



SECURITIES AND EXCHANGE COMMISSION
Protecting Investors in the Capital Markets

**SECURITIES AND EXCHANGE COMMISSION
ZAMBIA**

**Annual Report
2020**





Securities and Exchange Commission


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About SEC

Vision

A dynamic Regulator that protects investors and promotes capital markets development

Mission

To safeguard interests of investors and promote the growth of capital markets

Values

The Commission depends on the following core values in the performance of its staff by which their conduct and behaviour is anchored:

- Transparency** – We are open in the execution of our mandate
- Accountability** – We take responsibility for our actions and decisions
- Confidentiality** – We do not disclose privileged information to unauthorised persons
- Impartiality** – We treat all our stakeholders fairly
- Team work** – We are committed to pursuing our common goal while showing support and concern for each other
- Professionalism** – We perform our duties with the highest level of dedication and competence
- Integrity** – We exhibit strong moral standards and honesty in the execution of our duties

Mandate

The Securities and Exchange Commission (SEC) was established pursuant to section 3 of the repealed Securities Act, Cap 354 of the Laws of Zambia and its existence has been continued under the new Securities Act, No. 41 of 2016. The Commission's mandate is to ensure that investors in the Zambian capital markets, both local and foreign, are protected. It is also the mandate of the Commission to develop the capital markets. The Commission has to ensure there is a right balance between investor protection and Capital Market Development.

The principle function of the SEC is to regulate the capital markets so as to foster fair and efficient trading. The specific functions of the Commission as provided under section 9 of the Act are as follows:

- a) ensure compliance with the Act and regulations or rules made in accordance with the Act;
- b) license securities exchanges, regulate the activities of securities exchanges and the settlement of securities transactions;

- c) license and regulate capital markets operators;
- d) license and regulate clearing and settlement agencies and other participants in the capital markets;
- e) license and regulate credit rating agencies and provide conditions for the issuing of credit ratings;
- f) approve the constitutions, charters, articles, by-laws and rules governing and pertaining to securities exchanges, clearing and settlement agencies and other participants in the capital markets;
- g) promote and encourage high standards of investor protection and integrity among members of securities exchanges, capital markets operators, clearing and settlement agencies, self-regulatory organisations and other participants in the capital markets;
- h) support the operation of a free, orderly, fair, secure and properly informed capital markets;
- i) regulate the manner and scope of securities transactions;
- j) regulate margin requirements, capital adequacy requirements, disclosure and reporting requirements and clearing and settlement requirements, as may be prescribed;
- k) take all reasonable steps to safeguard the interest of persons who invest in securities and guard against illegal and improper practices as provided in the Act;
- l) authorise the establishment of collective investment schemes and other schemes;
- m) regulate the activities of managers, trustees and custodians;
- n) authorise and regulate the establishment of venture capital funds;
- o) consider and suggest proposals for the reform of the Act and rules and regulations made in accordance with the Act;
- p) promote and develop a system of self-regulation by securities exchanges, clearing and settlement agencies, self-regulatory organisations, other participants in the capital markets and capital markets operators, as maybe prescribed;
- q) encourage the development of securities and securities exchanges and the increased use of such exchanges;
- r) provide, promote or otherwise support financial education, awareness and confidence with regard to financial products, institutions and services;
- s) prescribe certification standards and accreditation for licensees;
- t) co-operate with, provide assistance to, receive assistance from, and exchange information with other regulatory bodies and trade organisations in Zambia and elsewhere; and
- u) exercise and perform such other functions as may be conferred or imposed upon it by or in accordance with the Act or any other written law.

IOSCO Core Objectives

In exercising its statutory mandate, the Securities and Exchange Commission is guided by the following three core objectives of securities regulation set by the International Organisation of Securities Commissions (IOSCO):

- investor protection;
- ensuring markets are fair, efficient and transparent; and
- reduction of systemic risk.

SEC Commissioners

During the period under review, the SEC Commissioners appointed from institutions specified in the Securities Act, No. 41 of 2016 were the following:



Board Chairperson

Mr. Amos Siwila

Mr. Siwila, a legal practitioner, is the SEC Board Chairperson. He previously served as the SEC Board Vice-Chairperson from November 2015 to August 2016. He then served as Acting Chairperson from August 2016 until his election as Board Chairperson in June 2017. Mr. Siwila is a Partner in the law firm Mambwe Siwila and Lisimba Associates and he represents the Law Association of Zambia (LAZ) on the Board.



Board Vice-Chairperson

Mr. George Nonde

Mr. Nonde, a chartered accountant, is the Board's elected Vice-Chairperson since June 2017 and has been a SEC Board Member since September 2014. He is the Finance Director for CFAO Zambia and Honorary Treasurer for Zambia Chamber of Commerce and Industry (ZACCI). He represents ZACCI on the Board and also chairs the Board's Staff and Remuneration Committee.



Commissioner

Mrs. Ireen Musonda-Habasimbi

Mrs. Habasimbi, an economist, had been a SEC Board Member since May 2017 until May 2020 when her term of office came to an end. Whilst on the Board, she served as the Director – Economic Management Department at the Ministry of Finance and she represented the Ministry of Finance on the Board. She chaired the Commission's Licensing Committee.



Commissioner

Mr. Mulele Maketo Mulele

Mr. Mulele, an economist, modeler, statistician and planner has been in public service for a long time and served in various portfolios with integrity and diligence. He is currently serving as Director-Economic Management Department in the Ministry of Finance since February 2020. He has also served as Director-Development Planning at the Ministry of National Development Planning from 2017 to 2020, as well as Director-Economic Policy at Cabinet Office.

Having taken over from Mrs. Habasimbi as Director – Economic Management Department at the Ministry of Finance (MOF) on transfer from Ministry of National Development Planning, Mr. Mulele has been a SEC Board Member since May, 2020 representing the interest of the Ministry of Finance and Government at large. Considering his vast work and professional experience from both development planning and economic management as well as policy analysis, he brings with him a wealth of knowledge to the SEC Board required in providing direction towards the development of the capital markets under the jurisdiction of SEC.



Commissioner

Dr. Jonathan Chipili

Dr. Chipili, an economist at the Bank of Zambia (BoZ), has been a SEC Board Member since August 2012. Dr. Chipili is the Director of Economics at BoZ and represents the Central Bank on the Board. He chairs the Market Transactions Committee of the Board.



Ms. Mainza Masole

Ms. Masole, a social security professional, has been a SEC Board Member since May 2017. Ms. Masole is the Prudential Supervision Manager – Pensions at the Pensions and Insurance Authority and she represents the Pensions and Insurance Authority on the Board. She chairs the Commission’s Property Acquisition and Development Committee.

Commissioner



Commissioner

Mrs. Natasha N. Kalimukwa

Mrs. Kalimukwa, a legal practitioner, has been a SEC Board Member since March 2018. Mrs. Kalimukwa is the Administrator General and Official Receiver for the Republic of Zambia and she represents the Ministry of Justice on the Board. She also chairs the Commission’s Compensation Fund Committee.



Commissioner

Mrs. Ruth Mugala

Mrs. Ruth Simwanza Mugala is a seasoned Accountant and business consultant who brings to the Board a wealth of knowledge and experience in the financial and advisory fields gained in the public and private sectors with a career spanning over 35 years. Mrs. Mugala has served in the Accounting profession in various capacities as Chief Accountant, Finance Manager, Financial Controller and Manager Accounting services in Zambia and in Canada and at the highest level having held the position of Acting General Manager at Zambia Emerald Industries Limited. She is a holder of a Bachelor degree in Accountancy and holder of the Association of Chartered Certified Accountants (ACCA) of UK and a Fellow of the Zambia Institute of Chartered Accountants (ZICA).

She is currently Executive Director of Massy Capital Services and Massy Wellness Services and provides consultancy services in Accounting, Finance, Savings and Investments to SMEs and individuals. She sits on a number of boards in the private sector.



Ex-officio Commissioner

Mr. Phillip K. Chitalu

Mr. Chitalu, a chartered accountant, is the Chief Executive Officer of the Commission and is an *ex-officio* Member of the Commission Board.

SEC Management

During the period under review, the following were the Commission's Management team:



Chief Executive Officer

Phillip K. Chitalu

Mr. Chitalu, a chartered accountant, has been with the Commission since August 2011. He has a bachelor's Degree of Accountancy from the Copperbelt University, a Fellow of the Association of Chartered and Certified Accountants (FCCA) and also Fellow of the Zambia Institute of Chartered Accountants (FZICA). Mr. Chitalu also holds a Master of Philosophy in Development Finance from Stellenbosch University, Cape Town, and further holds the International Global Certificate for Securities Regulators from the Harvard Law School/IOSCO.



Commission Secretary and Director – Enforcement & Legal Services

Diana Sichone

Mrs. Sichone, a legal practitioner, has been with the Commission since July, 2014. She holds a Bachelor's degree in law from the University of Zambia and a Masters degree in Corporate and Commercial law from the University of Lusaka. Mrs Sichone holds the International Global Certificate for Securities Regulators from the Harvard Law School/IOSCO. She is also an advocate of the High Court for Zambia, a qualified legislative drafter and trained commercial Arbitrator.



Director - Market Supervision & Development

Mutumboi Mundia

Ms. Mundia, a fellow of the Association of Chartered Certified Accountants (ACCA), has been with the Commission since January 2013. She is a Chevening Scholar and holds a Master's Degree in Corporate Strategy and Governance from the University of Nottingham in the UK. She also holds the International Global Certificate for Securities Regulators from the Harvard Law School/IOSCO. Ms Mundia further holds the Introductory Certificate in Arbitration from the UK's Chartered Institute of Arbitrators.

Bruce Mulenga



Manager – Market Transactions & Investments

Mr. Mulenga has been with the Commission since February 2013. He holds a bachelor of Science in Accounting from Hull university and BTEC National Diploma in Business and Finance from City College of Higher Education.

Mateyo Lungu



Manager – Finance

Mr. Lungu, a chartered accountant, has been with the Commission since December 2015. He is the holder of the Association of Chartered Certified Accountants (ACCA) qualification and the Certified Accounting Technician (CAT) from Chingola School of Accounts (ZAMIM-Chingola campus). He is a Fellow of the Association of Chartered Certified Accountants and an Associate member of the Zambian Institute of Chartered Accountants.

Saul Nyalugwe



Manager – Administration

Mr. Nyalugwe has been with the Commission since October, 2012. He holds a bachelor of laws degree from Nelson Mandela Metropolitan University in South Africa, a Diploma in Purchasing and Supply from Sandwell College of Higher and Further Education (West Bromwich) UK and a Diploma in Human Resource Management from Zambia Institute of Human Resource Management. He also trained in Domestic Arbitration by the Chartered Institute of Arbitrators.

Abraham Alutuli



Manager – Market Supervision

Mr. Alutuli, a chartered accountant, has been with the Commission since May, 2014. He Holds a Master of Business Administration (MBA) and is a Fellow of both the Association of Chartered Certified Accountants (ACCA) and Zambia Institute of Chartered Accountants (ZICA). He is also a certified fraud examiner and holds a National Accounting Technician Certificate.

Nonde Sichilima



Manager – Market Supervision

Mr. Sichilima, a chartered accountant, has been with the Commission since September, 2015. He holds a BA (Hons) Degree in Accounting and Finance from Athlone Institute of Technology, Ireland. He is a member of the Zambia Institute of Chartered Accountants and a Fellow of the Association of Chartered Certified Accountants (FCCA).

Dingase Makumba



Manager -Market Development

Mrs. Makumba has been with the Commission since May 2014. She holds a Masters of Business Administration from the Eastern and Southern Africa Management Institute (ESAMI), Bachelor of Arts in social sciences from the University of Zambia and postgraduate diploma in marketing from the Chartered Institute of Marketing-UK

Mubanga Kondolo

Mr. Kondolo, a financial sector specialist has been with the Commission since June 2017. He holds a BA (Hons) in Business and Management from University of Sunderland.



Manager – Financial Inclusion

Lubunda A. Ngala

Mr. Ngala, a legal practitioner, had been with the Commission from October 2017 to April 2020 when he left the Commission. He holds a Bachelor’s degree in law from the University of Zambia, and he is also an advocate of the High Court for Zambia and a qualified legislative drafter.



Manager – Law Reform and Enforcement

Veronica O. Sichone

Mrs. Veronica O. Sichone, a legal practitioner, had been with the Commission from June 2018 to December 2020 when she left the Commission. She acted as Manager – Law Reform and Enforcement from May 2020 to December 2020. She holds a Bachelor’s degree in law from King’s College London and she is also an advocate of the High Court for Zambia and a qualified legislative drafter.



Manager – Law Reform and Enforcement



SEC Senior Management Team – From left to right: Ms Mutumboi Mundia, Mr. Phillip K. Chitalu and Mrs. Diana Sichone



SEC Management Team

*Front row, from left to right: Nr. Nonde Sichilima, Mrs. Dingase Makumba, Mrs. Diana Sichone and Mr. Mubanga Kondolo
Middle row, from left to right: Mr Lubunda Ngala, Mr. Abraham Alutuli. Mr. Saul Nyalugwe and Mr. Mateyo Lungu
Back row, from left to right: Mr. Bruce Mulenga, Mr. Phillip K. Chitalu and Ms Mutumboi Mundia*

Chairman's Review



I am happy, on behalf of the Commission, to present the 2020 annual report. This is a requirement by both the Securities Act, Number 41 of 2016 and the Public Finance Management Act, No. 1 of 2018.

In line with the Securities Act, No. 41 of 2016, the Commission is required to report on several issues including, but not limited to, the following:

- a) The extent of the implementation of the Commission's oversight functions and their effectiveness;
 - b) Cost savings resulting from the Commission's operations;
 - c) The cost to the nation for not having the Commission;
 - d) The nature of the working relations with capital market operators;
 - e) The actual and projected efficiencies the Commission has achieved as a result of the continuing regulatory activities; and
- f) The immediate and projected capabilities of the Commission.

The Commission has reported on these six areas in relevant sections of this annual report. In addition to these six areas, I am glad, on behalf of the Commission, to report on several exciting activities and projects embarked on in the year under review, all of which contributed to achieving our statutory mandate.

In addition to the capital markets financial inclusion agenda, capital formation required for economic growth is an important objective of the Commission's Strategic Plan. In this regard, the Commission, during the year, started working on several projects to assist with the mobilization of both local and foreign savings into specific economic areas. I am glad to report that to this end, the Green Bonds Project and the Sandbox Guidelines are some of the initiatives embarked on during the year. With the approval of the Green Bonds Guidelines, capital markets will assist in channeling funds into economically sustainable green projects and facilitate the raising of funding for power, reforestation exercises and water conservation, among other green projects, in the country.

With respect to the Sandbox project, the Commission has seen the need to embrace innovation in the development of our markets. Therefore, the Sandbox will provide an opportunity to test innovative capital markets products in a less regulated, but controlled, environment. The

Commission strongly believes that to continue with the country's job creation agenda, innovative SME funding models will be tested in the Sandbox regulatory environment.

To ensure the market remained predictable and trusted as the Commission implements its 2018 - 2021 Strategic Plan as well as introduce new and exciting products, investor protection remains at the core of all our concerns. In this regard, the need to fully operationalize the 2016 Securities Act and thus ensure that the capital markets remain safe and trusted is a priority area for the Commission. The Commission has, in this respect, drafted 10 Rules and Regulations that are now undergoing Regulatory Impact Assessment (RIA) and a stakeholder consultative process before they are promulgated into law. In addition to working on the Rules and Regulations, the Commission during the year issued several Guidelines and Directives meant to make aspects of the Law operational as well as give guidance to the market.

To demonstrate our resolve to improve investor protection through continued update of Laws, Rules, Regulations and Guidelines, the Commission had in 2019 given a Directive on the need to report to the Commission, as required by the Securities Act, all secondary market bond trades. This implementation of the Law has, in 2020, yielded positive results and going forward, the Commission will be publishing bond trading data which will make our capital markets more transparent, help with price formation and discovery and thus assist investors make informed investment decisions when investing in bonds. With a developed secondary bond market, we are positive that the GRZ primary market bond issuances will be more successful as there will be a transparent and liquid secondary market where primary issuances could be traded thus giving investors an easy exit option.

In looking ahead and as previously reported on, the Commission in partnership with the Ministry of Finance and Financial Sector Deepening Africa (FSDA), which is a DfID funded project and is financier, are working on the development of the Capital Markets Master Plan scheduled to be finalized and launched in 2021. This plan, which is a comprehensive capital markets strategy paper, will anchor capital markets development in Zambia for the next 10 years.

The Commission remains indebted to the role co-operating partners have played in facilitating capacity building for Commission staff. With regulatory bodies increasingly being faced with capacity constraints, the need to migrate from compliance based to risk-based supervision cannot be overemphasized. In this vein, the Commission is grateful for the role Toronto Centre has played in training Commission staff to implement the RBS in a three-year implementation plan starting in May 2019. In 2020, the project would focus on the development of the policy and other supervisory tools as well as pilot testing in the latter part of the year. With the full roll out of RBS scheduled for May 2021, the capital markets will be better supervised with supervision focused on the areas with the most risk in the market.

While the Commission continued to deliver on its mandate of investor protection and market development, the key challenge continues to be the limitation in the availability of financial resources. This has impacted the Commission's ability to provide an effective oversight role on the country's capital markets. The Commission is however grateful on the continued support that government, through the Ministry of Finance, has given to the Commission by ensuring that the Securities Act is further enhanced, Regulations and Rules are enacted, and that the Commission had permanent and adequate office accommodation.

In conclusion, on behalf of the Board, management, and staff, the Commission continues to thank the Ministry of Finance, supporting partners and all capital market players for the cordial and supportive environment that has characterized capital markets.

Amos Siwila
CHAIRPERSON

Chief Executive's Statement



The Commission ended 2020 on a positive note despite several challenges experienced in the first and second quarters of the year. With subdued market activity which extended from Q4 of 2019, the Commission faced challenging cash flows in the first two quarters of the year. Further, covid-19 affected the Commission's operational efficiencies with more than half of the staff being hospitalised or experiencing other covid-19 related effects. The performance for 2020 was however above the Commission's projections as reported under the finance and other sections of this report.

As a service organisation that exists to protect investors and develop the capital markets, and with human capital at the core of regulatory work, staff adapted well to the covid-19 challenges and embraced the work-from-home situation with a continued innovative mindset that ensured the implementation of the Commission's plans.

The Commission has used the above challenges as an opportunity to craft survival strategies including the perfection of tools such as the online document management system, zoom meeting tools, time sheets, and other tools that have continued to help the Commission to supervise the capital markets whether working from home or the office. These tools helped minimise the impact of covid-19 on the Commission's mandate to supervise the markets.

Although the Commission saw its limited resources stretched to the limit, as explained above, the Commission continued to operate above expectations with prudent financial management and with the right tools mobilised and employees continuing to access resources from the comfort of their homes.

While the Commission performed above expectations, the year under review experienced increased reports of ponzi scheme like cases with members of the public continuing to invest in very risky and unregulated products. These cases, appeared to increase with members of the public investing in such schemes like Heritage Coin of 2019, Kwakoo, Jaden Cash and Earn More. These incidents were investigated and the matters referred to relevant regulatory and enforcement agencies for appropriate action to be taken. The increasing number of these scams puts pressure on the Commission's limited surveillance, supervision, and enforcement resources.

This report, as required by the Securities Act Number 46 of 2016, gives an update on the Commission's performance in 2020. While the Commission's main mandate is to protect

investors in the capital markets and ensure that capital markets are developed, this is only possible in an environment where the limited financial and other resources are efficiently and effectively utilised. To this end, the Commission presents below financial statements for the year ended 31st December 2020. This is in line with both the requirements of the Public Finance Management Act and the Securities Act as well as good corporate governance principles. The Commission has continued to demonstrate that the financial resources of the Commission are continually managed in a prudent manner having in mind the Commission's need to use resources in its primary function of investor protection and attending to market development goals.

The Commission, as reported in previous years, however, continues to operate below the minimum required resource needs. Of concern, is the Commission's continued lack of adequate funding which impacts other resource requirements such as staffing, office space, and ultimately the level and quality of supervisory and enforcement activities required to keep investors protected and good enough to bring confidence needed to grow the market. However, despite this challenge, the Commission applies the limited resources to those regulatory activities that add value to the protection of investors. The Commission therefore dedicated its resources to protect the K58 Billion invested through public markets on the Lusaka Securities Exchange Plc, the K900 Million in Collective Investment Schemes, and the K800 Million in Corporate Bonds. It is the Commission's challenge to ensure that these funds are protected so that people's savings are secure which is also a confidence building exercise needed for the growth of capital markets.

The Commission now reports below the performance of the equity, corporate debt, and Collective Investment schemes (CIS) segments of the capital markets sector. These areas under the supervision of the Commission all contributed to the overall well-being of the financial sector in Zambia.

Performance of the equities market

Although the Capital markets in Zambia has two licensed securities exchanges, only one is functional. In addition, the Commission issued an exemption for the Central Bank to operate an electronic platform dedicated to the trading and settlement of GRZ secondary market bond trades. The Commission during the year continued to undertake supervisory actions on the Pan African Exchange (PANEX) whose license had been revoked in December 2019 and the Bonds and Derivatives Exchange (BaDEX) whose license was suspended. Thus, the two exchanges did not have any trading activity during 2020.

Equity market

The Lusaka All Share Index("LASI") declined by 8.25% on an annual basis from 4,264.51 basis points as of December 2019 to 4,564.78 basis points as at end of December 2020. The decline is attributed to a general decline in stock prices. In general terms, a portfolio holding all the constituent shares of the index lost 8.25% of their value between 31st December 2019 and 31st December 2020.

We present below the salient indicators of the performance of the market during the year under review:

	31/12/2020	31/12/2019	percentage change
LuSE All Share Index	3,912.33	4,264.51	8.26%↓
Market Cap (K 'million-Including Shoprite)	57,508	56,557	1.68%↑
Market Cap (US\$ million-Including Shoprite)	2,714	4,017	32.43%↓
Market Cap (K 'million-Excluding Shoprite)	23,269	22,316	4.27%↑
Market Cap (US\$ million-Excluding Shoprite)	1,098	1,585	30.73%↓
*Gross Domestic Product (US\$ million)	18,909	27,500	31.24%↓
Trading Turnover - Equities (K 'million)	398	266	49.62%↑
Volume of Shares Traded ('Millions')	1,735	83	1990%↑
Number of Trades	4,215	4,467	5.64%↓
Number of Listed Companies	24	23	4.35%↑
Number of Quoted Companies	12	12	0.00
Market Capitalization/GDP Ratio	14	15	6.67%↓
†Turnover /Market cap Ratio	1.71	1.19	43.70%↑
Trading Turnover-GRZ Bonds (K 'million)	9,890	5,886	68.03%↑
Number of Trades (GRZ Bonds)	1,172	2,148	45.44%↓
Number of Brokers	6	6	0%
Number of Collective Investment Schemes	10	10	0%

Source: Lusaka Securities Exchange Plc

*2020 estimate GDP (IMF)

†Turnover to market cap ratio excludes Shoprite

Boz selling rate @K21.19/US\$

Market Capitalisation

The Market Capitalization of all listed shares in Zambia at the end of December 2020, excluding Shoprite, was in kwacha terms ZMW 23,269 billion compared to ZMW 22,316 billion in 2019. This represents an increase of 4.27% and this increase is mainly attributed to increase in the number of listed companies from 22 to 23 companies. However, including Shoprite, the Market Capitalization closed at ZMW 57, 508 billion in 2020 compared to ZMW 56,557 billion in 2019

representing an increase of 1.68%. The increase is mainly attributed to the value associated with the listing of ZAFFICO and an increase in share prices of some counters.

