



SECURITIES AND EXCHANGE COMMISSION
Protecting Investors in the Capital Markets

CIRCULAR NO: 1/2022/SEC

TO : All Dealers & Custodians
SUBJECT : Secondary Bond Market Matters -
DATE : 9th August 2022

1. DIRECTIVE NO.1 OF 2019

- 1.1 On 1st July 2019, the Commission issued the Directive on the submission of returns and payments for the secondary market bond trades, Directive No.1 of 2019 which came into effect on the same day. The Directive brought into implementation the provisions of section 9(2)(j) of the Securities Act No. 41 of 2016 which requires the SEC to regulate margin requirements, capital adequacy requirements, disclosure and reporting requirements and clearing and settlement requirements, as may be prescribed.
- 1.2 Further, paragraphs 8(k), (l) (m) and (n) of the Third Schedule to the Securities (Licensing, Fees and Levies) Rules, Statutory Instrument No. 165 of 1993 as amended by Statutory Instrument No. 83 of 2013 prescribe the fees payable for the secondary market trading transactions whether done on a securities exchange or off market.
- 1.3 To facilitate the foregoing, the Directive also ushered in a reporting regime requiring all bond trades to be reported to the Commission as follows:
- i. Effective 1st July 2019, all Dealers conducting secondary bond market trading must comply with the law and remit the applicable fees and complete the monthly return to the Commission within 14 days of the end of the month in which a transaction occurred; and
 - ii. In a bid to ensure compliance with the above-mentioned requirements of the Securities Act, all Dealers are hereby further directed to ensure that all secondary bond market trades are reported to the Commission, in a prescribed format, by 10hrs on the next business day following the trade.

2. STATUTORY FEES - TREATMENT OF REPURCHASE AGREEMENTS (REPOS)

2.1 Following the Directive, the Commission has considered a matter pertaining to REPO transactions that was raised by some Capital Market Operators (CMOs). In particular, an appeal was submitted for the Commission to consider excluding REPO transactions from being considered as a trade on the premise that transactions in Repos for collateralized borrowing/lending or short sale do not result in the change of beneficial ownership.

2.2 To this end, and based on the understanding of the existing practice surrounding REPO trading, it is the Commission's view that REPOS will not attract buy and sale trade commissions. However, the Commission's view is that in the event of a default by a party to the REPO transaction, the default crystallises the change of ownership, and thus a trade will occur at that point and will thereby attract trade commissions as per the Rules existing.

3. COMPLIANCE ON FULL DISCLOSURE FOR ALL FIELDS OF THE TEMPLATE

3.1 The Commission notes that some Dealers and Custodians have not been submitting a fully populated reporting template for bond trades. The Commission hereby requests all Dealers and Custodians to ensure that all fields of the reporting template are populated or completed. In particular, the yield, fees and margins realized must be disclosed fully.

3.2 To facilitate compliance on the yield which will need to be disclosed by offshore players, the Commission is hereby issuing Directive No. 1 of 2022 (attached for ease of reference).

Finally, we would like to reiterate our guidance for ongoing engagements that are aimed at ensuring that we address all issues that may risk reversing the efforts in developing the secondary bond markets. On its part, the Commission is doing its best in ensuring that concerns expressed by stakeholders are addressed in the best way possible, including revising the statutory instruments on fees.

Kindly be guided accordingly.

Dated at Lusaka this 9th day of August 2022.



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CHIEF EXECUTIVE OFFICER