP is part of the process of Zambia achieving an MSCI Rating and key to this is the implementation of a robust capital markets regulatory framework.
- ▶ Zambia also has to achieve high standards of international regulation as prescribed by standard making bodies such as the International Organisation for Securities Commissions (“IOSCO”)

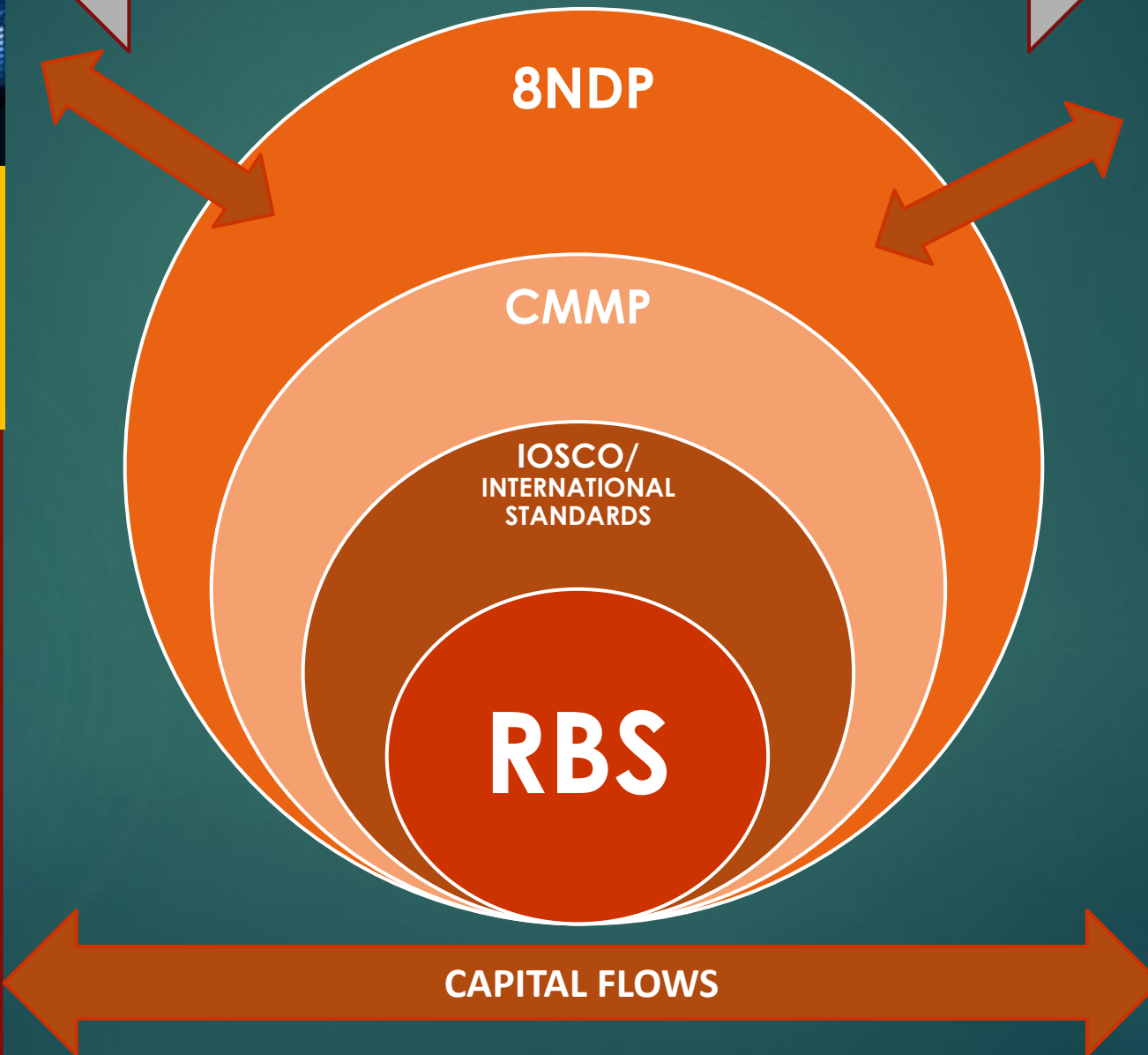


**GOAL: Preferred Investment destination
"FRONTIER MARKET"**



**INTERNATIONAL CAPITAL PROVIDERS
PRIMARY CONCERN IS
SAFETY OF THEIR FUNDS &
RETURNS**

- Openness to foreign ownership
- Ease of capital flows
- Efficiency of the operational framework
 - Market organization (Regulations & Information flows)
 - Market Infrastructure
- Availability of instruments
- Stability of institutional framework



ZAMBIA NEEDS CAPITAL
To implement national development programs/ agendas:

- 8NDP
- Vision 2030
- SDGS
- Green Bonds

**CAPITAL MARKETS
DEVELOPMENT TARGETS**

- Frontier Market (MSCI)
- Market Cap/ GDP – 29%
- Market cap - \$23 Billion
- Green Bonds - \$400m
- CIS - \$250m
- ETF/ REITS - \$70m

RBS: Why at this juncture?