In USD terms, the Market Capitalization including shoprite was down 32.44% from USD 4 billion in 2019 to USD 2.7 billion in 2020. The reduction in market capitalization in USD terms is mainly a result of the depreciation in the exchange rate moving down by 50.49% from K14.08/Us\$ as of December 2019 to K21.19 as of December 2020.

Turnover

The turnover level, which is the value of the volume of shares traded increased by 49% between 2019 and 2020 from ZMW 266 million to ZMW 397 million. This increase is mainly attributed to the reasons indicated as contribution to the increase in the volume of shares traded.

Volume of shares and number of trades

The volume of shares traded increased by 1,982 %, from 83,348,249 in 2019 to 1,735,680,555 shares in 2020 while the number of trades for the same period declined from 4,215 trades to 4,467 trades, representing a 5.64% decline. The increase in the volume of shares traded was attributed to one stock, Copperbelt Energy Corporation Africa (“CECA”) which accounted for 91.2% of the total annual volume of 2020. The trades resulted from a corporate action where BP Investments of Nigeria, acquired a significant shareholding in CECA. Although CECA trades on the LuSE, its operating assets are in the Nigerian power sector.

Number of Listed and Quoted Companies

The number listed of companies remained at 23 companies with one new listing and one delisting. The number of quoted companies remained unchanged at 12. Zambia Forestry and Forest Industries Corporation Plc listed its shares on 12th February 2020 while Cavmont Capital Holdings Zambia Plc delisted its shares on 31st December 2020.

Turnover to Market Cap Ratio

The turnover to market capitalisation ratio increased by 43.70% to 1.71 in 2020 from 1.19 % recorded in 2019. The decline in market liquidity was as result of a decline in turnover recorded in the year.

Trading Turnover (Government Debt Securities)

The trading turnover of government bonds increased by 68.03% from ZMW 5,886 million in 2019 to ZMW9,890 million in 2020.

Corporate Bonds

The private sector participation in the capital markets is mainly through issuance of bonds to raise investment funds. However, as a percentage of GDP, corporate bonds outstanding was at 0.20% or at ZMW 789 Million on 31st December 2020 compared to 0.23% of GDP or at K621 Million at 31st December 2019. The 27% increase in the corporate bonds outstanding during the year is

mainly due to USD denominated bonds issued during the year and the foreign exchange effects which increased the value of bonds issued in USD when translated in kwacha terms due to the depreciation of the kwacha. while there was very minimal activity in new corporate bond issues.

Collective Investment Schemes (CISs)

The number of authorized CISs as at 31st December 2020 remained unchanged at 10 collective investment scheme. The assets under management increased from ZMW 634 million as at 31st December 2019 to ZMW 929 million as of 31st December 2020, representing a 46.60% increment. The increase in the growth of funds is attributed to increased deposits especially with smaller funds that had embarked on aggressive marketing to position themselves in the market. The depreciation of the kwacha also has some effect on the increase in funds as some funds are denominated in USD.

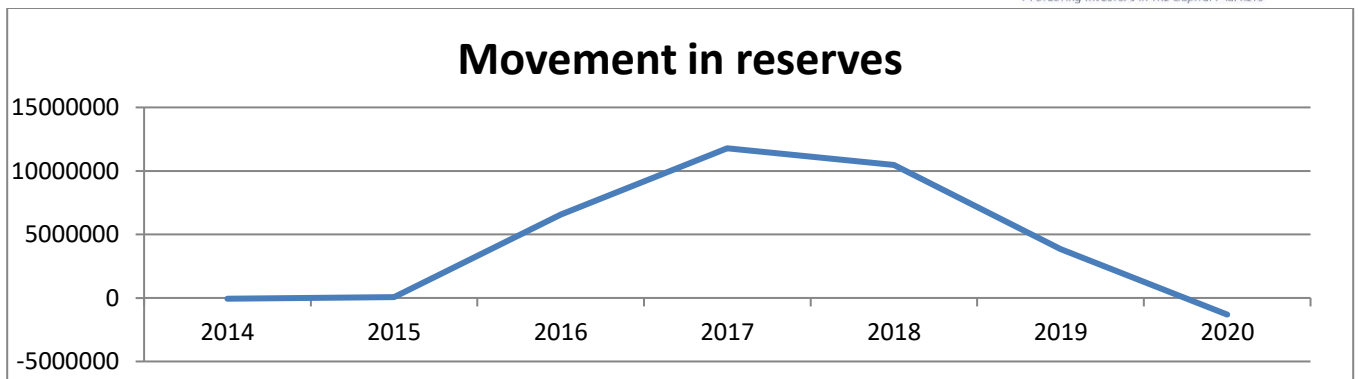
Financial Performance of the Commission

To safeguard savings made through the capital markets, government continued to support the Commission in meeting operational costs. The Commission also continued to support government efforts by generating revenues that support the Commission's budget implementation. However, as the Commission's mandate is largely investor protection, financial performance indicators are mainly on account of the Commission needing to prudently apply the limited resources in meeting its mandated objectives. We report in other sections on some of the non-financial activities that the SEC is required to do as part of its mandate.

In the period ending 31st December 2020, the Commission recorded an operating surplus of K 6,975,357 (2019 – Deficit K7,440,548) from a combined income of K 29,328,647 against total operating costs of K 22,353,310. The Commission during the year met all its obligations on time by utilizing the available cashflows. The surplus in the year is mainly attributed to the bond trade commissions and the GRZ Grants which was fully funded together with the arrears that went to offset the PAYE.

Reserves

The Commission's accumulated fund (reserves) position at 31st December 2020 stood at K 5,665,652 compared to K (1,309,685) recorded at 31st December 2019. This increase, as explained above, was due to the trade commission received from both the sell and buy side of the trade from the market the diagram below shows that since 2014, the Commission had been managing to contain costs and thus improve on its reserve position but due to subdued market activities from 2016, the Commission's reserve position has been declining as depicted below. However, the position has since changed post 2020 were there has been an upward trend.



Income Earned

During the year ended 31st December 2020, the Commission internally generated 61% of its income while GRZ grant support accounted for 39%. This is on the backdrop of subdued market activities as explained above.

Commission Expenses

The Commission being in the services sector, human capital is its main asset. Therefore, the Commission's major expense continues to be employee costs, a significant and key component of our regulatory activities and therefore the key cost driver. On a comparative basis, for the period to 31st December 2020, the Commission's total staff costs were 71% (2019 – 67%) of its total expenditure. Being a service-oriented organization that also champions investor awareness and investor protection, labor, awareness, and governance costs continues to be the Commission's major cost elements.

The Commission also strives to uphold good corporate governance by ensuring that the SEC had a well-functioning Board supported by effective Board committees. In order to assist the Board, make informed licensing, authorization, and registration decisions among others, the Board, as provided for in the Securities Act, has constituted a number of committees of the Board, which have a good representation of various required professions.

Capital Expenditure

The Commission's capital expenditure was as follows during the period under review:

Type	2020 ZMW	2019 ZMW
Computer hardware	69,575	45,561
Office equipment	-	-
Office furniture	-	-
Motor vehicles	-	-
Land and Buildings	-	28,378
Total	69,575	73,939

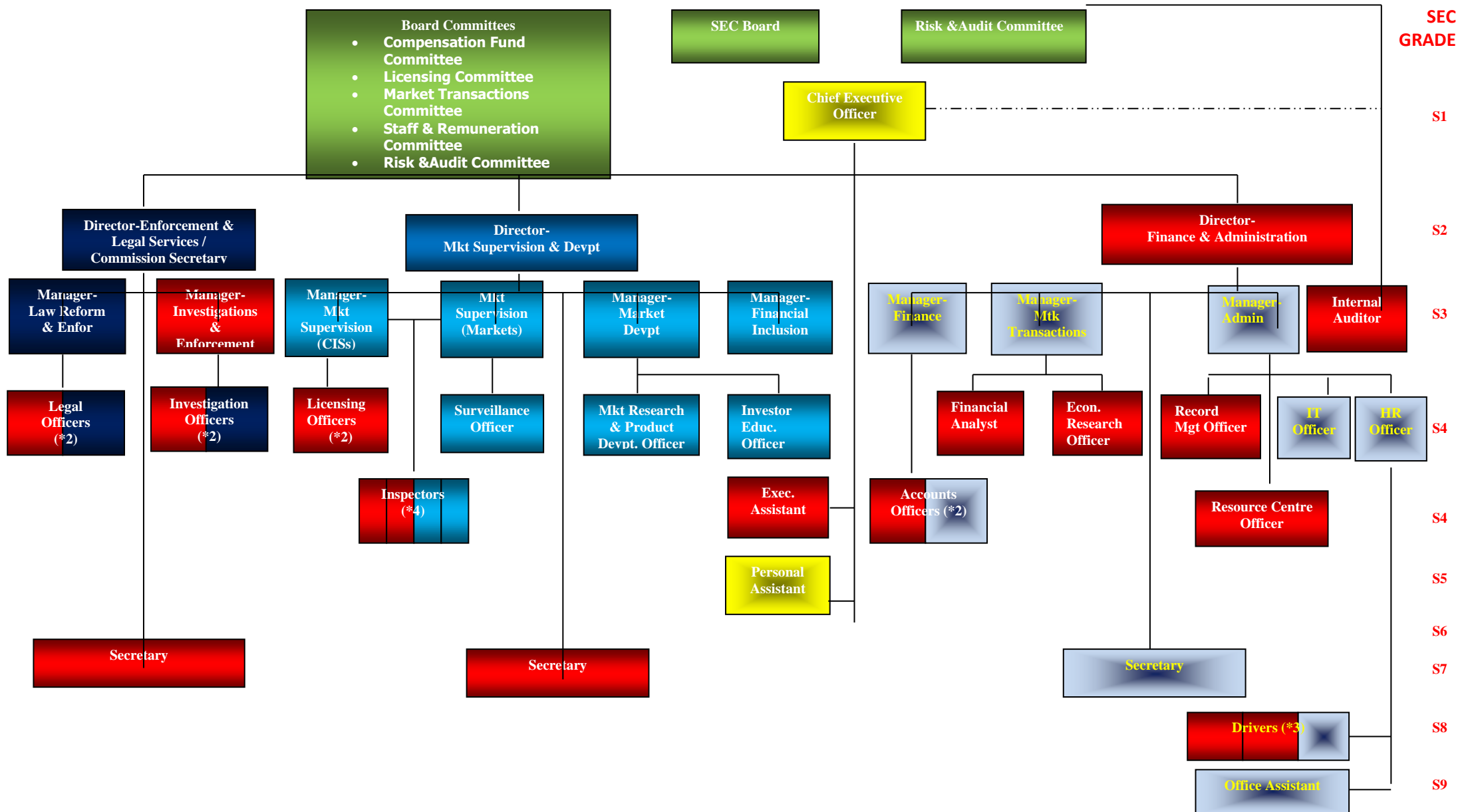
Staff Complement and staff matters

The Commission's staff complement during the review period remained at 24 compared to an approved structure of 43 (2018– 2021). This staff head count is below the minimum required to effectively run with the legal mandate of protecting investors required of the Commission.

To continue in operational existence following the financial resource challenges that started in 2018 and more pronounced in 2019, staff, at the request of the Board, agreed for the Commission to suspend certain parts of the Conditions of Service as a way of keeping the operating costs within the Commission's cash flows. With this and other operational rationalisations, the Commission, was one of the few entities that did not experience staff going without pay in 2020.

The full list of employees during the period under review is provided in Appendix I while the approved structure is highlighted below:

SEC ORGANIZATIONAL STRUCTURE



Training and Workshops

Multi-national and Regional Conferences and Summits Attended by Commission Staff

The Commission did not send any of its staff for training outside of Zambia due to financial constraints. However, several staff members did attend online courses, workshops and seminars as part of the Commission's deliberate policy to ensure staff are aware of the developments in this ever-changing capital markets environment.

Phillip K. Chitalu
CHIEF EXECUTIVE OFFICER

Corporate Governance



2020 was a year that enabled the Commission, like many other public and private institutions, to leverage on technology in order to achieve its oversight role. With COVID-19 protocols preventing meetings of certain numbers, the Commission has been using electronic meeting platforms to conduct its committee and board meetings. The Commission is no longer talking about the new normal but is living it.

Corporate governance is a key function employed by the Commission to ensure that the Commission is properly managed and controlled. The Commission Board ensures that the distinct roles of management and the Board are not confused. The Securities Act does highlight the functions that the Board is mandated to exercise and the power to delegate its functions to the Chief Executive Officer or a Committee of the Board. The exercise of these functions not only ensure the attainment of the three key objectives of securities regulation being investor protection, ensuring markets are fair,

efficient and transparent as well as the reduction of system risk but they also ensure that the governance principles of transparency, responsibility, accountability and fairness are complied with.

The Board's oversight role is highlighted in Section 8 of the Securities Act, No. 41 of 2016.

In addition, the Commission has a Board Charter that prescribes the conduct and operations of the Board and its Members, individually and severally. The Charter guides Members on declarations of interest, gift acceptance restrictions as well as the prohibition of trading on non-public, price-sensitive information. The Commission also enforces a Code of Conduct to the Commission staff which prescribes the conduct and behaviour of staff on governance issues, especially regarding conflict of interest. The Code of Conduct requires staff to declare interest in matters in which staff could have personal interest. It is also a requirement that staff declare gifts received from any person or entity, whether regulated by the Commission or not as well as insider dealing restrictions. In order to ensure that the Commission is kept abreast with international corporate governance trends, the Commission requires all senior management staff to be members of the Institute of Directors of Zambia.

Board Composition

In 2020, there was a change in the composition of the Commission's Board with the Member representing the Ministry of Finance being replaced with another Member. The Board's composition is eight (08) Members representing the following institutions in accordance with Section 8(2) and (3) of the Securities Act, No. 41 of 2016:

- a) Bank of Zambia;
- b) Law Association of Zambia;
- c) Zambia Institute of Chartered Accountants;
- d) Zambia Chamber of Commerce and Industry;
- e) Ministry responsible for finance;
- f) Ministry responsible for justice;
- g) Pensions and Insurance Authority; and
- h) the Commission's Chief Executive Officer as *ex-officio* Member.

All the non-executive Members of the Commission Board are appointed by the Minister from a nomination made by the respective organisation. In addition, section 8(5) of the Act requires the Minister to ensure that at least fifty percent of each gender is nominated and appointed to the Commission Board, unless it is not practicable to do so. However, the Act empowers the Members to elect, from amongst their number, a Chairperson and Vice-Chairperson of the Board. During the period under review, the Commission Board consisted of the following Members:

Name of Board Member	Institution Represented	Position	Appointment date
Mr. Amos Siwila	Law Association of Zambia	Chairperson	28.08.2018
Mr. George Nonde	Zambia Chamber of Commerce and Industry	Vice-Chairperson	01.09.2017
Mrs. Ireen M. Habasimbi*	Ministry responsible for finance	Member	02.05.2017
Mr. Mulele M. Mulele**	Ministry responsible for finance	Member	29.05.2020
Mrs. Natasha N. Kalimukwa	Ministry responsible for justice	Member	13.03.2018
Dr. Jonathan Chipili	Bank of Zambia	Member	28.08.2018
Ms. Mainza Masole	Pensions and Insurance Authority	Member	12.06.2020
Mrs. Ruth S. Mugala	Zambia Institute of Chartered Accountants	Member	02.10.2018
Phillip K. Chitalu	SEC Chief Executive Officer	<i>ex-officio</i> Member	-

* Mrs. Ireen M. Habasimbi's tenure of office came to an end on 1st May 2020.

** Mr. Mulele M. Mulele was appointed to the Commission Board on 29th May 2020 as the representative of the Ministry of Finance.



*Composition of Commission Board in 2020:
Front row (from Left to Right): Mrs. Natasha. N. Kalimukwa, Mr. Amos Siwila and
Mrs. Ireen M. Habasimbi
Back row (from Left to Right): Dr. Jonathan Chipili, Mrs. Ruth S. Mugala, Mr.
George Nonde, Ms. Mainza Masole and Mr. Phillip K. Chitalu*

Board Meetings

The Board held four scheduled meetings in February, July, September and December 2020. In addition, the Board held one Special Meeting in May in order to deal with an urgent regulatory matter.

The following is the Board attendance at the scheduled and special meetings:

NAME	February Scheduled Meeting	May Special Meeting	July Scheduled Meeting	September Scheduled Meeting	December Scheduled Meeting
Mr. Amos Siwila	✓	✓	✓	✓	✓
Mr. George Nonde	✓	✓	✓	✓	✓
Mrs. Ireen M. Habasimbi	✓	✓	-	-	-
Mr. Mulele M. Mulele	-	-	✓	✓	✓
Mrs. Natasha N. Kalimukwa	✓	✓	✓	✓	✗
Dr. Jonathan Chipili	✓	✓	✓	✓	✓
Ms. Mainza Masole	✓	✓	✓	✓	✓
Mrs. Ruth S. Mugala	✓	✓	✗	✓	✓
Mr. Phillip K. Chitalu	✓	✓	✓	✓	✓

- ✓ Meeting attended
- ✗ Meeting not attended
- Representative no longer on the Commission Board

Committees and Committee Membership

In order to enhance efficient decision-making, the Securities Act of 2016 has introduced timeframes within which decisions should be made. The Board has therefore pursuant to section 14 of the Act delegated, to the Licensing Committee and Market Transactions Committee, decision-making on time-sensitive matters such as those relating to licensing as well as market transactions (including registration of securities for capital raising and other authorisations). The delegated function ensures that decisions are expeditiously made without having to wait for the quarterly scheduled Board meetings.

In this regard, the Commission Board has established Committees to assist the Board in performing some of the statutory functions conferred on the Board. The Commission has one *ad hoc* and five standing Board Committees namely –

- a) the Compensation Fund Committee;
- b) the Licensing Committee;
- c) the Market Transactions Committee;
- d) the Risk and Audit Committee;
- e) the Staff and Remuneration Committee; and
- f) the Property Acquisition and Development Committee (*ad hoc*).

The Compensation Fund Committee is a Board Committee established pursuant to section 176 of the Securities Act. The Committee is responsible for overseeing matters relating to the Compensation Fund and reporting to the Board. In particular, the Committee administers the Fund and make determinations for the settlement of claims against the Fund as provided for under the Securities (Compensation Fund) Regulations.

The Licensing Committee is a Board Committee established pursuant to section 13 of the Securities Act and is responsible for licensing market players and overseeing and reporting on

the existing and new policies as stipulated in the Act and the Rules made pursuant to the Act as well as enforcement matters.

The Market Transactions Committee is a Board Committee established pursuant to section 13 of the Securities Act and is responsible for overseeing, and reporting to the Board on approval of applications for registration of securities required to be registered under Part VIII of the Act as well as the quanta and efficacy of capital formation.

The Risk and Audit Committee is a Board Committee of the Board constituted under section 13 of the Securities Act. In addition, it is a statutory requirement under the Public Finance Management Act, No. 1 of 2018, for this Committee to be established. The Committee is responsible for overseeing financial management, reviewing internal controls, checks and balances and risk management.

The Staff and Remuneration Committee is a Board Committee established pursuant to section 13 of the Securities Act and is responsible for overseeing, and reporting to the Board on recruitment, skills training, capacity building and retention of staff.

The Property Acquisition and Development Committee has been established as an *ad hoc* Committee to guide Management in the Commission's property acquisition and development process. This Committee did not hold any meetings in the period under review.

In addition, the Commission has established a Procurement Committee, chaired by the Chief Executive Officer, in accordance with the Public Procurement Act, No. 12 of 2008.

In 2020, the Committees were composed of the following members:

COMMITTEE	MEMBERSHIP REPRESENTATION	MEMBER
LICENSING COMMITTEE	Board Member representing MoF and Committee Chairperson	Mrs Ireen M. Habasimbi/ Mr. Mulele M. Mulele
	Board Member representing ZICA	Mrs. Ruth S. Mugala
	BoZ Representative	Mrs. Hellen L. Banda
	ERB Representative	Mr. Fred Hang'andu
	PIA Representative	Mrs. Namakau Mundia-Ntini
	Ex-officio Board Member	Mr. Phillip K. Chitalu
MARKET TRANSACTIONS COMMITTEE	Board Member representing BoZ and Committee Chairperson	Dr. Jonathan Chipili
	Board Member representing ZACCI	Mr. George Nonde
	Board Member representing MoF	Mrs. Ireen M. Habasimbi/ Mr. Mulele M. Mulele
	CCPC Representative	Mr. Chilufya P. Sampa
	PACRA Representative	Mr. Anthony Bwembya
	ZDA Representative	Mr. Matongo Matamwandi/ Mr. Mukula Makasa
	Ex-officio Board Member	Mr. Phillip K. Chitalu

COMMITTEE	MEMBERSHIP REPRESENTATION	MEMBER
STAFF AND REMUNERATION COMMITTEE	Board Member representing ZACCI and Committee Chairperson	Mr. George Nonde
	Board Member representing BoZ	Dr. Jonathan Chipili
	MoJ Representative	Mr. Joe Simachela
	ZIHRM Representative	Mrs. Beatrice N. Mwila
RISK AND AUDIT COMMITTEE	Board Member representing ZICA and Committee Chairperson	Mrs. Ruth S. Mugala
	Board Member representing PIA	Ms. Mainza Masole
	ZICA Risk Expert	Mr. Kapembwa Sindano
	MoF Representative	Mrs. Joyce P. Sundano/ Ms. Namaambo Kaliyangile
	LAZ Representative	Ms. Matilda C. Kaoma
COMPENSATION FUND COMMITTEE	Board Member representing MOJ and Committee Chairperson	Mrs. Natasha N. Kalimukwa
	BAZ Representative and Committee Vice-Chairperson	Mr. Fanwell Phiri
	CMAZ Representative	Mr. Nicholas Kabaso
	ZACCI Representative	Dr. Francis M. Ndilila
	LAZ Representative	Ms. Abigail Chimuka
	MoF Representative	Mrs. Mwila K. Zulu
PROCUREMENT COMMITTEE	SEC CEO and Committee Chairperson	Mr. Phillip Chitalu
	Procurement specialist	Mrs. Mary Banda
	Procurement specialist	Mr. Christopher S. Mwandu
	SEC Member	Mrs. Diana Sichone
	SEC Member	Ms. Mutumboi Mundia
	SEC Member	Mr. Mateyo Lungu
PROPERTY ACQUISITION AND DEVELOPMENT COMMITTEE*	Board Member representing PIA and Committee Chairperson	Ms. Mainza Masole
	Board Member representing ZICA	Mrs. Ruth S. Mugala
	MoJ Representative	Mr. Joe Simachela
	Ministry of Works and Supply Representative	Mr. Geoffrey C. Phiri
	Show Society of Zambia Representative	Mr. Vasco Sikanyeu

* Committee did not meet during the review period

Audit Function

The Commission Board has an interest to ensure that it is transparent, responsible, accountable and fair in all its dealings with all types of stakeholders. The Board has delegated, to the Risk and Audit Committee, its role of ensuring that the Commission has put in place sound financial management structures and processes, including financial, risk management and internal audit

controls. The Commission, therefore, uses audit as one of the most important oversight tools of its corporate governance.

The Commission has both an internal and external audit function. Due to the size of the Commission, the internal audit function is not performed by a member of staff engaged as an internal auditor but has traditionally been outsourced. However, following the substantial increase in audit fees prescribed under the Accountants (Client Fees) Regulations, Statutory Instrument No. 34 of 2018, the engagement was suspended and the Risk and Audit Committee of the Board has taken up an interim oversight role to enhance the Commission's adherence to internal controls, procedures and processes. The internal audit function is meant to ensure that internal controls are effectively functioning in managing risk in the Commission. The Commission's Audit Committee achieves this by reviewing the control systems for the Commission and providing an independent assurance of risk management of the Commission to the Board. In addition, the institutional capacity assessment undertaken by the FSDA-appointed Consultants reviewed, among other things, the internal controls at the Commission. In the review period, the Commission was engaging the office of the Controller of Internal Audit at the Ministry of Finance to consider attaching one of the auditors to the Commission and the discussions had been inconclusive at the end of the review period.

The Securities Act requires the Commission's external auditors to be appointed by the Commission subject to approval by the Minister responsible for finance. The external auditors are required to perform an annual audit and present a report to the Board on the Commission's financial statements as well as stating the level of compliance by the Commission to the law, regulations and policies. The financial statements are thereafter presented to the Minister of Finance as part of the Commission's Annual Report.

Commission Secretary

The Commission's Board Secretary is appointed pursuant to Section 17 of the Securities Act and is in charge of the corporate secretarial affairs of the Commission, under the general supervision of the Chief Executive Officer. The law further allows the Secretary to perform other functions directed by the Board under the general supervision of the Chief Executive Officer.

The Director – Enforcement and Legal Services is the Board-appointed Secretary to the Commission Board and performs the secretarial functions as required under section 17 of the Securities Act.

Board Performance Self-Evaluation

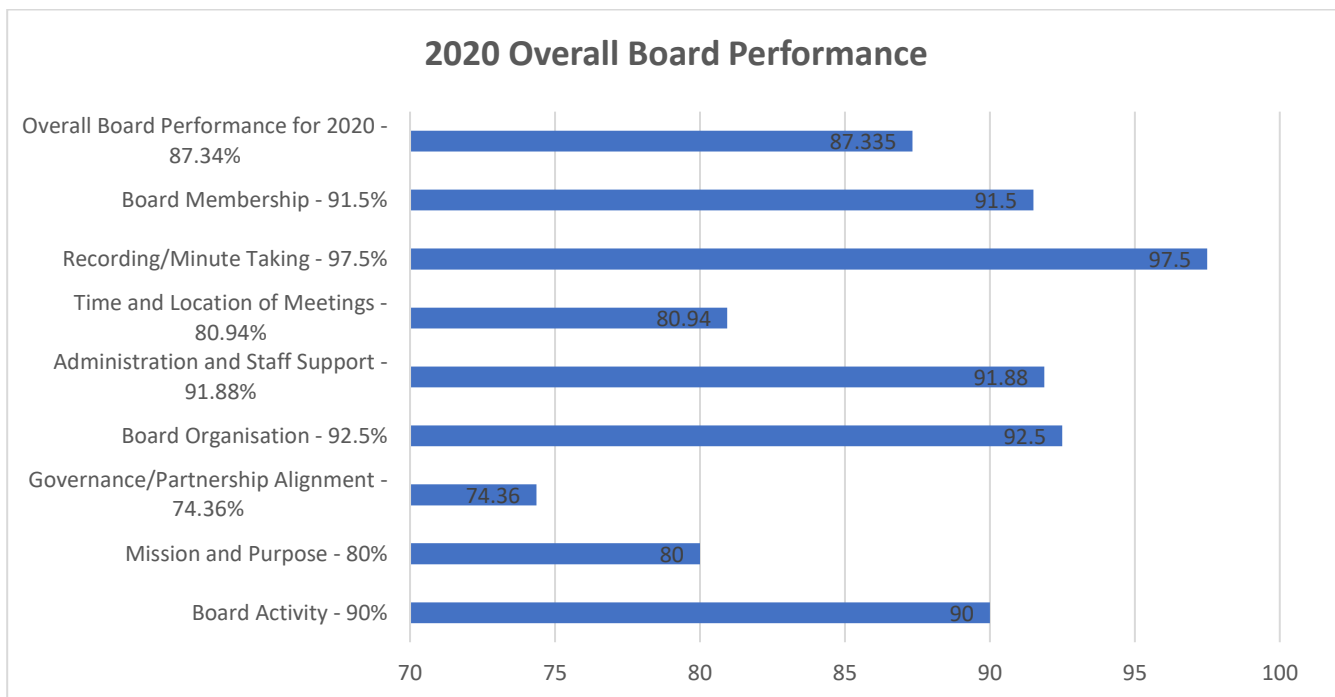
Section 11 of the Commission's Board Charter mandates the Board and its Committees to undertake a performance self-evaluation in order to assess the effectiveness of the Board, its Committees, and its individual Board Members. The Board has over the last five years been undertaking an annual performance self-evaluation, in the last quarter of the financial cycle, as a corporate governance performance monitoring tool.

The performance self-evaluation is a collective, introspective, and comprehensive reflection by the Board to assess how the Board can be made more effective. The evaluation process is meant to identify strengths and weaknesses, to flag areas for improvement, and to plan for further action as appropriate. For the process to be effective, Board members are required to be open and submit positive ideas and opinions. The Board has developed an appropriate methodology to conduct the Performance Evaluations through a questionnaire that has been developed and which is required to be filled in by each Board Member. The responses are then collated and the results of the evaluation presented to the Board for further consideration.

Overall Assessment of Board Performance in 2020

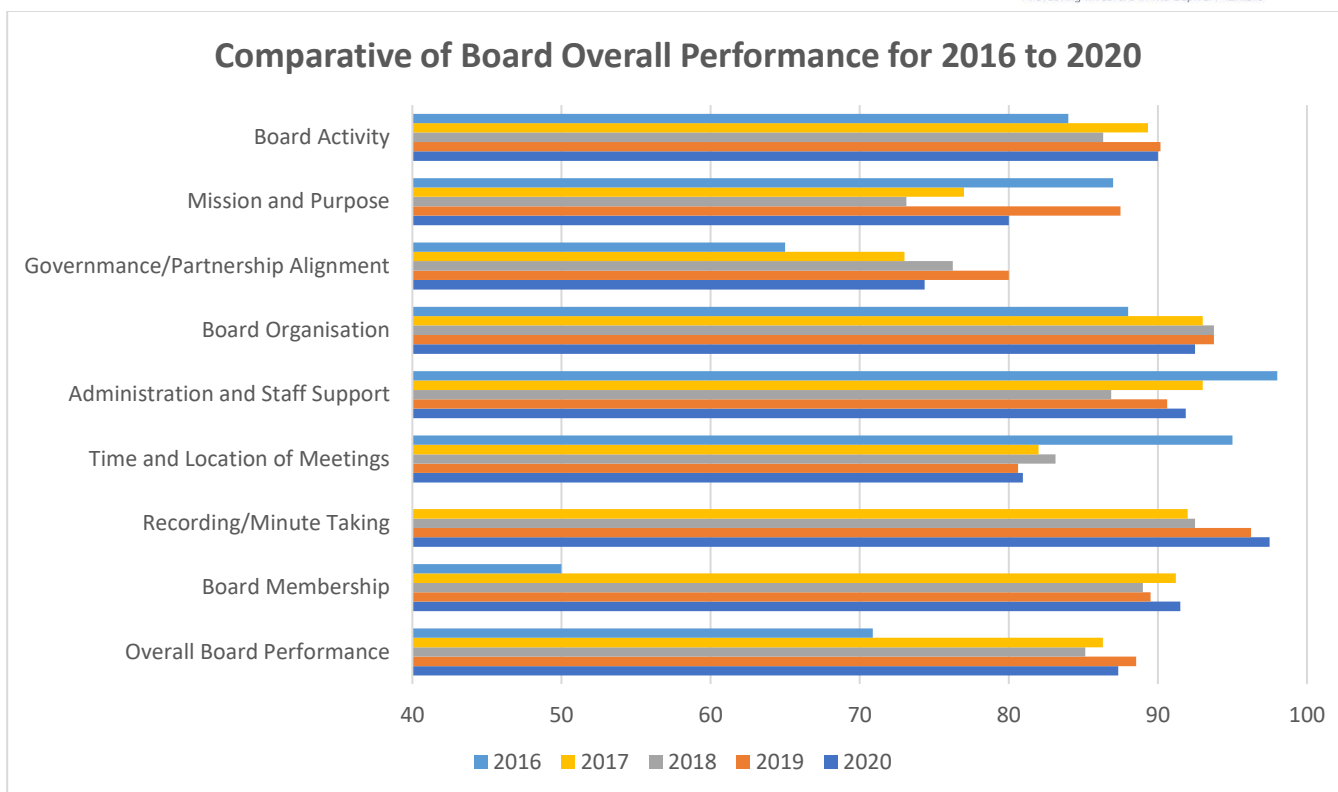
The Board performance self-evaluation was done for the following eight major areas: Board Activity; Mission and Purpose; Governance/Partnership Alignment; Board Organisation; Administration and Staff Support; Time and Location of Meetings; Recording/Minute Taking; and Membership. The analysis of each of these areas was done and the results for each area assessed.

The assessment revealed an overall Board’s performance for 2020 rated at 87.34% compared to the assessment for 2019 at 88.55% with the lowest rating being the assessment of Governance/Partnership Alignment at 74.36% and the highest rating being the assessment of Recording/Minute Taking at 97.5%. The lowest and highest rated areas were consistent from those rated highest and lowest in 2019, respectively. The following table highlights the Board’s performance for 2020 for each of the assessment areas:



Comparative Performance over a five-year period

In the next Table, a comparative analysis of the Board’s performance over the last five years for which the Board Performance Self-Evaluation has been conducted is made:



Five of the eight areas assessed indicated a reduction in performance rates on a comparative basis with the assessment done for 2019 with the overall Board performance recording a marginal decrease in performance from 88.55% in 2019 to 87.34% in 2020.

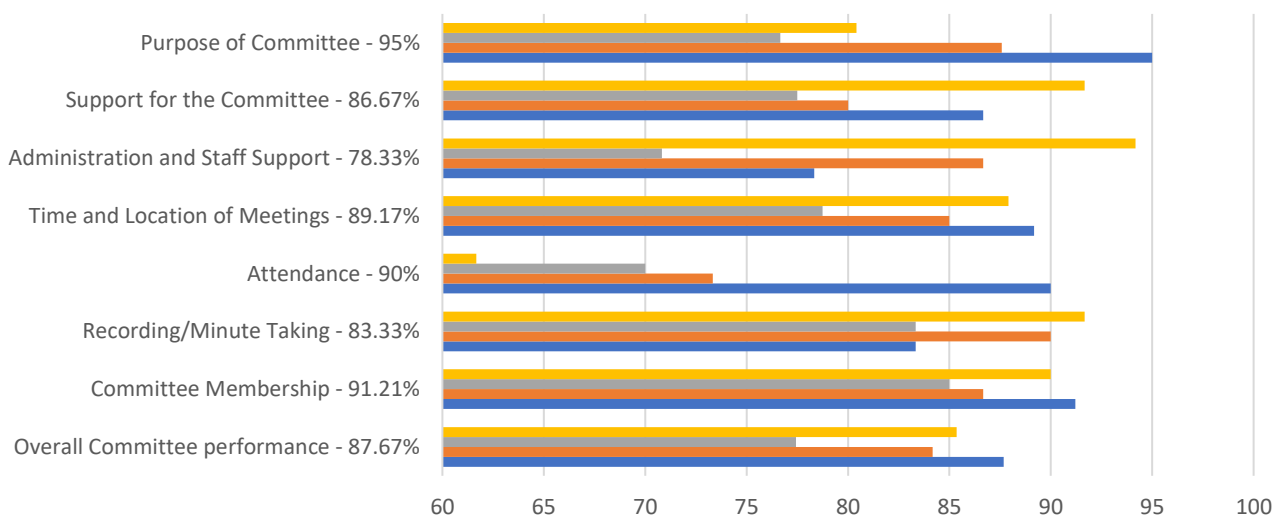
Board Committee Performance

The Commission Board has five standing and one *ad hoc* Committee. The performance of the five standing Committees was assessed using the same methodology adopted for the Board and which was aimed at identifying strengths and weaknesses, flagging areas for improvement and planning for further action as appropriate. The Committee Performance of the Property Acquisition and Development Committee was not assessed in 2020 yet again as the Committee’s Meetings have been suspended until the resumption of the Burma Road construction project or until another construction or renovation is commissioned. The Committee performance self-evaluation was conducted for the following seven major areas: Purpose of the Committee; Support for the Committee; Administration and Staff Support; Time and Location of Meetings; Attendance; Recording/Minute Taking; and Membership.

Compensation Fund Committee Self-assessment

The self-assessment of the Compensation Fund Committee revealed the following results: The Compensation Fund Committee’s **overall performance for 2020 was found to be at 87.67%** compared to the assessment rate for 2019 of 84.18%. Comparatively, the 2018 assessment rate was 77.44%, while the 2017 assessment rate was 85.36%. In this assessment, the highest rating is Recording/Minute Taking at 90% while the lowest rating is Committee Member Attendance at 73.33%.

Compensation Fund Committee Self-Assessment - 2017 to 2020



	Overall Committee performance - 87.67%	Committee Membership - 91.21%	Recording/Minute Taking - 83.33%	Attendance - 90%	Time and Location of Meetings - 89.17%	Administration and Staff Support - 78.33%	Support for the Committee - 86.67%	Purpose of Committee - 95%
■ 2017	85.36	90	91.67	61.67	87.92	94.17	91.67	80.42
■ 2018	77.44	85	83.33	70	78.75	70.83	77.5	76.67
■ 2019	84.17857143	86.67	90	73.33	85	86.67	80	87.58
■ 2020	87.67285714	91.21	83.33	90	89.17	78.33	86.67	95

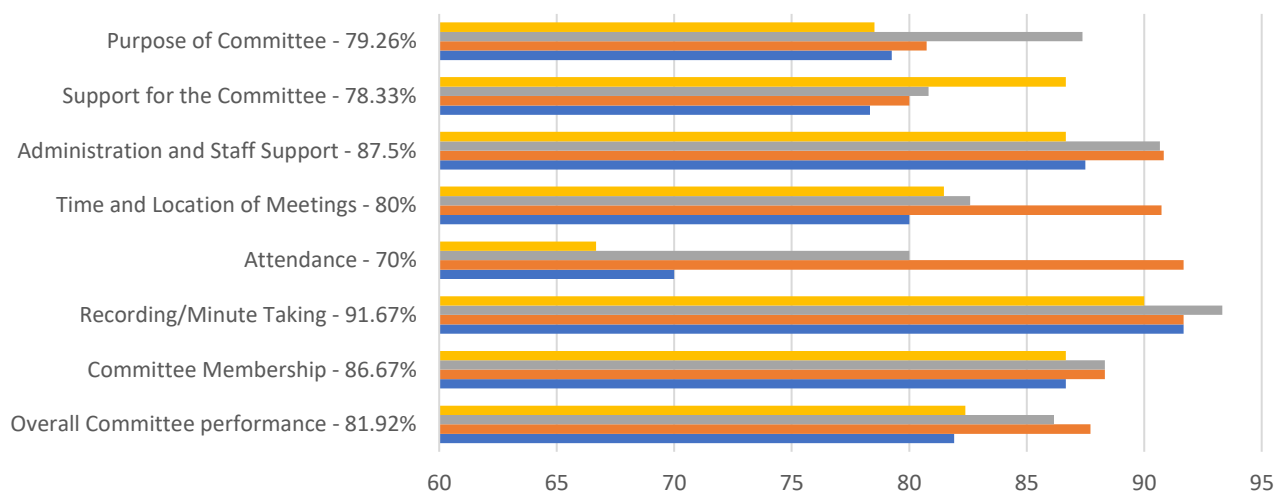
■ 2017 ■ 2018 ■ 2019 ■ 2020

Licensing Committee Self-assessment

The self-assessment of the Licensing Committee revealed the following results:

The Licensing Committee's **overall performance for 2020 was found to be at 81.92%** compared to that for 2019 at 87.71%. This is comparable to the 2018 assessment rate of 86.16% which is also slightly higher than the 2017 assessment rate of 82.38% with the highest rating being Recording/Minute Taking at 91.67% while the lowest rating was Attendance at 70%.

Licensing Committee Self-Assessment for 2017 to 2020



	Overall Committee performance - 81.92%	Committee Membership - 86.67%	Recording/Minute Taking - 91.67%	Attendance - 70%	Time and Location of Meetings - 80%	Administration and Staff Support - 87.5%	Support for the Committee - 78.33%	Purpose of Committee - 79.26%
2017	82.38285714	86.67	90	66.67	81.48	86.67	86.67	78.52
2018	86.16142857	88.33	93.33	80	82.59	90.67	80.83	87.38
2019	87.71142857	88.33	91.67	91.67	90.74	90.83	80	80.74
2020	81.91857143	86.67	91.67	70	80	87.5	78.33	79.26

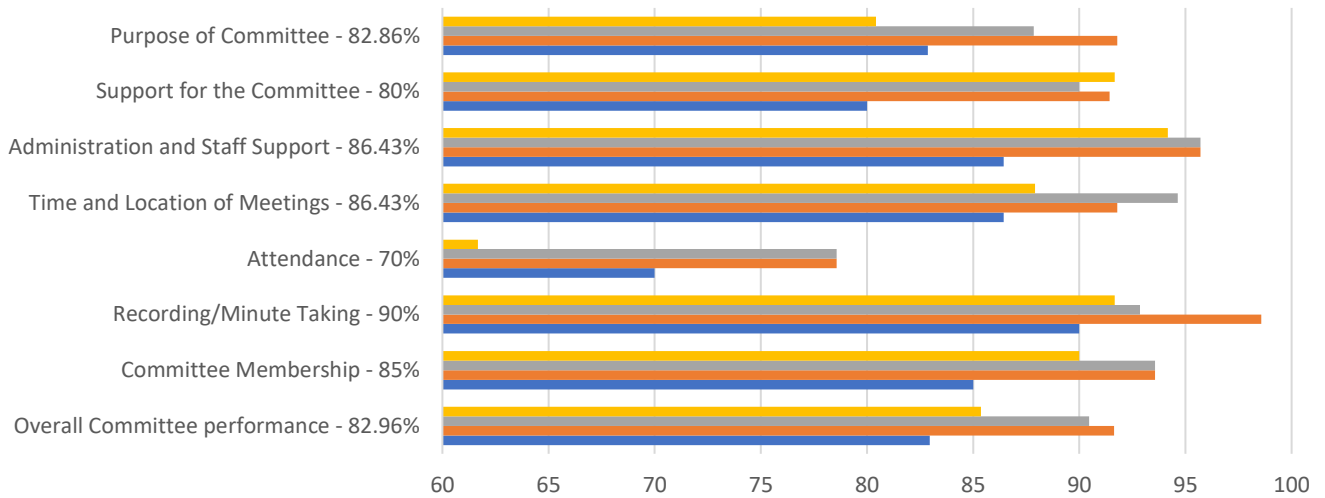
2017 2018 2019 2020

Market Transactions Committee Self-assessment

The self-assessment of the Market Transactions Committee revealed the following results:

The Market Transactions Committee's **overall performance for 2020 was found to be at 82.96%** which is a marked reduction from the overall performance rate for 2019 of 91.63%. The 2019 rate was an increase from the 2018 assessment rate of 90.46% as compared to the 2017 assessment rate of 85.36%. The area with the highest rating was Committee Recording and Minute Taking at 90% while the lowest rating was Committee Member Attendance at 70%. The areas rated highest and lowest have consistently remained the same from 2019.

Market Transactions Committee Self-Assessment for 2017 to 2020



	Overall Committee performance - 82.96%	Committee Membership - 85%	Recording/Minute Taking - 90%	Attendance - 70%	Time and Location of Meetings - 86.43%	Administration and Staff Support - 86.43%	Support for the Committee - 80%	Purpose of Committee - 82.86%
2017	85.36	90	91.67	61.67	87.92	94.17	91.67	80.42
2018	90.45857143	93.57	92.86	78.57	94.64	95.71	90	87.86
2019	91.63285714	93.57	98.57	78.57	91.79	95.71	91.43	91.79
2020	82.96	85	90	70	86.43	86.43	80	82.86

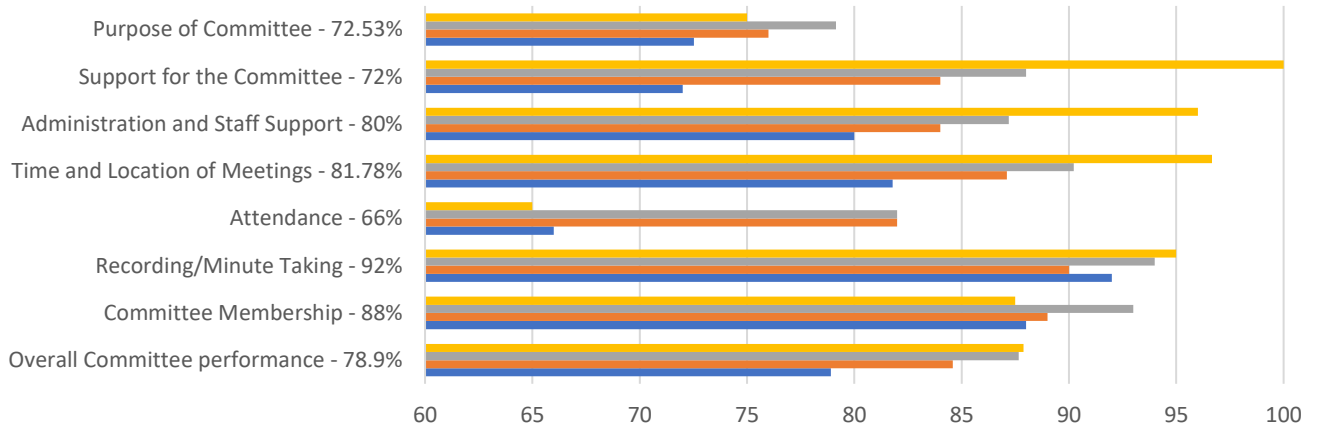
2017 2018 2019 2020

Risk and Audit Committee Self-assessment

The self-assessment of the Risk and Audit Committee revealed the following results:

The Risk and Audit Committee's **overall performance for 2020 was found to be at 78.9%** a reduction as compared to that for 2019 which was 84.58%. The 2019 overall assessment was also a reduction from the overall rate of 87.65% assessed in 2018 and compared to the overall rate of 87.88% as assessed in 2017. The highest rating was made for Recording/Minute Taking at 92% while the lowest rating was Attendance at 76%.