- Focus on risks that are most significant (objectives of the supervisor)
- Forward-looking and judgement based = pre-empts prudential & conduct failures
- Does not eliminate all risk but helps provide a systematic and analytical way of identifying and addressing risk
- Provides good basis for dialogue with supervised entities based on better understanding of their risk
- Provides framework for optimizing resources – regulator and regulated

Universe of supervised entities: Resources need to be allocated efficiently



RBS: The short of it...



The SEC RBS methodology.. the slightly longer version

- 1 Identification of significant activities using KOB, Materiality
- 2 Identification and assessment of Inherent risks
- 3 Identification and assessment of Quality of Risk Management functions
- 4 Determination of Net risk, its direction
- 5 Assess adequacy of Institutional Level Support available to the entity to manage Net risk
- 6 Determine a Composite Risk Rating
- 7 Determine the supervisory intervention

THE NEXT STEPS: The RBS Rollout Plan



The time is
NOW

RBS ROLL OUT PLAN 2022

From April, 2022, the Commission will migrate the Zambian Capital Markets to a Risk Based Supervision framework as outlined in the SEC RBS Policy. To ensure successful implementation of the Risk Based Supervision, the Commission shall issue by such guidelines, circulars, directives and other guidance to CMOs.

The RBS Rollout will cover three core areas of activities:

Supervisory Plan



Undertake supervisory work on CMOs following launch of RBS

Capacity Building



Address capacity gaps in markets players and Staff

Stakeholder Relations



Enhance awareness of RBS by all Key stakeholders

THE NEXT STEPS: What to expect from SEC

- **Risk Management Guidelines – April 2022**
- **Self Assessment Questionnaires – April 2022**
- **Corporate Governance Guidelines – May 2022**
- **Themed monthly engagements**
- **Masterclasses & training events**
- **One-on-One Engagements**
- **Group Engagements**
- **PR & Communications strategy**

SUPERVISORY PLAN 2022



MONTH	SUPERVISORY PLAN	START DATE	END DATE
APRIL 2022	Issue self assessment questionnaire	Apr-22	May-22
	conduct SFS assessment on CIS Funds	Apr-22	Aug-22
MAY 2022	Submission of SAQ	May-22	May-22
JUNE 2022	SAQS validation meetings	Jun-22	Sep-22
OCTOBER 2022	Consolidation of Findings	Oct-22	Dec-22
DECEMBER 2022	Inspection Plan - 2023	Dec-22	Dec-22

MONTH	CAPACITY BUILDING	START DATE	END DATE
MARCH 2022	Issue and Gazette RBS Market Announcement	Mar-22	Mar-22
	Issue draft Risk Mgt Guidelines for comments	Mar-22	Mar-22
	Weekly Engagements - Refresher on RBS	Mar-22	Mar-22
	Weekly Engagement - Risk Mgt Guidelines	Mar-22	Mar-22
	Weekly Engagement - Self Assessment Questionnaire	Mar-22	Mar-22
	Internal Training Program	Mar-22	Mar-22
APRIL 2022	Themed monthly market engagements	Apr-22	Dec-22
	Annual CMO's Workshop	Apr-22	Apr-22
	ICFOR Engagement	Apr-22	Apr-22
MAY 2022	Masterclass - Risk Management	May-22	May-22
JUNE 2022	Internal training	Jun-22	Jun-22
AUGUST 2022	Masterclass - Corporate Governance	Aug-22	Aug-22
SEPTEMBER 2022	Internal training	Sep-22	Sep-22
NOVEMBER 2022	Masterclass - TBC	Nov-22	Nov-22
DECEMBER 2022	Internal training	Dec-22	Dec-22

CAPACITY BUILDING PLAN 2022



Public Relations and Communications 2022



MONTH	PR & COMMUNICATIONS STRATEGY	START DATE	END DATE
MARCH 2022	Roll out of RBS website	Mar-22	Mar-22
	Publish RBS FAQs	Mar-22	Mar-22
	Count down all social media sites	Mar-22	Mar-22
	Weekly sound bites	Mar-22	Mar-22
APRIL 2022	Launch event/Chairman's Breakfast	Apr-22	Apr-22
	Media Briefs by CEO (Quarterly)	Apr-22	Dec-22
MAY 2022	Awareness and Hype- Social media campaign	Apr-22	Dec-22



Questions?