Risk and Audit Committee Self-Assessment for 2017 to 2020



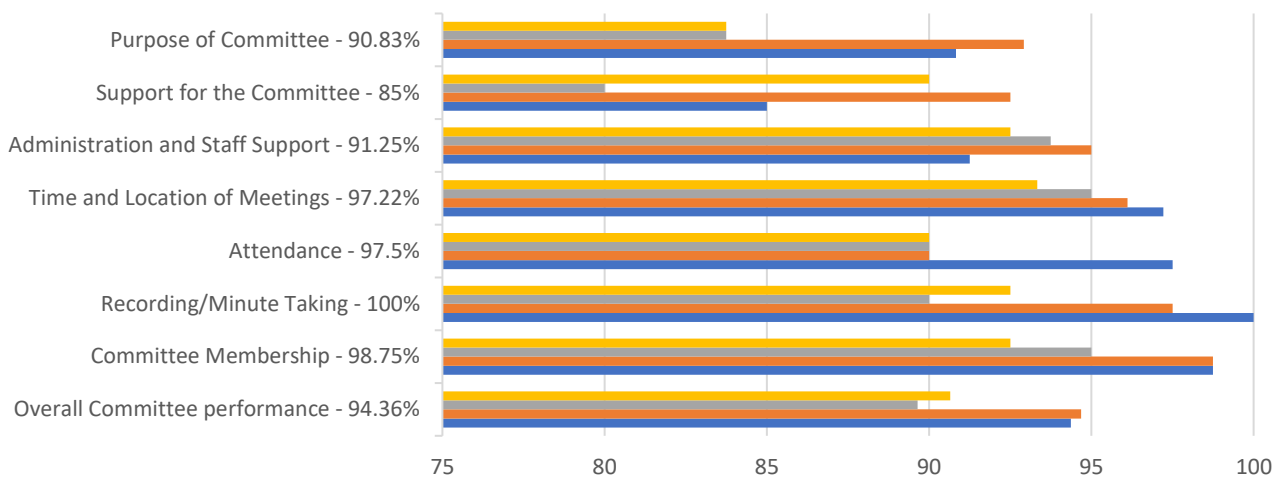
	Overall Committee performance - 78.9%	Committee Membership - 88%	Recording/Minute Taking - 92%	Attendance - 66%	Time and Location of Meetings - 81.78%	Administration and Staff Support - 80%	Support for the Committee - 72%	Purpose of Committee - 72.53%
2017	87.88142857	87.5	95	65	96.67	96	100	75
2018	87.65142857	93	94	82	90.22	87.2	88	79.14
2019	84.58714286	89	90	82	87.11	84	84	76
2020	78.90142857	88	92	66	81.78	80	72	72.53

2017 2018 2019 2020

Staff and Remuneration Committee Self-assessment

The self-assessment of the Staff and Remuneration Committee revealed the following results: The Staff and Remuneration Committee’s **overall performance for 2020 was found to be at 94.36%** which is marginally lower than the assessment rate of 94.68% for 2019. In comparison, the assessment for 2018 was 89.64% while that for 2017 was 90.65%. The highest rated category was the assessment for Recording or Minute Taking at 100% while the lowest rating was Support for the Committee at 85%.

Staff and Remuneration Committee Self-Assessment from 2017 to 2020



	Overall Committee performance - 94.36%	Committee Membership - 98.75%	Recording/Minute Taking - 100%	Attendance - 97.5%	Time and Location of Meetings - 97.22%	Administration and Staff Support - 91.25%	Support for the Committee - 85%	Purpose of Committee - 90.83%
2017	90.65428571	92.5	92.5	90	93.33	92.5	90	83.75
2018	89.64285714	95	90	90	95	93.75	80	83.75
2019	94.68285714	98.75	97.5	90	96.11	95	92.5	92.92
2020	94.36428571	98.75	100	97.5	97.22	91.25	85	90.83

2017 2018 2019 2020

Committee Overall performance

The following table shows the overall performance of each of the Committees in one table:



Diana S. Sichone (Mrs.)
COMMISSION SECRETARY

Report on regulatory and operational efficiency

The Commission is required to report on its regulatory and operational efficiency as part of the reporting requirements introduced by the Securities Act of 2016. In particular, Section 11(3) of the First Schedule to the Securities Act, No. 41 of 2016 requires the Commission to include this information in its Annual Report.

Thus, in reporting this information, the Commission is required to highlight the following:

- a) the extent to which the Commission has fully implemented its regulatory oversight functions as provided under the Securities Act and in its rules and the effectiveness of the operation of such regulatory oversight function;
- b) the actual and projected cost savings to the Government, if any, resulting from the operations of the Commission;
- c) the actual and projected costs which the Commission and the public would have incurred if the Commission had not undertaken regulatory responsibility for certain areas under the Commission's jurisdiction;
- d) the nature of the working relationship between the securities exchanges, clearing and settlement facilities and the Commission;
- e) an assessment of the actual and projected efficiencies the Commission has achieved or expects to be achieved as a result of the continuing regulatory activities of the Commission; and
- f) the immediate and projected capabilities of the Commission.

The Commission reports on each of the six areas as follows:

Extent of implementation of the Commission's oversight function and their effectiveness

The Board oversees the administrative affairs of the Commission by putting in place effective, efficient and transparent systems of corporate governance and generally providing strategic direction to the Commission, among other responsibilities. Section 8 of the Securities Act places the Securities Act's mandate in the Commission Board which is comprised of Members representing different institutions as required under the Securities Act. In addition, the Board has also constituted Committees to which it has delegated some of its decision-making functions so as to assist the Board in exercising its statutory functions.

The Commission's Board Charter also provides guidance to the Board Members in their conduct of Board business to ensure that there is a right balance between the oversight role of the Board and the secretarial function of the Commission. Further, the Commission applies a Code of Conduct to the Commission staff which prescribes the conduct and behaviour of the staff especially with regard to conflict of interest issues.

Both the Code of Ethics and the Board Charter have enshrined provisions and procedures on the declaration of interest and declaration of gifts from any person or entity, whether regulated by

the Commission or not. Further, both documents specify the procedures to be taken whenever an employee or a Board Member would like to participate in the capital markets as a player, which guard against trading on non-public, price-sensitive information.

The Commission reports that during the year under review, none of the Board members and staff were sanctioned with respect to this governance structure that is in place.

In addition, the Commission has been able to implement its oversight functions by undertaking regulatory actions in response to infringements, by capital market operators, of the legal and regulatory framework. Some of these regulatory actions include the taking of supervisory possessions and the imposition of administrative sanctions including fines, censures and recompense directives, among others.

Cost Savings resulting from the Commission's Operations

One of the Commission's functions highlighted under section 8(b) of the Securities Act include the approval of the Commission's budget estimates to ensure sound financial management structures and processes, including financial, risk management and internal audit controls. The Commission prudently manages its resources to achieve its strategic objectives and therefore does not spend outside the approved budgets including in the review period.

Cost to the Nation for not having the Commission

As at December 2020, the Commission was protecting over ZMW59 billion worth of investments in products ranging from shares or stocks, corporate bonds as well as assets under management in collective investment schemes. These investments are made directly by not less than 165,000 investors and indirectly much more considering that the pension schemes and other institutional investors invest in the capital markets on behalf of the Zambian public.

As the majority of the institutional investors are pension funds which invest employee contributions into several investment portfolios including the capital markets, the investments of these funds would be susceptible to fraud and other criminal activities without the Commission being present.

Thus, in order to effectively undertake its investor protection mandate over the savings or investments earlier highlighted, the Commission requires issuers to make prompt and full disclosure of non-public price-sensitive information by a company's directors to the general public which disclosures enable investors and the general public to make informed decisions. With the large pool of savings subject to which the Commission exercises its regulatory investor protection mandate, the Commission's importance or relevance cannot be overemphasised as the savings could be lost, eroded or misapplied without the Commission's oversight function. This would have an adverse impact on financial market confidence as well as the capacity of the capital markets to play the important function of savings mobilization.

The Commission is there to ensure that it protects the interests of investors in the capital markets and in the process ensure maintenance of financial sector confidence which is key to resource mobilisation through bond issuances and other instruments.

Actual and Projected efficiencies the Commission has achieved as a result of the continuing regulatory activities

The Commission has enhanced enforcement activities which has resulted in an increase in compliance by capital market operators which has a corresponding increase in market confidence. This has translated into increased capital mobilisation especially in Collective Investment Schemes (CISs) and Corporate Bonds.

For the 2020 period, the Commission Board approved the following Key Performance Indicators (KPIs) to enable the Commission achieve its strategic objectives in an efficient and effective manner:

1. Increase capital market investor base from 85,000 to 90,000 by December 2020
2. Issue the following 5 Regulations and Rules by December 2020:
 - (a) the Securities (Registration of Securities) Regulations;
 - (b) the Securities (Capital Market Operators) (General Licensing Procedures and Requirements) Rules and Regulations;
 - (c) the Securities (Collective Investment Scheme) Rules and Regulations, 2019; and
 - (d) the Securities (Fees and Levies) Rules; and
 - (e) the Securities (Financial Technology) Rules;
3. Issue CP (Commercial Paper), REIT (Real Estate Investment Trust), Venture Capital and ETF (Exchange Traded Funds) Guidelines by Dec 2020
4. Address 70% of complaints received during 2020
5. Enhance revenue mobilisation by achieving targets set in the 2020 budget (i.e. K13million)

Although the implementation of these performance indicators was adversely affected by limited financial resources as well as the COVID-19 pandemic that prevented physical consultative meetings from being convened to consult the market on the draft laws, the Commission was able to see the number of investors increase to over 86,000 during the course of the year and submitted the Securities (Fees and Levies) Rules to the Ministry of Justice for enactment.

A number of draft Statutory Instruments were also finalised but had not been subjected to the stakeholder consultative process which was adversely affected by limited financial resources as well as the unfolding COVID-19 pandemic as earlier highlighted. The draft laws are therefore scheduled to undergo both a stakeholder consultative review process as well as the undertaking of regulatory impact assessments as required under the Business Regulatory Act, No. 3 of 2014. The Commission, however, did issue Guidelines on bond trade reporting which has significantly increased transparency and disclosure of bond prices in the market.

Despite the challenges encountered in the year, the Commission was able to implement what it could of the performance indicators as would enhance the Commission's regulatory efficiencies.

In attempting to address the reduced financial resources available for the Commission to undertake its regulatory activities, the Commission leveraged on partnerships with a number of institutions that were supporting the following Commission projects highlighted in the Table:

No.	Project Partner	Project
1.	World Bank	Law Review and Legal Drafting of Statutory Instruments
2.	Toronto Centre	Risk-Based Supervision
3.	FSDA//FSDZ	Institutional Capacity Assessment and Capital Markets Development Master Plan
4.	BioFin/UNDP	Green bonds regulatory framework
5.	CISI	Regulatory Assessment Module
6.	Junior Achievement Zambia / Prudence Foundation	Cha Ching Children's Financial Literacy Education
7.	UNCDF	Capital Markets Schools Challenge Game Digitizing

Nature of the working relations with Capital Market Operators

The Commission has a very good working relationship with the capital market operators represented by the Capital Markets Association of Zambia (CMAZ) to which each capital market operator is, by law, required to be a member of. The Commission holds regular stakeholder meetings including the annual capital markets operators' forum, the quarterly Chairman's breakfast meeting with the market, and other regular market meetings. Further, the Chief Executive Officer also conducts media briefs on a regular basis to inform the market on the latest developments in the capital markets.

Immediate and Projected capabilities of the Commission

The Commission has, as one of its strategic objectives, the enhancement of regulatory capacity for the Commission staff. In 2020, the Commission leveraged on partnerships with cooperating partners such as Toronto Centre, CISI and IOSCO to undertake training of Commission staff in topical areas including risk-based supervision. The Commission also took advantage of electronic platforms made necessary by the unfolding COVID-19 pandemic to enhance the regulatory capacity of Commission staff.

The trainings and capacity building that Commission staff underwent in 2020 have ensured that the Commission is always in tune with current developments in the capital markets space. For instance, the full implementation of the RBS framework that was in the second year of implementation in 2020 would ensure that the Commission uses the limited resources it has to address the riskiest areas of the market.

Operational Activities

In 2020, like most public institutions, the Securities and Exchange Commission (SEC) was affected by the COVID-19 pandemic. However, despite the adverse effects of the pandemic on the Commission, the Commission was able to execute its dual mandate of market supervision and market development under the ‘new normal’ leveraging on technology and electronic meeting platforms to ensure that the performance of the Commission’s investor protection and market development mandate could continue as seamlessly as possible despite the adverse effects of the pandemic.

In undertaking its investor protection mandate, the Commission ensures that the markets are free, fair and transparent by requiring the registration of securities, the licensing and authorisation of capital market operators and the supervision of capital market operators to ensure that they are in compliance with the requirements of the law.

MARKET SUPERVISION

The Commission is responsible for the supervision of capital markets operators. The Commission undertakes its supervisory function through undertaking a number of activities, including licensing, inspections, surveillance and complaints handling. A key objective is to ensure capital markets operators comply with the Securities Act and its subsidiary legislation, thus ensuring a secure, fair and orderly investment environment that enhances investor and public protection and promotes an orderly development of the industry.

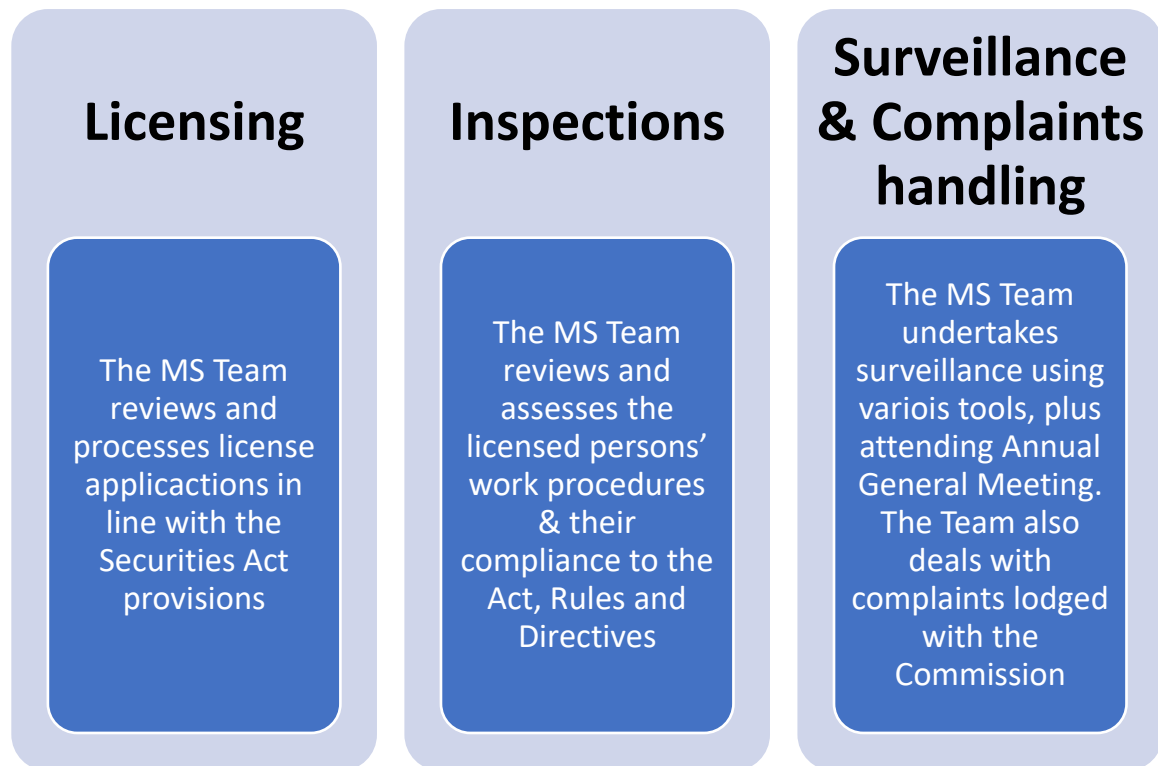
The capital markets operators in the Zambian Capital Markets industry consist of brokers/dealers, investment advisers, securities exchanges, central securities depositories, issuers, fund managers, credit rating agencies, investment banks, transfer agents among others. [The full list of capital markets players and their contact details is provided in **Appendices II and III.**]

The regulatory power of the Commission is anchored upon four pillars as follows:

- a) Any person dealing or advising on securities must be licensed by the Commission;
- b) Any securities market must be authorized and licensed as a securities exchange by the Commission;
- c) All securities of a public company which are publicly traded must be registered by the Commission; and
- d) CISs must be authorized by the Commission.

Market Supervision (“MS”) entails ensuring that persons authorized/licensed to operate in the Zambian Capital Markets, including listed and quoted businesses; collective investment schemes (CISs); exchanges; brokers; investment advisers; representatives; custodians; trustees; etc. adhere at all times to continuing obligations as set out in the Securities Act.

MS encompasses the three main functions of licensing, inspections and surveillance and complaints handling as highlighted in the following table:



Capital markets players are required to submit to the Commission monthly, quarterly and yearly returns. For example,

- All capital markets operators are required to submit audited financial statements;
- Dealers and Investment advisers are required to submit a separate auditors report addressed to the Commission and management confirmation of compliance;
- All dealers are required to submit Monthly Capital Adequacy Reports;
- Fund managers are required to submit monthly and quarterly returns; and
- Issuers are required since 2019 to submit a Gap Analysis Report and other reports under the Internal Controls Over Financial Reporting Framework.

These reports are used by the Commission for offsite monitoring as well as for planning on-site inspections of capital markets operators.

Licensing

Licensing, being at the forefront, sets high regulatory standards at the very outset to fulfil the Commission's mandate which is designed to ensure investor protection and support the operation of a free, orderly, fair, secure and properly functioning Securities Market. Licensing acts as the entry point into the Securities Market by capital markets operators. Therefore, the SEC strives to strike the right balance between its business-friendly approach and complying with international regulatory standards.

In line with its endeavour to align its processes to international best practices and to embrace modern regulatory approaches, the SEC constantly ensures that these practices are embedded

into its operations at the licensing stage. As a result, this provides for a more cohesive and transparent framework guiding further improvements in the Commission’s regulatory approach.

The licensing procedure is clearly defined in the Securities Act and rules, regulations, directives and guidance notes issued by the SEC. At Licensing, the SEC has in place a transparent and well-established set of procedures leading to the issue of a licence or the rejection thereof.

In assessing applications, the SEC is required to conduct a number of assessments - including the fit and proper test of applicants. In conducting the fit and proper test, the Commission assesses the financial soundness of the applicants, lawfulness and moral standards of the proposed activity, source of funds of the proposed activity, integrity of the shareholders, directors and key managers and any other relevant issues. For corporate applicants the Commission also analyses beneficial ownership information to ensure that only people of high integrity can operate in the Capital Markets. Where applications may cause harm to the good repute of the jurisdiction, such applications are recommended for rejection.

Licences in issue as at 31st December 2020

The Zambian Capital Markets continued to gain momentum and systemic importance in the year under review. The Commission continued with its role of ensuring that only fit and proper persons were allowed to conduct securities business and offer regulated services to the investing public.

As at 31st December 2020, there were 168 licenses in issue. A breakdown of the number of valid licenses (by license type) is provided in the table below:

License type	1 st January, 2020	Issued during the year	Cancelled/ Revoked during the year	Surrendered during the year	31 st December 2020
Dealers	26	1	(1)	-	26
Dealer’s Representatives	118	6	(3)	(5)	116
Investment Advisors	9	-	-	(2)	7
Investment Advisor’s Representatives	20	1	-	(4)	17
Securities Exchange	2	-	-	-	2
Total	175	8	(4)	(12)	168

Inspections

For the year 2020, the SEC carried out off-site and on-site inspections. Three (3) of the Capital Markets players were subjected to for-cause (targeted) inspections. The Commission further conducted offsite inspections for all Fund Managers.

In undertaking the project to implement the risk-based supervision (RBS) framework, the Commission conducted pilot inspection on two (2) market players. The pilots were conducted to test the Commission's draft RBS Framework and tools developed by the RBS Project Team.

Surveillance & Complaints Handling

Market Surveillance

Market surveillance continues to be one of the key functions undertaken by the Commission. It entails monitoring trade operations by using daily analysis of market trades, writing periodic reports, investigating anomalies and other activities. It also involves analysing information gathered through complaints, social, electronic and print media, among others. The goal is to ensure compliance by the capital markets operators to the SEC rules and regulations, in order to regulate the market and provide the necessary protection to investors.

Issuers

As part of surveillance, the Commission continued to attend, in an observer capacity, Annual General Meetings (AGMs) of entities with registered securities (issuers). During the year our market surveillance team attended AGMs for most of the issuers and the following items were noted:

- **Attendance:** Due to the covid 19 restrictions that came into effect around March 2020 when Zambia recorded its first confirmed case, AGMs had to be postponed as physical meetings had been banned. However, in the course of the year, most companies held their AGMs virtually and this in some cases tended to affect the attendance levels as people were still trying to adjust to the new way of living in the covid-19 pandemic.
- **Investor Participation:** Investors generally participated in the deliberations of the meetings and almost all of the issues raised by investors during the AGMs were well responded to by most companies. Some investors also seemed well involved in the monitoring of the performance of the companies in which they have invested. The Commission noted however that there were some instances when listed entities did not completely provide information requested for by investors, a matter the Commission followed up on.

Collective Investment Schemes

The number of authorized fund managers remained the same in 2020 (i.e. 10 fund managers managing 11 collective investment schemes). On the upside, the value of assets under management by the authorised managers increased by 46.98% from **K632,467,122** at the end of December 2019 to **K929,571,277** as at 31st December 2020. This growth in assets under management was largely driven by growth in customer deposits driven by marketing activities by fund managers. The growth was also driven by fair value gains in dollar denominated assets held by the respective funds as the kwacha depreciated against the United States dollar. The value of assets under management is expected to cross the K1billion mark in 2021, this is a significant milestone for the sector.

On the downside, the CIS industry has faced a market confidence challenge on account of two (2) fund managers facing enforcement actions by way of the Commission taking possession of the entities. The possessions in both Madison Asset Management Company and Laurence Paul Investment Services Limited, were necessitated on account of several regulatory concerns, including failure to settle redemption requests made by investors. As part of the supervisory transformation being embarked upon by the Commission, DMSD will continue to escalate matters to DELS for necessary enforcement actions. As we prepare to roll-out risk-based supervision, it is imperative that legacy issues such as poor governance, lack of adequate operating systems and issues to do with fitness and properness are thoroughly addressed. The successful implementation of RBS demands in the first place that the market operators are fit and proper. Secondly, it is important for the Commission to signal that non compliance will be met with the commensurate enforcement action.

Complaints

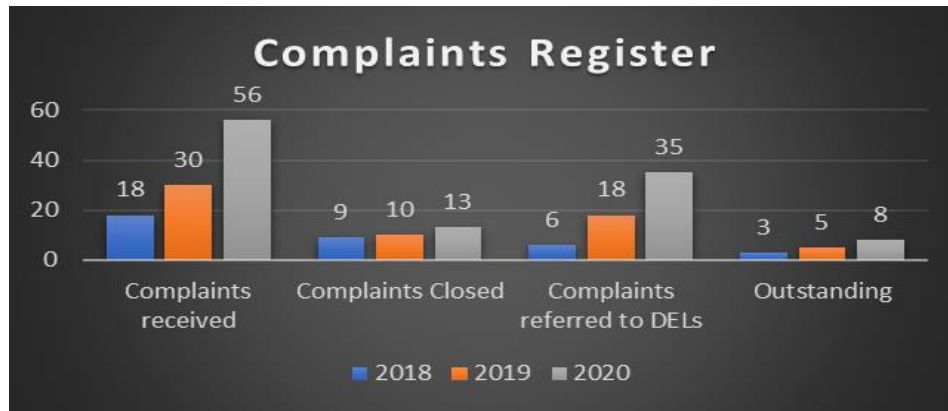
The Commission continued to receive complaints from members of the public in relation to securities business. During the review period, the Commission received 56 complaints. The complaints related to various aspects of challenges faced by some investors including delay / non-payment of redemption claims for funds not being received. eighteen (18) of these complaints have been closed while the rest are still being investigated.

	Year ended 31 December 2020	Year ended 31 Dec 2019
Complaints brought forward from the previous year	5	3
New complaints received during the year	56	30
Complaints closed	(18)	(10)
Complaints referred to Legal and Enforcement Dept	(35)	(18)
Number of active complaints at year end	8	5

Below is an analysis of the nature of complaints received in 2020:

Nature of complaint	No. of complaints
Late/Non-payment of investment maturities/ sales proceeds	53
Minority shareholders representation on Board	1
Failure to provide contract notes	1
Missing shares	1
Total complaints	56

As noted from the graph below, there has been an upward trend in complaints received by the Commission.



MARKET DEVELOPMENT

The year 2020 has been a remarkable year, mainly building on strategic partnerships forged in 2019. The Commission continued to work on key Projects that form a significant portion of critical deliverables as they relate to set out initiatives in our Strategic Plan 2019 – 2021. The year 2020 although peculiar with respect to the onset of the Global pandemic of COVID 19, which brought about a disruption in traditional business approaches, its very nature gave rise to a new way of thinking and doing things, and in a way, balanced off some of the challenges faced by the Commission such as, limited financial resources for project implementation and other activities such as capacity building and awareness programmes that would ordinarily require physical gatherings. Now termed as the upside of COVID 19, it became possible to host workshops, webinars, exhibitions, capacity building (Training), social media campaigns et cetera via digital or online platforms, which would have otherwise been difficult to achieve via normal channels, budgetary constraints mentioned above. Equally of significant note on the upside was that the pandemic disease has in essence ratified the Commission’s wisdom in having embarked on visionary projects such as the development of the regulatory sandbox. The regulatory sandbox initiative came on the backdrop of prior year market development interventions such as the introduction of thought leadership masterclasses that were aimed at raising awareness and/or interest in global agendas as well as new areas of capital markets development. To this end, digitisation and the global agenda of sustainability, thus greening our economies were prioritised by the Commission. The Green Bonds Framework, issued in early 2020, is yet another notable milestone that aligns Zambia well in the global green discourse, whilst signalling our readiness as a destination for green investments.

Indeed, it was a challenging period, but the Commission ensured to rise above the occasion and adapt to the new ways of doing things – “new normals”. Suffice to mention, the Commission was able to weather the storm in 2020 owing in part to the strong relationships with several strategic partners who are supporting a number of projects being spearheaded by the Directorate of Market Supervision and Development.



An overview of the projects for 2020 are reported below:

Financial Sector Deepening Africa / Zambia Partnership

As part of the Commission’s long-term cooperation agreement with the Financial Sector Deepening Africa (FSDA) and Financial Sector Deepening Zambia (FSDZ) which was formalised in April 2019, progress on the two flagship projects under the agreement was recorded as follows:

- i. **Project to develop the Capital Markets Master Plan (CMMP)** – In 2020, the Commission recorded notable progress concerning the development of the CMMP, a ten-year long-term strategy for capital markets development. The milestones achieved included the following;
 - **Establishment of the CMMP Steering Committee:** The Ministry of Finance, in consultation with the Commission, appointed members of the CMMP Steering Committee comprising of high-level financial sector experts (from the public and private sector) was established to oversee the smooth development and implementation of the CMMP.
 - **Stakeholder Engagements & development of a Market Assessment Report:** Bourse Consult and Genesis Analytics, the consultants engaged in 2019 to coordinate the development of the CMMP, held various engagements with key stakeholders in the capital markets. The foregoing coupled with various research

culminated into a Market Assessment Report (MAR). As such, the MAR included stakeholder views and a detailed desktop research of the Zambian macroeconomic environment, an international benchmarking for capital markets and an analysis of the legal / regulatory framework. Suffice to mention that the MAR was used as a basis to inform the development of the CMMP document.

- **CMMP Consensus building workshop:** The Commission held a consensus building workshop to discuss the MAR findings and as such, engaged a broad list of stakeholders to facilitate a unified direction for the Zambian capital markets development.
- **Development of a Draft CMMP document:** A draft CMMP document culminating from the MAR was developed and underwent the scrutiny of the joint CMMP Secretariat (the Ministry of Finance and the Commission), the Steering Committee and other key stakeholders.

ii. **Project to undertake an Institutional Capacity Assessment (ICA)** – An institutional capacity of the Commission (initiated in 2019) whose objective was to look into the Commission’s internal structure for the purpose of identifying areas of strength and of improvement was completed in February 2020. The ICA Report produced by A2F Consultants (the consultants assigned to undertake the ICA) outlined priority recommendations to the Commission, which broadly included the following;

- To have a defined Market Development Strategy;
- To implement a Risk-Based Supervision;
- To undertake a review of the Enforcement Process; and
- To improve the Human Resource Management.

Toronto Centre Partnership: Long-Term Engagement for Capacity Building (Risk Based Supervision and Gender-Technology-Financial Inclusion Supervision Project)

Risk Based Supervision

In May 2019, the Commission and the Toronto Centre of Canada entered into a 3-year Long-Term Country Engagement (LTCE) to implement Risk Based Supervision for the Zambian securities sector. The Commission expects to roll out RBS in the Quarter 2 of 2022.

Development of the RBS framework contributes to the Commission’s strategic objectives, in particular:

- 1) **Strategic objective 1 – Improve Investor protection** by developing legal/ regulatory frameworks and developing enhanced regulatory capacity.
- 2) **Strategic objective 3 – Improve stakeholder relationships** by strengthening sensitization and enforcement programs.
- 3) **Strategic objective 5 - Improve operational processes and systems** by re-engineering, integrating and automating requisite systems.

The Commission has achieved various milestones under the project as follows:

Task	Status
Develop Governance Framework for RBS Implementation	Completed
Identification and Selection of Pilot Candidates	Completed
Develop the RBS Policy	Completed
Development of tools and templates to capture supervisory assessments	Completed
Training for Pilot testing	Completed
Conduct Pilot testing and review pilot results*	On-going following conclusion of inspections
Revisions to the draft RBS policy*	Completed. Final Policy to be approved by the SEC Board in 2021

In 2021 and beyond, the Commission expects to roll out the following activities under the project:

Approval of RBS Policy by the SEC Board (Q1 2021)

Development of small firms strategy (Q2 2021)

Develop & implement Communications Strategy (Q2 2021)

Re-engineering supervisory processes (Q2 2021)

Finalise implementation Plan (Q4 2021)

Implementation of RBS in the Zambian Capital Markets (Q2 2022)

Further to the execution of a partnership between the Commission and the Toronto Centre in 2019 to implement a Risk-Based Supervision Framework for the Securities sector, the two parties partnered in a two-phased project dubbed **‘Gender-Technology-Financial Inclusion Supervision Project’**.

Phase one of the project which was aimed at increasing the knowledge of the Commission and other Regulatory Authorities, financial institutions and financial services providers (among others), about the current conditions for Regulatory Technology (“RegTech”) readiness and using sex-disaggregated data for supervisory decision making was finalised in December 2020.

Furthermore, phase two of the project which is set for launch in Quarter one of 2021 aims at providing expertise and resources to work with the Commission, to identify and develop self-assessment tools that can close identified gaps (from phase 1) or further the benefits of gender equality.

Partnership with the United Nations Capital Development Fund (UNCDF)

Further to the Commission and the UNCDF’s Certificate of Collaboration of September 2019, the two parties formalized the collaboration and entered a Memorandum of Understanding (MoU)

effected in March 2020. The MoU provides a framework of cooperation to facilitate and strengthen collaboration between the two parties in areas of common interest. Furthermore, the MoU outlines identified areas of cooperation in the following areas:

- To build capacity for Zambian Financial Technology (FinTech) entities & Small to Medium Enterprises on how capital markets work and options available to businesses looking to access capital. As part of the collaborative efforts, SEC facilitated a series of presentations dubbed ‘Regulatory navigation for Fintechs in Zambia’, organized by UNCDF and Bongohive Innovation and Technology Hub.
- To support the creation and testing of Regulatory Sandboxes around new areas of interest, including but not limited to: Peer-to-peer lending and crowdfunding innovations.
- To explore the ways the Commission and UNCDF can facilitate the inclusion of more women and youth in the Digital Economy of Zambia; and
- To facilitate the increased access by Zambian FinTechs & Small to Medium Enterprises to microfinance and investment capital.

A notable milestone recorded under the Commission’s partnership with the UNCDF is the successful development of Guidelines for a Regulatory Sandbox Framework (“Sandbox”) for Capital Markets in December 2020. The Sandbox seeks to create a regulatory environment in which testing of capital markets innovations can be facilitated under a set of conditions and limitations designed to protect investors. It is anticipated that Participants of the Sandbox shall be entitled to Regulatory flexibility over a specified period of time to necessitate the smooth testing of their innovations and their future commercial deployment.

Therefore, it is envisaged that the Sandbox is poised to position our local capital markets as an attractive market constituting of an enabling framework that enables potential participants to test their financial product or service as easily, conveniently, and efficiently as possible, in a timely and cost-effective manner, without placing undue risk on investors and the financial systems in general. The Commission envisages the sandbox to be a bridge that addresses concerns about regulatory compliance whilst ensures access to a vibrant and growing capital market.

Partnership with the United Nations Biodiversity Finance Initiative (BIOFIN)

In its efforts of ensuring that Capital Markets played a critical role to warrant Zambia’s attainment of the Seventh National Development Plan (7NDP) and the United Nations Sustainable Development Goals (SDGs) the Commission developed Green Bonds Guidelines (Guidelines). The Guidelines were a culmination of the partnership between Biodiversity Finance Initiative (BIOFIN) Project Team under the United Nations Development Plan (UNDP) and the Commission. The guidelines are meant to facilitate the orderly and transparent issuance of green bonds and enhance investor protection.

Despite the negative impact of Covid-19 pandemic, the Commission registered some meaningful progress to further the Green Bonds project. Some of the activities undertaken included the following:

- i) On 9th July 2020, DMSD participated in a webinar organized by the Capital Markets Association of Zambia in which the Green Bonds framework was explained and positioned as a ready-to-use sustainable financing solution.
- ii) On 17th August 2020, the SEC and BIOFIN submitted green bonds tax incentives to the Budget Preparations Committee’s Tax Policy Review Sub-Committee. The proposed incentives included 1) Withholding Tax exemption for interest income earned on green bonds 2) A two-year reduction in corporate tax rate by 2% for bond issuers 3) Issuance costs to be allowable deductions for corporate tax 4) 5% reduction in the corporate tax rate SMEs who access funding through CISs
- iii) On 29th October 2020, the Commission participated in the BIOFIN Euro-Asia Pacific Regional Dialogue and delivered a presentation titled **“Role of capital markets in supporting and filtering biodiversity positive investments: the case of Zambia”**.
- iv) On 27th November, 2020 the Commission also participated in the launch of the **“New Deal for Nature and People Campaign”** hosted by World Wide Fund for Nature (WWF) where green bonds as a sustainable financing option was the core of a speech delivered. This engagement birthed a new movement between SEC, WWF and BIOFIN who have teamed up to reinforce awareness campaigns on green bonds with a view of leveraging the partners’ network to pursue Zambia’s debut issuance of a green bond. The team has planned a number of joint activities for next year (2021).

Capacity Building | National Financial Inclusion | Awareness | Education

We take cognizant of the fact that the lack of resources made it difficult to undertake some planned capacity building activities for both staff and the market at large in 2019. In 2020, the Commission leveraged on partners and the industry players in sponsoring major activities. Below are some of the key activities undertaken in 2020.

National Strategy on Financial Education Phase II 2019 – 2024 (NSFE II)

The National Strategy on Financial Education Phase II (NSFE-II) for the period 2019 -2024, was launched on 10th December 2019. Its overall strategic objective is for the Zambian population to have improved knowledge, understanding, skills, motivation, and confidence to help them secure positive financial outcomes for themselves and their families by 2024. The priority financial education programmes of the NSFE-II are organized around four themes on financial education for children, youths, adults, and all age groups. In the year 2020, flagship programs under the NSFE II included the following: 1) Cha-Ching Financial Education Programme; 2) Financial Literacy Week; and 2) Validation of the School Curriculum.

Cha-Ching Financial Education Programme

Further to the Commission’s partnership (executed in 2019) with Prudence Foundation (the community investment wing for Prudential Limited) and Junior Achievement (JA) Zambia to implement a financial education programme for children known as “Cha-Ching”, the partners in

collaboration with the Ministry of General Education officially launched the programme in February 2020. However, the actual implementation which was earmarked for Quarter 2 of 2020, targeting to reach at least 5,000 young learners was disrupted by the onset of the global pandemic, Covid-19. Notwithstanding, the Commission, Prudence Foundation and JA have continued to engage the Ministry of General Education to advance plans to implement the programme.

Commemoration of the 2020 Financial Literacy Week (FLW)

The FLW is a recognition of the Global Money Week which endeavours to undertake Financial education to people of all ages through the following – financial education resources that can be disseminated, used and adapted in financial education programmes; delivered through websites, social media, print and other media channels; and annual campaigns (e.g., The Financial Literacy Week).

The FLW which took place in March 2020, culminated into awards given to professionals that are dedicated to furthering financial education. Owing to the COVID-19 health restriction measures, the events were scaled down to a virtual audience. The awards were presented by the Bank of Zambia Deputy Governor on behalf of the Governor who is the Financial Literacy Champion in Zambia.

Validation of the Ministry of Education School Curricula for Financial Education

In November 2020, Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) sponsored a three (3) days' workshop hosted by the Ministry of Education and the Curriculum Development Centre with financial sector stakeholders that included the: - Ministry of Finance (MoF), Bank of Zambia (BOZ), Securities and Exchange Commission (SEC), Pensions and Insurance Authority (PIA), Zambia Revenue Authority (ZRA), Competition and Consumer Protection Commission (CCPC) for the purposes of updating and validating the school curriculum for financial education.

Financial Sector Joint Messaging Campaign (FSJMC)

Acting together as financial sector regulators, the Securities and Exchange Commission, the Bank of Zambia and the Pensions and Insurance Authorities deliberated on the increasing fraudulent scams at the Financial Sector Regulators Tripartite Meeting of 3rd June 2019, it was decided that there is need to conduct a joint financial sector communications campaign that would aim at creating awareness and sensitization about risky and usually illegal or unauthorized, thus unregulated financial products.

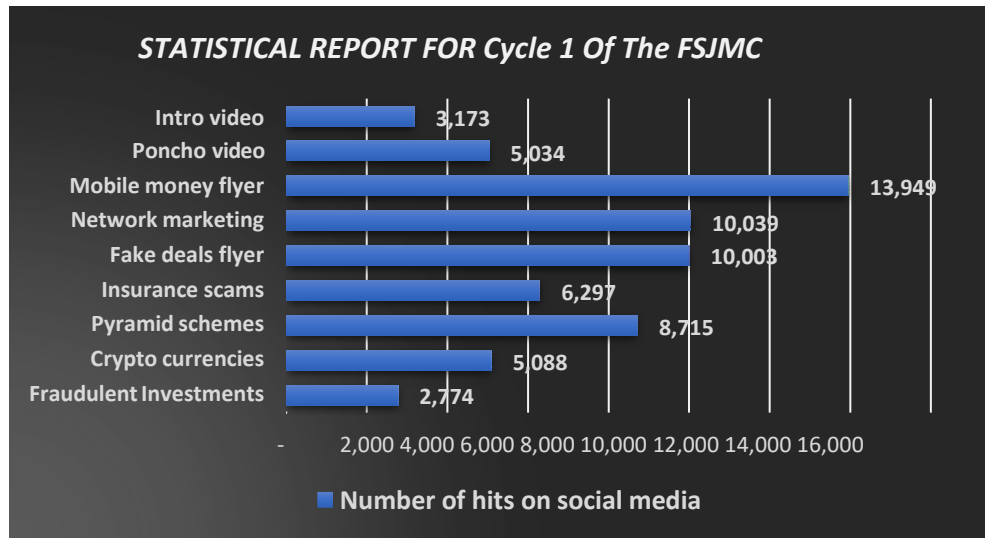
The Campaign Strategy was developed and launched on 18th August 2020 by a Task Team comprising of technical and communications personnel from the SEC, BOZ and PIA. It was envisaged that the campaign would shift behaviours of current and potential investors from spontaneous uptake of products to more vigilant and responsible actions. SEC was charged with spearheading the development of the campaign concept and strategy.

The campaign was developed to touch on problematic areas through which financial fraud emanates and the identified ones were as follows: -

- Mobile Money Scams

- Pyramid Schemes
- Network Marketing
- Cryptocurrencies/Initial Coin Offerings
- Fraud through the internet
- Fraud through fake deals such as fake minerals.

The FSJMC ran for an initial cycle making a measured reach of 14,000 individuals. The campaign is planned for continuation in 2021. Below is a statistical presentation of the initial reported reach.



World Investor Week 2020

On 6th October 2020, the Commission in collaboration with the Capital Markets Association of Zambia joined the International Organization of Securities Commissions (“IOSCO”) in commemorating its fourth (4th) Annual WIW. The WIW is a public awareness campaign aimed at enhancing investor education and protection. The theme was ‘Be a Smart Investor through Capital Markets’ and emphasis was placed on behavioural aspects of self-responsibility. Activities that were undertaken included a media launch by the SEC CEO, Mr. Phillip Chitalu, University Panel Discussion, University Essay Competition, Secondary School Talks, Virtual Exhibition of Regulator and Capital Market Operators, Newspaper etc.



World Investor Week Launch
Join us live in our Tuesday chatroom as we launch the World Investor Week.

Tuesday
06, Oct, 2020
Time
15:00 am
zoom
ID: 846 2172 5352
Password: 104523

Speaker
Mr. Philip Chitalu
CEO, Securities and Exchange Commission of Zambia.

Speaker
Mr. Nicholas Kabaso
President, Capital Markets Association of Zambia.

World Investor Week 2020
"A Smart Investor through Capital Markets"

PANEL DISCUSSION
What does it mean to be a Smart Investor?
Join a Panel Discussion to gain insights on key concepts of being a smart investor, from a YOUTH LENS.

16 Oct 2020
15.00 hrs

Join the Discussion via:
<http://bit.ly/wiww-panel-discussion>
Meeting ID: 822 8374 8311 | Password: 341431

LIVE Live Stream on our page: <http://fb.com/SecZambia>

The Moderator
Maxine Markar
Stockbrokers Zambia

Panelist
Chikamba Soko
University of Lusaka

Panelist
Wato Simachamba
Copperbelt University

Panelist
Obrod Masudanga
Rockwold University

Panelist
Mulenga Same
University of Zambia

Panelist
Fornwell Mwanasambwe
University of Zambia

Panelist
Ntashya Mulombwa
Mulungushi University

WEBINAR AGENDA

15.00 hrs	Welcome and webinar objectives	15.45 hrs	Open discussion / Q & A
15.05 hrs	Presentation on World Investor week	16.15 hrs	Concluding remarks
15.15 hrs	Panel Discussion		

Sponsored by: Capital Markets Association of Zambia, SEC, OICU-IOSCO, Capital Markets Association Of Zambia, World Investor Week 2020

E-flyers distributed during the World Investor Week 2020

National Financial Inclusion Strategy

As a co-implementor of the National Financial Inclusion Strategy, the Commission participated in two key projects as highlighted below.

- i. **2020 Finscope Survey:** As a member of the Finscope project team, the Commission took part in the following Finscope activities;
 - Finscope Training of Trainers workshop in preparation for the survey fieldwork.
 - Review and finalization of the Finscope Questionnaire.
 - Review and finalization of the Enumerators manual.

In view of the above, the Commission was assigned a task to facilitate and conduct the training of enumerators and to oversee their deployment in the Muchinga Province. As such, the Commission in collaboration with Zamstats and the Association of Microfinance Institutions of Zambia conducted the training of twenty-six (26) enumerators and five (5) supervisors from 20th – 31st August 2020 in Chinsali, Muchinga Province. Furthermore, the SEC participated in the monitoring of field work from 1st to 7th September 2020. Enumeration areas visited during the field work included Isoka and Mpika. The data collection exercise was completed on 21st September 2020 and the 2020 Finscope Survey was launched on 17th December 2020.

- ii. **NFIS Communications Strategy:** The Commission participated in the formulation and implementation of the NFIS Communications Strategy. The purpose of the Strategy is to ensure a fully integrated approach to communication which is aligned to the NFIS that will facilitate the achievement of its goals and targets and to achieve increased awareness of the financial services available to all Zambians especially the most

vulnerable groups identified in the strategy. The primary target audiences of the NFIS Communications Strategy are the financially excluded who include (among others): 1) Youth; 2) Women; and 3) People living with disabilities.

The Communication strategy was launched on 25th November 2020 and an illustration of campaign messages is shown in the images below.



An illustration of NFIS campaign messages being disseminated

Capacity building

Under the Chartered Institute for Securities and Investments (CISI) – Zambia Regulatory Assessment Module

The SEC/CISI partnership was effected in August 2016 through execution of a Memorandum of Understanding with a view to provide an effective framework for collaboration between the parties in the development of a formal certification programme for the capital markets sector practitioners. Under the partnership, the SEC has adopted the following courses:

- i. International Introduction to Securities and Investment (Africa)
- ii. Local Regulatory Assessment Module
- iii. Technical Modules such as:
 - Global Securities
 - Risk/Operational Risk
 - Investment Management

Pilot Training on the Zambia Regulatory Assessment Module

Having successfully launched the first module being the International Introduction to Investment in September 2016, the SEC working together with the CISI have developed the Local Regulatory Module. The module seeks to develop local knowledge regarding the required industry regulations for professionals working in the particular jurisdiction in this case, Zambia.

The pilot training for the Regulatory Module was undertaken virtually, from 20th to 23rd October and exams from 2nd to 4th December 2020. The pilot training undertook to train not only professionals from SEC but gave opportunity to other institutions in the financial industry as follows: -

- The Ministry of Finance
- Lusaka Securities Exchange Plc
- Pensions and Insurance Authority
- Bank of Zambia
- Capital Markets Association of Zambia



CISI Regulatory Module Assessment Exam in progress

Other capacity Building included training of SEC employees through the Toronto Centre partnership and regional bodies such as the Macro Economic Financial Institution (MEFMI).

Recognition of the Capital Markets Association of Zambia as a Self-Regulatory Organisation

The SEC on 9th December, 2020 granted the Capital Markets Association of Zambia (CMAZ) recognition as a Self-Regulatory Organisation (SRO). The SRO recognition gives CMAZ the power to regulate the standards of practice and business conduct of its members in accordance with its by-laws, rules, policies, practices and interpretations.



SEC Vice Chairperson Mr George Nonde officially hands over Certificate of Award of Recognition as SRO to CMAZ president Mr. Nicholas Kabaso as SEC CEO Mr. Phillip Chitalu looks on.

ENFORCEMENT AND LEGAL SERVICES

Although 2020 was a challenging year for the Commission and the Directorate of Enforcement and Legal Services (DELS) in particular with Covid-19 and internal resource constraints, the directorate has been able to find solutions that have helped navigate the challenging period which may best be described as a period of crisis.

The Chinese use two brush strokes to write the word “crisis”. One brush stroke stands for danger, the other for opportunity. Thus, in the 2020 year of crisis, DELS was made aware of the danger but have similarly recognized the opportunity by leveraging, for instance, on technology to undertake consultations for law review that had not progressed due to financial constraints. In addition, DELS has capitalized on partnerships with other law enforcement agencies such as the Zambia Police and the Drug Enforcement Commission that have assisted with investigation of matters, especially those with criminal aspects.

DELS Functions

DELS is a critical unit in the Commission’s investor protection mandate. Specifically, the Directorate performs the following main functions: Enforcement; Legislative development; Legal advisory and Corporate functions.

Thus, the Commission, through DELS, is responsible for enforcing the Securities regulatory framework as prescribed by the Securities Act, No. 41 of 2016 (Act) and the Rules and Regulations made thereunder. DELS is responsible, *inter alia*, for ensuring legal and regulatory

compliance by capital market operators, identifying and recommending law reform and development of the regulatory framework, and providing corporate legal advisory and Board secretarial services.

The core functions of DELS are divided between litigation, investigation and enforcement. DELS undertakes litigation on behalf of the Commission in all courts and Tribunals, and investigates alleged violations of the securities regulatory framework to ensure the growth of an orderly capital Markets and safeguard the interest of persons who invest in securities in order to guard against illegal and improper practices as provided under the Act and regulations or rules made there under.

Law Reform and stakeholder engagements

The capital markets the world over are a heavily regulated space, justifiably so because of the investor protection mandate that securities regulators are responsible for. DELS co-ordinates the development of legislation for the enhancement of the Commission's supervisory and capital market development mandate in Zambia. International best practice now champions a risk-based approach to anti-money laundering, counter-terrorist financing and counter-proliferation financing (AML/CFT/CPF) as opposed to a compliance-based approach. In compliance with international best practice, and in order to effect consequential amendments to the Financial Intelligence Centre Act (FICA), the Ministry of Finance adopted a policy to implement a risk-based approach to AML/CFT/CPF throughout the financial sector. To this end, the Commission engaged in an amendment exercise for the implementation of a risk-based framework for AML/CFT/CPF in the supervision of the capital markets and thereby align the securities regulatory framework with international best practice.

A draft bill incorporating the proposed amendments to the Act has been formulated and submitted to the Ministry of Finance for approval and onward submission to the Ministry of Justice.

Furthermore, for the first time in 28 years, the Commission is spearheading a drastic overhaul of the subsidiary legislation prescribed under the Act. To this end, the Commission had commenced the process of engaging in stakeholder consultations and, with the guidance of the Business Regulatory Review Agency, will undertake a regulatory impact assessment to determine the impact of the proposed rules and regulations on business activity.

To ensure widespread engagement with stakeholders, the said draft rules and regulations have been disseminated through email and published on the Commission's website and a call for comments made on the Commission's social media platforms. Furthermore, an advert was published in print media informing the public of the existence of the said draft legislations and requesting submissions from interested parties. The following draft subsidiary legislation form part of the stakeholder consultations and regulatory impact assessment:

- a) the Securities (Capital Market Operators) (Complaints Handling Requirements) Rules;
- b) the Securities (Registration of Securities) Regulations;
- c) the Securities (Recognition of Self-Regulating Organisations) Regulations
- d) the Securities (General Requirements) Rules;

- e) the Securities (Capital Market Operators) (Licensing and Operations Requirements) Rules;
- f) the Securities (Capital Markets Operators) (General Licensing Procedures and Requirements) Regulations;
- g) the Securities (Collective Investment Schemes) Rules;
- h) the Securities (Collective Investment Schemes Authorisation) Regulations;
- i) the Securities (Fees and Levies) Rules, 2020; and
- j) the Securities (Compensation Fund) (Amendment) Regulations.

In addition to the Securities Act and the rules or regulations made thereunder, the Commission employs the use of various other regulatory tools such as guidelines, directives and circulars. DELS has, in conjunction with the Directorate of Market Supervision and Development (DMSD) and the Directorate of Finance and Administration (DFA), assisted in the drafting and formulation of the following Guidelines that have been published in the Government Gazette and are in force:

- a) the Securities (Commercial Paper) Guidelines, 2020;
- b) the Securities (Green Bond) Guidelines, 2020;
- c) the Securities (Real Estate Investment Trust) Guidelines, 2020; and
- d) the Regulatory Sandbox Guidelines for Capital Markets, 2020.

The Capital Markets Tribunal

A significant development introduced by the Act is the establishment a specialised adjudicator to resolve disputes between the Commission and Capital Market Operators. The Capital Markets Tribunal (Tribunal) is established under section 184(1) of the Act. On 20th May 2020, the members of the Tribunal were sworn into office by the Chief Justice of Zambia, Madam Justice Irene Mambilima.



The Honourable Chief Justice, Irene Mambilima (center) poses for a picture with the Chairperson of the Tribunal, Mrs. Chanda Nkholoma Tembo (right) and the Vice Chairperson of the Tribunal, Mr. Martin Muyayi Lukwasa (left)



The Chief Justice swears Mrs. Chanda Nkholoma Tembo into the office of Chairperson of the Tribunal as the Chief Registrar, Mr. Charles Kafunda looks on

In her congratulatory remarks, the Hon. Chief Justice reminded the members of the tribunal to uphold the principals of natural justice in the exercise of their duties, as well as the need for expediency in dispute resolution. Her Ladyship expressed her faith in the complimentary competencies of the members of the tribunal and emphasized the importance of their role in impacting the Zambian economy. She further advised the members of the tribunal to guard against falling into backlog and highlighted the interventions by the Judiciary in dismantling backlog through the Taskforce on Backlog created in June 2018.

In order to be operational, the tribunal requires rules that govern the procedure to be applied in appeals and other proceedings before it. The draft Capital Market Tribunal Rules were therefore reviewed by the newly appointed members and subjected to a stakeholders' consultative review on 16th July 2020, at which event representatives of DELS were present to make submissions on behalf of the Commission. The amendments suggested at the said stakeholders' review were incorporated in the draft Rules and the draft, as reviewed have since been submitted for the consideration of the Honorable Chief Justice's Office and will subsequently be submitted to the Ministry of Justice for finalization.

The Commission awaits the operationalization of the Tribunal through the enactment of the rules to govern the Tribunal's processes and procedures.

Enforcement and legal actions taken

Since the enactment of the Act, the Commission has continued to enforce the provisions of the Act against defaulting capital market operators. Depending on the circumstances of each case, the enforcement actions taken have ranged from private censures for minor infractions to

imposition of fines, revocation of licenses or taking supervisory action under section 11(4) of the Act for serious breaches of the regulatory framework.

During the period under review, the Commission took supervisory possession of two major Capital Market Operators pursuant to section 11(4) of the Act to safeguard the interests of investors and ensure compliance with the Act. The Commission also revoked the licenses of two individuals that were deemed not to be fit and proper persons to hold dealer's representative licenses. Additionally, to ensure compliance with the regulatory framework and deter would be offenders, the Commission imposed administrative penalties that consisted of private censures and imposition of administrative fines on capital market operators that breached its regulatory framework.

Furthermore, in a quest to ensure compliance with Commission issued directives, the Commission imposed an administrative fine on one of the custodians of securities in the capital markets for failing and/or neglecting to comply with the directive to recompense the assets belonging to a Unit trust that should have been in its custody. This penalty will ensure that custodians observe high standards of care when discharging their duties to ensure that assets in their custody are sufficiently secured.

During the period under review, DELS has also successfully represented the Commission in judicial review proceedings before the High Court for Zambia.

Compliance with regulatory requirements and international best practice

DELS ensures that as a financial services regulator, the Commission complies with legal and regulatory requirements that facilitate effectiveness in capital markets regulation. This includes compliance with international regulatory requirements and best practices of IOSCO, ESAAMLG, CISNA, AMERC and other regional and international bodies. DELS is the contact point for liaison with foreign capital market regulators on information sharing and exchange of information.

The Commission is a signatory to the International Organisation of Securities Commissions (IOSCO) Multilateral Memorandum of Understanding (MMoU). During the period under review, the Commission received two requests to conduct investigations on behalf of two different foreign regulators to investigate false and/or misleading information that had the potential to manipulate the market value of listed securities and thereby adversely affect the Zambian capital markets. One of the investigations conducted under the IOSCO MMoU resulted in the imposition of an administrative penalty on an individual who contrived section 161 (5) (d) of the Act by providing false and/or misleading information to a Commission appointed investigator during an investigation. Furthermore, as part of its regulatory role, the Commission made four requests for information to Mauritius, Seychelles, South Africa and Zimbabwe to undertake background checks to assess the fitness and probity of certain entities intent on operating in the Zambian capital markets.

With the advent of the COVID-19 pandemic, participation in the regional and international bodies to which the Commission is affiliated as a member has been limited. For instance, ESAAMLG was able to hold its regular meetings virtually and the Commission, represented by DELS and DMSD, was able to attend.

Cooperation with other financial players and stakeholders' regulators

Section 165(1) of the Act empowers the Commission to consult and cooperate with other regulators in the financial sector. The Act also mandates the Commission to co-operate with, provide assistance to, receive assistance from, and exchange information with, other regulatory bodies and law enforcement agencies (LEAs). In view of this mandate, the Commission has, after investigating several cases, referred the cases to organisations such as the Bank of Zambia and the Drug Enforcement Commission whenever a matter was outside the Commission's jurisdiction. Due to the complex nature of securities transactions, the Commission has also gone a step further by assisting the organisations to which it refers matters by providing the organisations with any additional information required as well as conducting joint investigations.

As such, during the period under review the Commission has investigated and referred to the Bank of Zambia several cases involving suspected pyramid schemes and money circulation schemes in contravention of the Banking and Financial Services Act, No.7 of 2017. The Commission through DELS has also referred cases involving suspected fraudulent practices and money Laundering activities to be investigated by relevant Law Enforcement Agencies (LEAs) as the Commission does not have jurisdiction to undertake criminal investigations or prosecutions.

MARKET TRANSACTIONS

The Securities Act requires securities including collective investments schemes to be offered to the public to be registered with the Commission. The Commission also approves mergers or acquisitions involving entities whose securities are registered with the Commission. The registration of securities and authorization of CIS is among one of the ways the Commission protects investors in the capital markets, while the rules on takeovers and mergers also ensure that takeovers and mergers are conducted in an orderly manner that protects minority shareholders. The Market Transactions section within the Directorate Finance and Administration during the year ending December 2020 received and processed several applications from companies including those relating to the registration of securities, mergers and acquisitions. Waivers from certain Securities Act obligations as enshrined in the Act, and other miscellaneous market activities were also considered.

The table below shows the companies, type and number of securities that were approved during the period under review:

DATE	COMPANY	TYPE AND NUMBER OF SECURITIES/OR TRANSACTIONS	DATE APPROVED/ DEFERRED	PURPOSE OF MEETING
06.02.2020	African Life Financial Services Private Equity Fund	Collective Investment Scheme	06.02.2020	To consider the authorization of African Life Financial Services Private Equity Fund
06.02.2020	Standard Chartered Bank Zambia Plc	Collective Investment Scheme	06.02.2020	To consider the authorization to promote Blackrock Global Funds to Standard Chartered Zambia Plc clients
29.05.2020	African Life Financial Services	Waiver	29.05.2020	To consider application for exemption from rule 63 of the Securities (Collective Investment Scheme)
29.05.2020	Standard Bank Zambia Plc	Waiver	29.05.2020	To consider application for a waiver of outstanding Collective Investment Scheme levies
29.05.2020	Prima Reinsurance Plc	Registration	29.05.2020	To consider the application of 45 million ordinary shares of par value ZMW 1.00
29.05.2020	African Life Financial Services	waiver	29.05.2020	To consider the application for adjustment in conditional authorization
29.07.2020	BPL Investment Limited	Waiver	29.07.2020	To consider the application for a waiver from making a mandatory offer to Copperbelt Energy Corporation Africa Investment Limited minority shareholders.
02.09.2020	Zambia State Insurance Corporation Life Plc	Registration	02.09.2020	To consider the registration of 240,000,500 Ordinary shares of Par value ZMW 0.05
09.12.2020	Standard Chartered Bank Zambia Plc	Collective Investment Scheme	09.12.2020	To consider the application for authorization to distribute AllianceBernstein SICAV
09.12.2020	Standard Chartered Bank Zambia Plc	Collective Investment Scheme	09.12.2020	To consider the application for authorization to distribute AllianceBernstein FCP
09.12.2020	Investrust Bank Plc	Registration	09.12.2020	To consider the application for the registration of 40,825,475 ordinary shares of par value ZMW 1.00





SECURITIES AND EXCHANGE COMMISSION
Protecting Investors in the Capital Markets

CREATED BY CAP 354 OF THE LAWS OF ZAMBIA AS
REPEALED AND AMENDED BY THE SECURITIES ACT
NO. 41 OF 2016

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31ST DECEMBER 2020

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REPORT OF THE COMMISSIONERS

The Securities and Exchange Commission Board of Commissioners present their report, with the audited accounts for the year ended 31st December 2020.

1. Organisation

The Securities and Exchange Commission (the “Commission” or the “SEC”) a statutory body established under the repealed Securities Act, Cap. 354 of the Laws of Zambia and whose existence is continued under the Securities Act, No. 41 of 2016 and which is headquartered in Lusaka (Zambia) at Plot 3827, Parliament Road, Olympia was established pursuant to *Act No. 41 of 2016 of the Laws of Zambia*, which replaced *Cap 354 of the Laws of Zambia of 1993*. The mandate of the Commission is to ensure that investors, both local and foreign, are protected. It is also the mandate of the Commission to promote and encourage the development of the market. This therefore entails that the Commission has a huge role of ensuring that there is a balance between investor protection and Capital Market Development.

Its mission is to stimulate the expansion and grow the capital market in order to make a sustainable contribution to the economic development of Zambia. Its vision is to be a capital markets regulator that offers a conducive market environment for raising long-term capital needed for a thriving economy.

SEC has its headquarters at Plot No. 3827, Parliament Road, Olympia Park, Lusaka.

2. Functions

In line with its primary statutory mandate, SEC undertakes the following functions and roles:

- (a). The Commission shall create and promote conditions in the capital markets aimed at ensuring an orderly growth, integrity and development of the capital markets.
- (b). Notwithstanding the generality of subsection (a), the Commission shall—
 - (i). Ensure compliance with this Act and regulations or rules made in accordance with this Act;
 - (ii). License securities exchanges, regulate the activities of securities exchanges and the settlement of securities transactions;
 - (iii). License and regulate capital markets operators;
 - (iv). License and regulate clearing and settlement agencies and other participants in the capital markets;
 - (v). License and regulate credit rating agencies and provide conditions for the issuing of credit ratings;

- (vi). Approve the constitutions, charters, articles, by-laws and rules governing and pertaining to securities exchanges, clearing and settlement agencies and other participants in the capital markets;
- (vii). Promote and encourage high standards of investor protection and integrity among members of securities exchanges, capital markets operators, clearing and settlement agencies, self-regulatory organisations and other participants in the capital markets;
- (viii). Support the operation of a free, orderly, fair, secure and properly informed capital markets;
- (ix). Regulate the manner and scope of securities transactions;
- (x). Regulate margin requirements, capital adequacy requirements, disclosure and reporting requirements and clearing and settlement requirements, as may be prescribed;
- (xi). Take all reasonable steps to safeguard the interest of persons who invest in securities and guard against illegal and improper practices as provided in this Act;
- (xii). Authorise the establishment of collective investment schemes and other schemes;
- (xiii). Regulate the activities of managers, trustees and custodians;
- (xiv). Authorise and regulate the establishment of venture capital funds;
- (xv). Consider and suggest proposals for the reform of this Act and rules and regulations made in accordance with this Act;
- (xvi). Promote and develop a system of self-regulation by securities exchanges, clearing and settlement agencies, self-regulatory organisations, other participants in the capital markets and capital markets operators, as may be prescribed;
- (xvii). Encourage the development of securities and securities exchanges and the increased use of such exchanges;
- (xviii). Provide, promote or otherwise support financial education, awareness and confidence with regard to financial products, institutions and services;
- (xix). Prescribe certification standards and accreditation for licensees;
- (xx). Co-operate with, provide assistance to receive assistance from, and exchange information with, other regulatory bodies and trade organisations in Zambia and elsewhere; and
- (xxi). Exercise and perform such other functions as may be conferred or imposed upon it by or in accordance with this Act or any other written law.

3. Commissioners

(a) Composition

The Commission is subject to legislative requirements regarding the composition, powers, functions, committee structure and responsibilities of the Board. The Board of Commissioners is accountable to Parliament through the Minister of Finance. The Securities and Exchange Commission (the “Commission” or the “SEC”) is governed by a Board of Commissioners appointed by the Minister responsible for Finance for a period of three (3) years. The Board consists of the following:

- (i). The Bank of Zambia;
- (ii). The Law Association of Zambia;
- (iii). The Zambia Institute of Chartered Accountants;
- (iv). The Zambia Chamber of Commerce and Industry;
- (v). The Ministry responsible for Finance;
- (vi). The Ministry responsible for Justice; and
- (vii). The Pensions and Insurance Authority.

(b) Identities

Mr. Amos Siwila	- Board Chairperson - Law Association of Zambia
Mr. George Nonde	- Vice-Chairperson-Zambia Chamber of Commerce
Mr. Mulele Mulele	- Commissioner-Ministry of Finance
Mrs. Natasha N. Kalimukwa	- Commissioner-Ministry of Justice
Dr. Jonathan Chipili	- Commissioner-Bank of Zambia
Ms. Mainza Masole	- Commissioner-Pensions and Insurance Authority
Mrs. Ruth S Mugala	- Commissioner- Zambia Chamber of Commerce and Industry
Mr. Phillip K. Chitalu	- Ex-officio -Securities and Exchange Commission

Board of Commissioners’ appointment dates, terms of office, committee membership and their biographies are available from the Commission, along with details of recent changes to Board membership.

(c) Commissioners’ Interests

None of the commissioners held an interest in the Commission’s capital resources.

(d) Commissioners’ Emoluments

Commissioners’ emoluments during the year amounted to: **K0.945million** (2017:- K0.957million).

4. Management

Management is responsible for implementation of the core functions of the Commission. The day to day operations of the Securities and Exchange Commission (SEC) are managed by the Commission Chief Executive Officer who is appointed by the Board of Commissioners. Other directorates are Directorate of Market Supervision and Development (DMSD), Directorate of Enforcement and Legal Services (DELS) and the Directorate of Finance and Administration (DFA).

Mr. Phillip K. Chitalu	•	Chief Executive Officer
Mrs. Diana Sichone	•	Director Enforcement & Legal Services/Commission Secretary
Ms. Mutumboi Mundia	•	Director Market Supervision & Development
Mr. Bruce Mulenga	•	Manager – Market Transactions & Investments
Mr. Mateyo Lungu	•	Manager – Finance
Mr. Saul Nyalugwe	•	Manager – Administration
Mr. Abraham Alutuli	•	Manager – Market Supervision
Mr. Nonde Sichilima	•	Manager – Market Supervision
Mr. Dingase Makumba	•	Manager Market Development
Mr. Mubanga Kondolo	•	Manager – Financial Inclusion
Mrs. Veronica O Sichone	•	Manager – Law Reform and Enforcement

The role of the Chief Executive Officer is set out in the Securities Act. The Chief Executive Officer has executive responsibility for ensuring that the Commission’s statutory objectives and functions are exercised efficiently and effectively, for leading partnership arrangements with government, for working with key stakeholders, and – as an executive member of the Board – contributing to and reviewing the strategic direction.

5. Financial Review

(a) Capital

Because the Commission has no subscription capital, capital resources comprise accumulated funds and unamortised balances of revenue (unrestricted fund) and deferred revenue (restricted funds).

(b) Operating Results

The operating result for the year was a surplus of **K3.478million** (2019: Deficit K5.068million).

(c) Income

- (i). Total grants received from GRZ amounted to **K11.058million** (2019: K9.461million).
- (ii). Fees, levies and commissions amounted to **K14.303million** (2019: K3.032million)
- (iii). Investment and sundry income amounted to **K0.084million** (2019: K0.345million).

(d) Expenditure

Expenditure was **K25.306million** (2019: K22.617million). The main items were staff costs of **K17.757million** (2019: K15.566million) and recurrent expenditures of **K5.516million** (2019: K6.313million). Impairment losses were K1.503million (2019: K0.116million)

(e) Capital Expenditure

(i). Fixed assets amounting to **K0.118million** (2019: K0.045million) were acquired during the year under review. No major changes were made to the accounting policies of fixed assets.

(ii). CWIP comprises land and initial ground works for building of future Commission offices and valued at **K9.500million**. The valuation was performed by an independent valuation firm. The valuation gain was not recognised in the financial statements as cost additions and impairment adjustments are expected to historical CWIP and possibly future costs

(f) Related Party Transactions

The Commission’s related parties include Board of Commissioners and senior executive management. Related parties and related party transactions are discussed in Note 18 on page 54 of the financial statements. Included in related party transactions is **K2.189million** (2019: K3.539million) for government assistance on settlement of over due PAYE.

(g) Disclosure of Government Assistance on PAYE

In 2020, the Commission received support of **K5.788million** from government for settlement of employee deductions of personal taxation for the period January 2018 to August 2020. The Commission recognised the grant over two accounting periods of 2019 and 2020 in amounts of K3.539million and **K2.189million**, respectively, to enable it match the expenses to the grant. The way in which a grant is received does not impact the accounting of the grant. In addition, the way it is accounted for should be consistent with how the expenses or the costs for which the grant are intended to compensate are recognised.

6. Challenges and Risk Factors

(a) Challenges of Capital Market Regulation

The Securities and Exchange Commission of Zambia (SEC) has for long aimed to lay the foundation for an efficient, orderly, and fair capital market in Zambia which is as sustainable as it is globally competitive. 2020 under review was a year of change for the capital market of Zambia, resulting in changes which were at times incremental and at others transformational; many of them still underway, mostly due to the global impact of COVID 19.

(i). **Effective Regulation:** In enhancing our regulatory effectiveness, the Commission did not hesitate to address factors which could potentially undermine its effectiveness as perceived by the capital market. The Commission is currently embarking on a risk-based supervision (“RBS”) project that aims to transition the market supervision approach from compliance based to risk based. It is envisioned that adopting RBS will ensure the Commission optimises its resources and is forward looking in terms of identifying and managing out the significant risks. Investigations are often long-drawn and time-consuming, but these investigations are being duly conducted, with enforcement actions in several cases

imminent over the next year. We are well-prepared for the journey ahead and prevail upon licensees and participants alike for their cooperation in ensuring that the capital market of Zambia is at its safest yet for investors.

(ii). *Enhancing Capital Market Participation:*

- Even as the local capital market vies for visibility in the international arena, especially the region, the benefits it offers for investors at home remain unexploited. Our efforts in relation to enhancing retail investor literacy continued to be featured frequently in print media. Our support of professionals in building upon their competencies resulted in the completion of several continuing professional development programmes over the course of the year, increasing the total number of personnel trained. In the year ahead, we look forward to reviewing and revising the present iteration of the capital market qualification framework to better reflect new and anticipated developments in capital markets

- We remain committed to our intention, as articulated last year, to provide market participants with a safe and well-regulated space in which they may explore innovative means of fundraising and investment. These include, in particular, the introduction of new products to the market. The SEC, with the leadership of the MoFNP, is spearheading the development of a 10 year Capital Markets Master Plan (CMMP) aimed, which Plan aims to address impediments to developing the markets. The CMMP has identified development areas, which includes the promotion of new innovative products and markets. The Plan also caters for enhancing existing markets. The market for corporate bonds. The market for corporate bonds and the unit trust industry have long been at the receiving end of many facilitative initiatives of the SEC, often with demonstrable results. Our focus in respect of these markets has been for long-term growth and sustainability, and, as in previous years, we have made many representations for their continued development. Elsewhere, we are deeply invested in ensuring that capital market participation is broad based through greater market participation, and that the challenges faced by market participants are addressed effectively whenever they are so required.

(iii). *Rules for Licensees* We have taken several measures in line with the new Securities Exchange Act: formulating minimum standards common to all market intermediaries, reviewing existing rules applicable to them, and drafting new rules to be adopted under the new Act. In keeping with our commitment to improving our engagement with the industry, issuers and the investing public, these rules and standards are released at appropriate times and forums.

(iv). *Issuer Compliance:* The SEC has been working on developing and implementing rules for the enforcement of several continuous listing requirements, including those on submission of financials, maintenance of a minimum public holding, and the fulfilment of corporate governance requirements. The enforcement procedures so established ensure that failure by listed companies to comply will result in commensurate penalties.

(v). **Enhancing Market Infrastructure:** Work on capital market regulation under the new Act is already underway, with refinements being made by us to the business and operational model to enhance our capacity to regulate. As part of this process, the potential for enabling enhancements to the existing framework for securities transactions is being assessed by the SEC, with compliance audits having been conducted on most firms which completed implementation as of the deadline provided by us.

(vi). **High quality Financial Reporting:** The SEC believes it is useful to make preparers and auditors of financial statements aware of the topics on which the SEC has been working and focusing on. In that regard, the integrity of the financial reporting system is critical. This financial reporting system, which has been established through the combined efforts of both the public and private sectors, is designed to provide investors with comparable, consistent, and transparent information necessary to make informed investment decisions. High quality financial reporting serves as the foundation and source of information for our entire disclosure system. A key attribute of our financial reporting system is transparency, which is the complete reporting and disclosure of transactions such that the financial statements reflect the underlying results of the business in conformity with International Financial Reporting Standards ("IFRS"). Globalisation of business and capital markets, technology enhancements that make it possible for significant currency flows across borders at the push of a button, the growth in the volume and magnitude of investments in the capital markets, the current price-earnings ratios, and the market's reaction when "surprises" occur, as well as other factors, have increased the need for greater transparency for investors in the capital markets. The SEC believes that the qualitative characteristics of accounting information, such as those set forth in the International Accounting Standards Board's ("IASB's") Concepts Statements, provide the best basis for a discussion of the quality and transparency of a licensee's financial reporting. These characteristics include factors such as relevance and reliability, as well as verifiability, neutrality, comparability, consistency, timeliness and representational faithfulness (the degree to which the accounting actually represents the transaction or event). SEC require the independent public accountant or auditor to have a discussion with the audit committee regarding the auditor's judgment about the quality, not just acceptability, of the entity's financial reporting. The amendment notes the following examples of items that could impact the quality of financial reporting:

- ✓ **Selection of new or changes to accounting policies: Estimates, judgments, and uncertainties and unusual transactions:** Accounting policies relating to significant financial statement items, including the timing of transactions and the period in which they are recorded. Some believe that conservatism is a characteristic that should be discussed. Since a preference that possible errors in measurement be in the direction of understatement rather than overstatement of net income and net assets introduces a bias into financial reporting, conservatism tends to conflict with significant qualitative factors such as representational faithfulness, neutrality, and comparability (including consistency). Conservatism in financial reporting should no longer connote deliberate, consistent understatement of net assets and profits. Any attempt to understate results consistently is likely to raise questions about the reliability and integrity of the information about those results and will probably be self-defeating in the long run.

Accordingly, the consistent understating of results (i.e., conservatism) or overly optimistic estimates of realisation (i.e., lack of conservatism or aggressiveness) are inconsistent with the characteristics of quality financial reporting needed for transparent reporting in today's markets.

✓ **Auditor's Independence:** By certifying the public reports that collectively depict an entity's financial status, the independent auditor assumes a public responsibility transcending any employment relationship with the client. The independent public accountant performing this special function owes ultimate allegiance to the entity's creditors and shareholders and investors, as well as the investing public. SEC's function demands that the accountant maintain total independence from the auditee at all times and requires complete fidelity to the public trust. If auditors do not meet the expectations of the investing public and the public loses its confidence in the role performed by the auditor as an objective and independent third party, there will be irreparable harm done to the value of that role. Accordingly, the SEC reiterates the need for auditors to maintain their integrity, objectivity, and independence, and when necessary to make the tough calls on the tough issues. In making these calls, auditors should keep foremost in mind that the investing public is their client. The ultimate responsibility for the selection and engagement of an independent auditor rests with the registrant. Accordingly, we encourage the audit committee and financial management of each registrant to have a robust discussion with the auditor. Management and the audit committee should inquire as to whether the firm, its partners, and its employees have complied with the firm's, the profession's, and the SEC's independence rules with respect to the audit of the licensee's financial statements. We also encourage each registrant's audit committee and financial management to inquire as to the types of quality controls an audit firm has, both in the Zambian and in its international affiliates where audit work is performed for the registrant. Some registrants have had to replace their auditor due to the auditor's lack of compliance with the independence rules. Some of these situations have arisen as a result of a lack of high quality internal controls. The modifications were requested to ensure that firms have effective systems of internal controls that ensure compliance by the firm, its partners, and professional staff, with the firm's, the profession's, and the SEC's independence rules as observed by the Zambia Institute of Chartered Accountants. The internal controls set forth in the letter include:

- Establishment of written independence policies and procedures
- Requiring firms to have conflicts verification process
- Establishment of firm-wide on-going training programs
- Strengthening of internal inspection and testing programs
- Creation of disciplinary mechanism for independence violations
- Need for more responsive professional quality control standard setting process, and

- Require senior management supervision of independence process.

During 2020, the SEC worked with ZICA and members of the audit profession to strengthen the quality of controls on audit reporting.

- ✓ *Issuance of Financial Statements:* Financial statements must be free of material error as of the date they are filed with the Commission. For example, assume a registrant widely distributes financial statements, but before filing them with the Commission, the registrant or its auditor become aware of an event or transaction that existed at the date of the financial statements, and the causes those financial statements to be materially misleading. If a registrant does not make corrections to the financial statements so that they are free of material misstatement or omissions when they are filed with the Commission, the registrant knowingly will be filing a false and misleading document. In addition, registrants are reminded of their responsibility to, at a minimum, disclose subsequent events, while independent auditors are reminded of their responsibility to assess subsequent events and evaluate the impact of the events or transactions on their audit report.

- (vii). *Looking Ahead:* The present work of the SEC focuses on laying a foundation for an efficient, orderly, and fair capital market which is both competitive and sustainable. This goal, and the initiatives begun towards this end, undoubtedly portends interesting times ahead for regulators and licensees alike. To brace ourselves for the way ahead, we at the SEC recognise the need to stay true to our course as regulators even as we rally our resources, ease our regulatory burden, and make full use of existing technology to meet regulatory needs. In 2020, as in past years, we will be working towards fulfilling these needs to the best of our ability.

As we embark on this new phase of capital market reform, much remains to be said of the most valuable hands on deck: the Chairman and Chief Executive Officer, who together guide and support the work of the Commission and whose foresight and conviction stimulate careful deliberation of capital market policies; the staff, whose proven commitment to uplifting the capital market and the national economy is the SEC's greatest asset; and the Ministry of Finance, licensees, and the media, whose support has been pivotal to many of our successes. It is our hope that these good graces will continue to benefit us as we continue to deliver on our regulatory and development agenda.

(b) Operational Risk

Operational risk is the risk of losses from inadequate or failed internal processes and systems, caused by human error or external events. It has a broad scope and includes *transaction authorisation and processing; completeness of income recording; payments processing and the management of information, data quality and records*. The following are the main risks noted under this classification:

- (i). *Impact of Changing Markets, Responsibilities and Developments*: Changes in the securities markets and financial industry, as well as difficult fiscal realities, have entity-wide impacts. As markets evolve, so must the SEC. These types of industry developments and financial innovation will continue to present challenges to SEC, requiring additional staff expertise, resources, and a program that is agile, responsive, and continuously improving and is well funded.
- (ii). *Importance of Leveraging Technology and Analytics*: As in previous years, the Commission recognises that technology and analytics are critical to the mission of the SEC and its ability to deliver information to the public, identify risks, uncover frauds, sift through large volumes of data, inform policy-making, and streamline operations. Other key information technology initiatives include improving examinations through risk assessment and surveillance tools; enhancing systems that support the enforcement program. Long-term investment and development in technology and analytical tools will be critical to the future success of the Commission’s oversight responsibilities. Particularly important since the new Act will be a continued focus on enhancing quantitative and data analytic efforts. These tools will provide SEC with a greater ability to monitor for trends and emerging risks, ultimately enabling it to allocate its resources more effectively.
- (iii). *Infrastructural Enhancements*: The roles of the SEC to regulate and develop the market often eclipse the equally important task of facilitating the enabling of infrastructural enhancements. We have since come to recognise the need to introduce solutions which are tailored to the present state of the local capital market.
- (iv). *Financial Crime Risk* - Financial crime risk is the risk that the Commission suffers losses as a result of internal and external fraud or intentional damage, loss or harm to people, premises or its moveable assets. The risk is directly attributable to its *people risk*.
- (v). *People Risk* - People risk arises from failures of the Commission to manage its key risks as an employer, including lack of appropriate people resource, failure to manage performance and reward, unauthorised or inappropriate employee activity and failure to comply with employment related requirements.

(c) *Legal Risk*

The Commission is subject to a comprehensive range of legal obligations, covered by *Cap 354 of the Laws of Zambia*. As a result, it is exposed to many forms of legal risk, which may arise in a number of ways: its business may not be conducted in accordance with requirements of the *Act*; contractual obligations may either not be enforceable as intended or may be enforced against the Commission in an adverse way; the Commission may face risk where legal proceedings are brought against it, in the course of carrying out its mandate, etc. Regardless of whether such claims have merit, the outcome of legal proceedings is inherently uncertain and could result in financial loss. Defending legal proceedings can be expensive and time-consuming and there is no guarantee that all costs incurred will be recovered, even if the Commission is successful.

(d) *Reporting Risk*

- (i). **Financial Reporting Risk** - Financial reporting risk arises from a failure or inability to comply fully with regulations or codes in relation to the preparation, presentation or disclosure of financial information. Non-compliance could lead to damage to reputation or, in extreme cases, withdrawal of external funding.
- (ii). **Accounting Risks** - The Commission's future performance and results could be materially different from expected results depending on the outcome of certain potential risks and uncertainties, details of which are discussed above. The reported results of the Commission are also sensitive to the accounting policies, assumptions and estimates that underlie the preparation of its financial statements. Details of its critical accounting policies and key sources of accounting judgments are on pages 31 to 43.
- (iii). **Financial Risks** - The Commission through its normal operations is exposed to a number of risks on its financial instruments, the most significant of which are *credit and liquidity. Market (currency and interest) risks* are generally low. The two main risks on its financial instruments are generally deemed to be within manageable limits. The Commission's financial risk exposures are discussed in Note 16 to the financial statements.
- (iv). **Revenue Recognition**
- **Year-End Cut -off Testing:** Many of the revenue frauds involve improper cut-off as of the end of the respective period. The SEC believes that auditors need to conduct appropriate period-end cut-off procedures. This is particularly important for audits of businesses that experience a high level of sales transactions or individually significant sales transactions near the end of the financial reporting period. In addition, for significant and unusual revenue transactions, especially those at or near the end of a quarterly or year-end reporting period, the auditor should consider confirming all significant terms of the transaction rather than just the outstanding account receivable balance.
 - **Related Party Side Agreements:** Because "side agreements" often between related parties often include unilateral cancellation, termination, or other privileges for the customer to void the transaction, "side agreements" pose a significant risk to proper revenue recognition. Companies should create sufficient internal controls to ensure that any agreements or alterations to sales contracts that are evidenced by "side agreements" are given proper accounting recognition. Auditors should perform procedures, including confirmation of the terms of significant contracts, that would assist them in detecting "side agreements."
 - **Questionable Revenue Recognition Practices:** The SEC continues to encounter cases of questionable and inappropriate revenue recognition practices. Significant issues include:
 - Complex arrangements that provide for multiple different deliverables (e.g., multiple products and/or services) at different points in time during the contract term.

- Nonmonetary transactions where fair values are not readily determinable with a sufficient degree of reliability.
- ***Income Statement Classification:*** The appropriate classification of amounts within the income statement or statement is as important as the appropriate measurement or recognition of such amounts. IFRSs regarding classification of amounts. In addition, auditors should ensure that all such classifications are materially correct.
- ***Useful Lives of Intangible Assets:*** IAS 38 requires that all intangibles be identified and assigned a fair value in the purchase price allocation of a purchase business combination. This would include intangibles such as patents, intellectual property, customer lists, an engineering workforce, favourable contracts, etc. IAS 38 requires that the recorded costs of the intangible assets acquired, including goodwill, be systematically amortised to income over the periods benefited. In addition to IAS 38, other factors that SEC believes are relevant in determining useful lives for intangible assets include:
 - The significance of competition in the industry, the ability of competitors to negatively affect the profitability of the acquired business, and the barriers to market entry.
 - The impact of potential or expected changes in technology on product margins and life cycles and the importance of technological innovation to the product's future success and profitability.
 - Legislative action that results in an uncertain or changing regulatory environment.

The SEC will challenge a registrant that merely conforms its goodwill life to its peer companies. Companies should perform an analysis of the factors and assumptions as discussed above that are to be used in determining the appropriate useful life of goodwill in each specific acquisition. This analysis should be adequately documented when the asset is acquired, and amortisation begins. A company should continually evaluate the periods of goodwill and other intangible asset amortisation, including considering the impact of changes in the factors noted above, to determine whether subsequent events and circumstances warrant revised estimates of useful lives or salvage values.

- ***Fair Value of Financial Instruments:*** IFRS 9 generally requires all entities to disclose the fair value of financial instruments for which it is practicable to estimate fair value. The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Disclosures are not required for trade receivables and payables when their carrying amount approximates fair value. A registrant must have documented evidence to support an assertion that the fair value of trade accounts receivable approximates carrying amount in order

to avoid making the disclosure of fair value. In instances where it is not practicable to estimate the fair value of a financial instrument, IFRS 9 requires disclosure of:

- Information pertinent to estimating the fair value of that financial instrument or class of financial instruments, such as the carrying amount, effective interest rate, and maturity; and
 - The reasons why it is not practicable to estimate fair value.
- As part of the audit of the financial statements, auditors have a responsibility to audit the assertions made in the footnotes to the financial statements. As part of that process, auditors are required to review and adequately test objective verifiable evidence supporting assertions about the fair value of financial instruments to the financial statements. For example, auditors should review and adequately test a registrant's documentation supporting the assertion that the carrying amount of certain receivables approximates fair value.
 - **Restructuring Charges:** Restructuring charges and other loss accruals must be supported under IFRS at the time established. Such liabilities should be analysed at each balance sheet date and adjusted as required by IFRS. Any need to adjust the accrued liabilities should be completed on a timely basis and should be adjusted against only the financial statement line item through which the accrued liabilities were originally recorded. Amortising immaterial amounts of the accrued liabilities into income after concluding that no basis exists for ongoing accrual, rather than reversing the entire accrual, would be indicative of inappropriate earnings management. Similarly, maintaining an unsupported restructuring liability or other loss accrual and offsetting or reducing it in a later period for a change in an unrelated item would be inappropriate and not in conformity with IFRS.
 - A review of enforcement cases, as well as required restatements of financial statements in filings with the Commission, indicate that corrections in the financial statements related to liabilities such as contingent liabilities, restructuring accruals, and other types of loss accruals, are often not the result of system based errors. Rather the corrections are due to adjustments originally made by or under the supervision of senior financial reporting personnel. In these situations, the following ineffective audit techniques used:
 - The loss accrual balance in the current period is the same, or nearly the same, as in the prior period, and, due to this fact, no further audit work was required to be performed.
 - Not clearly understanding the activity in the loss accrual account and the impact on the audit client.
 - A lack of understanding of the basis for the accrual and the necessary supporting evidence.

- Testing the loss accrual balance through poorly designed or implemented analytical procedures.
- Applying analytical procedures to subjective audit areas incapable of testing through analytical procedures.
- Only testing a loss accrual to ensure that the balance is not understated.
- A lack of testing of completeness of all disclosures mandated by IFRS.
- A lack of testing of the proper classification of costs.

Testing that failed to identify the fact that assets such as inventory, for which a write-down at year-end establishes a new cost basis, cannot be subsequently adjusted upward through the adjustment of "reserves."

Auditors are reminded that audit procedures and techniques must be appropriately tailored to ensure that any contingent liability, restructuring accrual, or other loss accrual balance, and related activity, is adequately supported and disclosed. It is important that auditors:

- Carefully consider all the risk factors set forth in Statement in *ISA 240, Consideration of Fraud in a Financial Statement Audit*, and how for a particular auditee, existing risk factors should be assessed and related to the specific determination of the nature, timing, and extent of the audit tests.
- In light of the business, industry, and control risks affecting the company, as well as the subjective nature of the particular types of estimates being examined, consider the type of verifiable, objective evidence that would be required to support the account balances. *ISA 230* and *ISA 315* discuss the need for appropriate audit documentation as well as adequate internal accounting controls.
- Test not only ending balances, but also the propriety and classification of activity in the accounts during the periods presented. The testing should not be limited to merely determining if the liability is understated, but rather whether it is properly stated such that the financial statements are fairly presented in all material respects. The SEC acknowledges the judgment involved in reporting certain liabilities and that a range of possible or probable losses may exist. But the SEC has and will continue to challenge loss accruals that are either materially understated or overstated, including when understated or excess liabilities are used to manage earnings.
- **Disclosure of Loss Contingencies:** The SEC reminds companies and their auditors of the disclosures required by *IAS 37*. The standard requires that companies disclose the nature of an accrual made for an estimated loss from a loss contingency. If no accrual is made or if an exposure to loss exists in excess of the amount accrued, the company is required to disclose the contingency when it is

other than remote (that is, reasonably possible) that a loss or an additional loss may have been incurred. The disclosure should include the nature of the contingency and an estimate of the possible loss or range of loss or state that such an estimate cannot be made. General "loss accruals and reserves" are prohibited by IAS 37. Some enterprises have in the past accrued so called reserves for general contingencies.' General or unspecified business risks do not meet the condition for accrual in paragraph 8, and no accrual for loss should be made."

- **Segment Information: IAS 500**, requiring, among other things, that auditors "review corroborating evidence, such as information that the chief operating decision maker uses to assess performance and allocate resources, material presented to the board of directors, minutes from the meetings of the board of directors, for consistency with financial statement disclosures. When reviewing segment information as part of the normal review and comment process, the SEC commonly requests registrants to provide copies of the reports or other materials supplied to the "chief operating decision maker" of the company. SEC have views regarding the significance of segment information to the financial statements taken as whole. The effects of a misstatement on segment information and the relative importance of information about the affected segment to the financial statements taken as a whole should be considered in assessing the materiality of a misstatement. The need to consider such information notes that 'situations may arise in practice where the auditor will conclude that a matter relating to segment information is qualitatively material even though, in his or her judgment, it is quantitatively immaterial to the financial statements taken as a whole.' The SEC expects that all registrants and their auditors will take such considerations into account when assessing the materiality of any misstatements identified during the course of the audit.
- **Loan Loss Allowances and Effective Internal Controls**
 - One of the specific concerns recently expressed by the banking regulators is the need for appropriate underwriting standards and internal controls related to the accounting for and financial reporting of the allowance for loan losses. An institution's internal accounting controls for loan loss allowances should assure compliance with the authoritative accounting guidance contained in accounting and auditing pronouncements, including *IAS 39* and *IFRS 9*. The accounting controls should ensure timely and accurate reporting for financial reporting purposes, including for losses and changes in the credit quality of the loan portfolio in conformity with IFRS.
 - Certain entities do not appear to have adequate controls in place to assure that loan loss allowances and provisions were determined and reported in conformity with IFRS. In some cases, institutions did not have adequate documentation and clear, concise internal communication of their policies and procedures related to loan loss allowances. As an example, we noted instances where there was a distinct disconnect between an institution's credit

administration function and its financial reporting group in the accounting for loan loss allowances.

- The central bank requires institutions to follow IFRS in recording their allowances for loan losses. Thus, the SEC has been reminding institutions that they should provide appropriate disclosures of loan loss allowances in their financial reports to ensure transparency of the information to readers of those reports.
- The SEC reminds companies that where statistical data, quantitative analysis, or disclosures in a registrant filing appear to be inconsistent with loan loss provisions or allowances, the SEC will ask the company to explain those inconsistencies. For example, data commonly used to evaluate the appropriateness of the loan loss allowance may indicate an inconsistency between the accounting for the allowance and the disclosure of material risks in the portfolio for which the allowance was maintained. In such a case, the SEC may issue comments relating to the loan loss allowance. Additionally, disclosures in the filing should be consistent with the documentation supporting the loan loss allowance. The SEC questions allowances that appear too low, as well as those that appear too high, as compared to the disclosures made and the supporting documentation.

7. Risk Management and Control

As explained on Statement 10 above, the Commission through its normal operations is exposed to a number of risks, the most significant of which are liquidity risks. The Commission's risk management objectives, policies and strategies are discussed on page 41 in Accounting Policy 7(f). Exposures are discussed on pages 50 to 54 in Note 16 to the financial statements.

8. Compliance

The Commission's management are responsible for establishing and maintaining adequate internal controls over financial reporting. Under the supervision of the Chief Executive Officer the Commission's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRSs. The Board has responsibility for monitoring compliance with the regulatory environment and the various internal control processes and procedures.

9. Pension Scheme

The Commission has a Contract Gratuity Scheme (CGS) for all staff . The Commission makes monthly gratuity provisions and gratuities are paid as and when they fall due.

On behalf of the board:



SECRETARY

17th December 2021
DATE

STATEMENT OF RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The following statement, which should be read in conjunction with the Auditors' report set out on page 18, is made with a view to distinguishing for members the respective responsibilities of the Commissioners and of the auditors in relation to the financial statements for the year ending 31st December 2020.

Statement of Responsibility for Financial Statements

In conformity with *International Financial Reporting Standards ("IFRSs")* and the requirements of *Act No. 41 of 2016 of the Laws of Zambia ("the Act")*, the Commissioners are required to prepare financial statements for each financial period, which give a true and fair view of the state of affairs of the Commission and of the surplus or deficit for that period. The accounts are required by law and IFRSs to present fairly the financial position of the Commission and the performance for that period. The Commissioners consider that, in preparing the accounts on pages 26 to 30, and the additional information on pages 31 to 57, the Commission has used appropriate accounting policies, supported by reasonable judgements and estimates, and that all accounting standards which they consider to be applicable have been followed.

The Commissioners have responsibility for ensuring that the Commission keeps accounting records which disclose with reasonable accuracy the financial position of the Commission, and which enable them to ensure that the accounts comply with the requirements of the *Act*. The Commissioners have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Commission and to prevent and detect fraud and other irregularities. The Board of Commissioners accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable estimates, in conformity with *IFRSs*. In preparing such financial statements, the Board Commissioners are required to: select suitable accounting policies and then apply them consistently; make judgements and estimates that are reasonable and prudent; state whether the applicable accounting standards have been followed; and comply with *IFRSs*.

In the opinion of the Board of Commissioners :

1. The statement of comprehensive income is drawn up so as to give a true and fair view of the result of the Commission for the year ended 31st December 2020;
2. Based on current records that it holds:
 - (a) The statement of financial position is drawn up so as to give a true and fair view of the state of affairs of the Commission as at 31st December 2020 and
 - (b) There are reasonable grounds to believe that the Commission will be able to pay its debts as and when they fall due.

Accordingly, the financial statements set out on pages 26 to 30 were approved by the Board of Commissioners on 17th December 2021 and signed on its behalf by:


COMMISSIONER


COMMISSIONER

EMM Corporate Partners

Chartered Accountants and Management Consultants



A member of



A MEMBER OF CPAAI-EMEA

CPA Associates International (CPAAI) is a worldwide association of accounting and consulting firms with its head office in New York, USA. EMM is a member of the Europe, Middle East and Africa region of CPAAI. In January 2020, CPAAI merged with MGI Worldwide to create a major, bigger and better international accounting association.

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REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF THE COMMISSION

Opinion on Financial Statements

We have audited the financial statements of the Securities and Exchange Commission (‘the Commission’), which comprise the statement of financial position as at 31st December 2020, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is the *International Financial Reporting Standards (‘IFRS’)* as issued by the *International Accounting Standards Board (‘IASB’)* and the requirements of *Act No. 41 of 2016 of the Laws of Zambia (‘the Act’)*.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Securities and Exchange Commission (‘the Commission’) as at 31st December 2020, and its financial performance and their cash flows for the year then ended.

Separate Opinion in relation to IFRS as issued by the IASB

The Commission has prepared financial statements in line with IFRSs. In our opinion, the financial statements comply with *International Financial Reporting Standards*.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (‘ISAs’). Our responsibilities under those standards are further described in the Auditor’s *Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the entity within the meaning of relevant ethical requirements in accordance with the *International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (‘IESBA Code’)* and have fulfilled our other responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. Key audit matters are selected from the matters communicated with those charged with governance but are not intended to represent all matters that were discussed with them. Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole. Our opinion is not modified with respect to any of these key matters.

Our opinion is not modified with respect to any of these key matters discussed as per ISA 701.

EMM Corporate Partners

1. *Accounting for Government Assistance on PAYE*

As a response to the COVID-19 global pandemic, governments around the world are implementing measures to help businesses and economies get through it. The nature of government grants can take on various forms such as below market rate loans, short-time working subsidies, relief funds, income-based tax credits to name just a few.

Where government grants are received, typically the grant is recognised at the date at which it is reasonably assured that the entity will comply with the conditions attached; and b the grants will be received. (IAS 20.7) The way in which a grant is received does not impact the accounting of the grant, (for example, if it is received in cash or by reducing a liability to the government). In addition, the way it is accounted for should be consistent with how the expenses or the costs for which the grant are intended to compensate are recognised. Therefore, it is essential to determine the nature and the main objective of the assistance that has been provided by the government rather than its legal form.

Generally, the fair value of the consideration is directly observable – for instance, cash received. IAS 20.12 applies: 'Government grants shall be recognised in profit or loss on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate.' Grants related to income are required to be presented as a part of profit or loss, either separately or under a general heading such as 'Other income'. Alternatively, they are deducted in reporting the related expense (IAS 20.29). Our preference is that the grants be presented separately on the profit or loss and not netted against the related expense if it has predictive value. Presenting the expenses without offsetting this way reflects the uniqueness of the COVID-19 pandemic and its impact on its financial performance during the reporting period. Disclosure of the effect of the grant on any item of income or expense which is required to be separately disclosed is usually appropriate.

In 2020, the Commission received support of K5.788million from government for settlement of employee deductions of personal taxation for the period January 2018 to August 2020. The Commission initially recognised the grant over two accounting periods of 2019 and 2020 to enable it match the expenses to the grant. Where government grants are received, typically the grant is recognised at the date at which it is reasonably assured that the entity will comply with the conditions attached; and b the grants will be received. (IAS 20.7). In many situations, the reporting entity will not need to wait for formal confirmation from the government agency providing the grant before recognising the economic assistance provided. *IAS 20 Accounting for Government Grants and Disclosure of Government Assistance* outlines how to account for government grants and other assistance. Under ISA 20, a government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs is recognised in profit or loss of the period in which it becomes receivable.

The way in which a grant is received does not impact the accounting of the grant, (for example, if it is received in cash or by reducing a liability to the government). In addition, the way it is accounted for should be consistent with how the expenses or the costs for which the grant are intended to compensate are recognised. Therefore, it is essential to determine the nature and the main objective of the assistance that has been provided by the government rather than its legal form. Thus, the audit agreed with this treatment and allowed the government assistance received in 2020 to be treated as an adjusting post balance sheet event for 2019.

EMM Corporate Partners

2. *Impairment Provision for Grants Receivable*

In line with IAS 20, grants are not recognised until there is reasonable assurance that the Commission will comply with the conditions attaching to them and that the grants will be received. Our audit procedures also included, among others, testing management's controls related to the classification of and disclosure of grants and confirming that management had determined it was not necessary to make any adjustments to the reported amount to reflect the assumptions that similar entities would use in similar circumstances. In line with guidance provided by the Permanent Secretary of the Ministry of Commerce, Trade & Industry, to the auditors at the end of the 2018 cycle, who guided that all receivable government grants should not be recognised as receivables due to government austerity measures (the Commission is under the Ministry of Finance, but practice adopted for consistency), all grants not received from government were treated as fully impaired in line with the Expected Credit Loss Method. This only affected the current period financial statements and not any prior year financial statements. This is important to note as the general principle in *IAS 8 – Change in Accounting Policies, Errors and Estimates* is that an entity must disclose all material prior period errors in the first set of financial statements authorised for issue after their discovery by (a) disclosing the comparative amounts for the prior period(s) presented in which the error occurred; or (b) if the error occurred before the earliest prior period presented, disclosing the correct opening balances of assets, liabilities and equity for the earliest prior period presented. Restatement of prior period financial statements was not required. However, full provisioning for currently recognised grants receivables was required.

3. *Capital Work in Progress*

As shown in Note 7, the costs of construction of buildings is accounted for as Construction Work-in-Progress ("CWIP"), which is a long-term asset account in which the costs of constructing long-term assets are recorded. The account Construction Work-in-Progress will have a debit balance and will be reported on the statement of financial position as part of an entity's Property, Plant and Equipment. The costs of a constructed asset are accumulated in the account Construction Work-in-Progress until the asset is placed into service. When the asset is completed and placed into service, the account Construction Work-in-Progress will be credited for the accumulated costs of the asset and will be debited to the appropriate Property, Plant and Equipment account. Amortisation begins after the asset has been placed into service. We focused on this transaction because:

- (a). It is material to the financial statements as a whole. In addition, determining the assumptions that underlie the initial accounting and the useful lives associated with the acquired intangible assets involves significant management judgment given the nature of the entity.
- (b). CWIP is carried under the historical cost convention per *IAS 16-Property, Plant and Equipment*. Recognition of revaluation is optional, not mandatory. The board has to decide whether to carry assets at cost or revaluation and fair value. It is an option which once adopted becomes something to be consistently applied. The Fair Valuation is in per *IFRS 13-Fair Valuation*.
- (c). CWIP cost K1.069million has not changed significantly since 2018. This creates a need to discuss whether it is impaired and whether there are capital commitments to complete the building. If there is no budget, CWIP might be impaired. So it is prudent that the revalued amount is disclosed under IFRS 13 within the audit report, but there is no basis for recognition of this valuation. So the Board in future may need to elect the revaluation option when the

property is complete, but recognising the land revaluation in the current period may be imprudent due to lack of recognised or disclosed capital commitments. This may mean writing off historical values CWIP which could be argued as impaired and recognising revalued amount and revaluation reserve based on land location and potential use.

Our audit procedures included, among others, testing management's controls related to the classification of and disclosure of CWIP. We found that it may be necessary in future to make adjustments to the reported amount to reflect the assumptions that similar entities would use in similar circumstances. This is because delays mean the ultimate value of CWIP may be less than the carrying value in the financial statements and an impairment loss is likely in the carrying value of CWIP. This was considered an issue for the current period as an independent valuation of the land placed the value at K9.500million. Impairment write-down was deemed premature as at the reporting date given the independent valuation predicated on the location and potential use of the property. However, the audit believes that the project delays have resulted in fluctuating costs as a result of delays. Standard project management requires that construction related works should be insured against budget overruns to limit exposure to failure as a result. Thus, the audit encourages the Commission to finalise architectural designs, quantity surveying services and formalise a construction budget, and perform a cost benefit analysis of insurance against both budget overruns and project delays.

4. Non-application of IFRS 16: Leases

The Commission did not apply IFRS 16 to its rented premises (See Emphasis of Matter). *IFRS 16: Leases* was issued in January 2016 and is effective for financial periods beginning on 1st January 2019. It will result in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases is removed.

Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The biggest change introduced is that almost all leases will be brought onto lessees' balance sheets under a single model (except leases of less than 12 months and leases of low-value assets), eliminating the distinction between operating and finance leases. Lessor accounting, however, remains largely unchanged and the distinction between operating and finance leases is retained.

5. Valuation of Financial Instruments

The Commission's disclosures about its structured financial instruments are included in Accounting Policy 6. Because the valuation of the entity's financial instruments is based on amortised cost, there is low significant measurement uncertainty involved in this valuation. Amortised Cost means the amount at which the financial item on and off balance are measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount.

Our audit procedures included, among others, testing management's controls related to the classification and valuation of investments and assessment of any impairment losses likely to occur. Based on the procedures we performed on this matter, we are satisfied that income has been correctly recognised and reported.

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Emphasis of Matter

Right of Use Assets: The Commission has not modified its procedures to enable it comply with *IFRS 16- Leases*. The biggest change introduced is that almost all leases will be brought onto lessees' balance sheets under a single model (except leases of less than 12 months and leases of low-value assets), eliminating the distinction between operating and finance leases. The right-of-use asset is lessee's right to use an asset over the life of a lease. The asset is calculated as the initial amount of the lease liability, plus any lease payments made to the lessor before the lease commencement date, plus any initial direct costs incurred, minus any lease incentives received. At the commencement date of a lease, the Commission must recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The Commission must measure the right-of-use asset at the amount of the lease liability, adjusted for lease prepayments, lease incentives received, the tenant's initial direct costs and an estimate of removal and dismantling costs. The Commission must measure the lease liability on its rented premises using the interest rate implicit in the lease, if that rate is readily determinable. If that rate cannot be readily determined, the Commission is required to use its incremental borrowing rate. Rental expenses for the period were treated as an operating lease and charged to expenses when incurred. The audit deemed this not to be incompliance with IFRS 16. However, the audit elected not to modify its opinion on this due to the nature of the entity and ministerial approvals that would be required to capitalise the lease.

Going Concern

1. General Assessment

The financial statements of the Commission have been prepared using the going concern basis of accounting. This is because Commission has not identified a material uncertainty that may cast significant doubt on the entity's ability to continue as a going concern, and accordingly none is disclosed in the financial statements of the entity. The Management have assessed, in the light of current and anticipated economic conditions, the Commission's ability to continue as a going concern. The Management confirm they are satisfied that the Commission has adequate resources to continue in business for the foreseeable future. For this reason, they continue to adopt the 'going concern' basis for preparing the financial statements. As part of our audit of the financial statements, we have concluded that the Commission's use of the going concern basis of accounting in the preparation of the entity's financial statements is appropriate. Our assessment considers the assumptions sound and, as such, our opinion is not qualified in this case.

2. Impact of COVID 19

ISA 570 - Going Concern requires the audit to review and report within the report on the date the accounts are issued, on any significant events occurring prior to the reporting date. These responsibilities are also placed on the audit by regulators including the *International Federation of Accountants* ("IFAC") and the *Zambia Institute of Chartered Accountants* ("ZICA"), in light of the Coronavirus COVID 19 pandemic facing the global economy and specific circumstances of individual reporting entities. In that regard the audit has considered the impact of Coronavirus COVID 19 and resulting government restrictions on business and social operations. The Audit recognises that sustained effect of the virus and the associated implementation of government measures to control the pandemic may create conditions that affect the ability of the business to continue operations. As at the date of this report, no direct implications have been estimated and quantified by the audit as a result of the global pandemic.

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Responsibilities of Management and Those Charged With Governance for the Financial Statements

The Board is responsible for the preparation and fair presentation of these financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board is responsible for overseeing the entity's financial reporting process. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibilities for the Audit of the Financial Statements

The objectives of our audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the planning and performance of the audit. We also:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, omissions, misrepresentations, or override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
3. Conclude on the appropriateness of the Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report.
4. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Commission.

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5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the entity audit. We remain solely responsible for our audit opinion.
7. We are required to communicate with the Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
8. We are also required to provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Qualified Report on Other Legal and Regulatory Requirements

1. *Act No. 41 of 2016 of the Laws of Zambia ("the Act")*, which defines the applicable reporting framework for these financial statements, require that in carrying out our audit we consider whether the Commission has kept the accounting records, other records and registers required by this Act. We confirm that in our opinion, except for the requirement to be audited by 30th June 2021, the accounting records, other records, and registers required by the *Act* have been kept by the Commission, so far as appears from our examination of those records.
2. *Section 58(d) of the Public Finance Management Act of 2019*, which supercedes all other laws, requires audit reports of government bodies and corporations to be completed by 30th April of each following year. The Commission did not comply with this requirement.

Other Information

The Board and the Chief Executive are responsible for the other information. The other information comprises information included in the annual report, other than the parts of the Directors Report described in this set of financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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Opinion on Other Matters

In our opinion:

1. The parts of the Financial Report to be audited have been properly prepared in accordance with Minister of Finance's directions made under *Act No. 41 of 2016 of the Laws of Zambia*;
2. In the light of the knowledge and understanding of the Commission and its environment obtained in the course of the audit, we have not identified any material misstatements in the financial statements; and
3. The information given in the reports prepared for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we Report by Exception

Other than the matters raised in the letter of recommendations, and cited in this report where necessary for the attention of those charged with governance, we have nothing to report in respect of the following matters which we report to you if, in our opinion:

1. Adequate accounting records have not been kept or adequate for our audit; or
2. The financial statements and the parts of the annual report to be audited are not in agreement with the accounting records and returns; or
3. We have not received all of the information and explanations we require for our audit; or
4. The Financial Statement does not reflect compliance with guidance.

The engagement partner responsible for the audit resulting in this independent auditor's report is:



Elasto Mambo
PCMPC: 000856



EMM CORPORATE PARTNERS
Chartered Accountants and Management Consultants

17th December 2021
Date

SECURITIES AND EXCHANGE COMMISSION (“SEC”)
(ESTABLISHED PURSUANT TO ACT NO. 41 OF 2016 OF THE LAWS OF ZAMBIA)

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

STATEMENT OF SURPLUS OR DEFICIT
Amounts are stated in *Zambian Kwacha*

	Note	2020	2019
Operating Income			
Fee Income	1.	3,206,727	4,542,362
Commissions and Levies	2.	14,303,079	3,032,194
Non-Operating Income			
Interest Income	3.	84,922	345,884
Other Income	4.	11,189,932	9,628,629
		28,784,660	17,549,069
Costs			
Impairment of Financial Assets	5.	1,503,866	116,700
Depreciation	7.	528,826	628,591
Employee Costs	Appendix I	17,757,233	15,566,066
Non-Operating Costs	Appendix I	5,516,627	6,313,241
		25,306,552	22,617,589
Surplus/(Deficit) for the Year	6.	3,478,108	(5,068,520)
<i>Total Surplus or Deficit Attributable to:</i>			
Controlling Interests		3,478,108	(5,068,520)
Non-controlling Interests		-	-
Surplus/(Deficit) for the Year		3,478,108	(5,068,520)

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

STATEMENT OF COMPREHENSIVE INCOME
Amounts are stated in *Zambian Kwacha*

	2020	2019
Surplus/(Deficit) for the Year	3,478,108	(5,068,520)
Other Comprehensive Income:		
Items that will not be subsequently reclassified to surplus or deficit:	-	-
Items that may be subsequently reclassified to surplus or deficit:	-	-
	-	-
Total Comprehensive Income/(Loss) for Period	3,478,108	(5,068,520)
Total Comprehensive Income/(Loss) attributable to:		
Controlling Interests	3,478,108	(5,068,520)
Non-controlling Interests	-	-
	3,478,108	(5,068,520)

SECURITIES AND EXCHANGE COMMISSION ("SEC")
(ESTABLISHED PURSUANT TO ACT NO. 41 OF 2016 OF THE LAWS OF ZAMBIA)

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

STATEMENT OF CHANGES IN FUNDS
Amounts are stated in Zambian Kwacha

	Accumulated Funds
Balance as at 1 January 2019	3,679,611
Total Comprehensive income	(5,068,520)
At 31 December 2019	(1,388,909)
Balance as at 1 January 2020	(1,388,909)
Total Comprehensive income	3,478,108
At 31 December 2020	2,089,199

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

STATEMENT OF CASH FLOWS
Amounts are stated in *Zambian Kwacha*

	Notes	2020	2019
Cash Inflow From Operating Activities			
Surplus/(Deficit) for the Year		3,478,108	(5,075,529)
Profit on Disposals		(49,746)	(8,700)
Depreciation	7.	528,826	628,591
Adjustments to Fixed Assets		-	(9,833)
Interest Received	3.	(84,922)	(345,884)
Changes in Accounts Receivable		(102,696)	34,932
Changes in Other Receivables		82,734	301,155
Decrease in Statutory Funds		(53,249)	(33,202)
Increase in Accruals and Provisions		277,085	789,505
Changes in Employee Benefits and Provisions		1,085,660	(1,604,501)
Changes in Investor Protection Funds		801,528	91,237
Net Cash Inflow From Operating Activities		5,963,327	(5,232,229)
Returns on Investments			
Interest Received		84,922	345,884
		84,922	345,884
Investing Activities			
Payments to Acquire Tangible Fixed Assets	7.	(118,023)	(41,233)
Proceeds from Disposal of Assets		100,424	8,099
Net Cash Outflow on Investing Activities		(17,599)	(33,134)
Financing Activities			
Changes in Deferred Income		(376,167)	(260,500)
Net Cash Outflow on Financing		(376,167)	(260,500)
Net Increase in Cash and Cash Equivalents		5,654,483	(5,179,979)
Cash and Cash Equivalents at start of year		2,677,853	7,857,832
Cash and Cash Equivalents at end of year		8,332,336	2,677,853
Represented By:			
Cash at Bank and in Hand	10.	4,641,370	2,677,853
Short-Term Bank Deposits	10.	3,690,967	-
		8,332,336	2,677,853

SECURITIES AND EXCHANGE COMMISSION ("SEC")
(ESTABLISHED PURSUANT TO ACT NO. 41 OF 2016 OF THE LAWS OF ZAMBIA)

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

STATEMENT OF FINANCIAL POSITION
Amounts are stated in *Zambian Kwacha*

	Notes	2020	2019
ASSETS			
Non-Current Assets			
Property, Plant and Equipment	7.	1,520,219	1,981,699
		1,520,219	1,981,699
Current Assets			
Receivables at Amortised Cost	8.	129,088	26,392
Other Financial Assets	9.	281,610	364,343
Cash and Cash Equivalents	10.	8,332,336	2,677,853
Total Current Assets		8,743,034	3,068,588
Total Assets		10,263,253	5,043,287
FUNDS AND LIABILITIES			
Funds			
Accumulated Funds		2,089,199	(1,388,909)
Total Equity		2,089,199	(1,388,909)
Non-Current Liabilities			
Statutory Funds	11.	462,378	515,627
Deferred Income	12.	163,333	539,500
Investor Protection Funds	13.	892,765	91,237
		1,518,477	1,146,364
Current Liabilities			
Employee Benefits and Provisions	14.	5,340,204	5,063,119
Payables, Accruals and Provisions	15.	1,315,373	229,713
Total Current Liabilities		6,655,577	5,292,832
Total Equity and Liabilities		10,263,253	5,050,287

The financial statements were approved by the Board of Commissioners on _____ and signed on its behalf by:


COMMISSIONER


COMMISSIONER

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basis of preparation and accounting policies used in preparing the financial statements for the year ended 31st December 2020 are set out below:

1. Basis of Preparation

The financial statements for the year ended 31st December 2020 are prepared on a going concern basis and in accordance with *International Financial Reporting Standards* issued by the International Accounting Standards Board (“IASB”) and interpretations issued by the *International Financial Reporting Interpretations Committee (“IFRIC”)* of the IASB. The financial statements have also been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The financial statements comprise a statement of profit or loss, a statement of comprehensive income, a statement of financial position, a statement of changes in equity, a statement of cash flows, and notes. Income and expenses, excluding the components of other comprehensive income, are recognised in the statement of profit or loss. Other comprehensive income is recognised in the statement of comprehensive income and comprises items of income and expenses (including reclassification adjustments) that are not recognised in the statement of profit or loss, as required or permitted by IFRS. Reclassification adjustments are amounts reclassified to profit or loss in the current period that were recognised in other comprehensive income in the current or previous periods. Transactions with the owners of the Commission in their capacity as owners are recognised in the statement of changes in equity.

The Commission presents the statement of profit or loss using the classification by function of expenses. The Commission believes this method provides more useful information to the users of its financial statements as it better reflects the way operations are run from a business point of view. The statement of financial position format is based on a current/non-current distinction.

2. Measurement Basis

The financial statements have been prepared under the historical cost convention, unless mentioned otherwise in the accounting policies below (e.g. certain financial instruments that are measured at fair value). Historical cost is generally based on the fair value of the consideration given in exchange for assets. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When measuring the fair value of an asset or a liability, the Commission uses market observable data to the extent possible. If the fair value of an asset or a liability is not directly observable, it is estimated by the Commission (working closely with external qualified valuers) using valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs (e.g. by use of the market comparable approach that reflects recent transaction prices for similar items, discounted cash flow analysis, or option pricing models refined to reflect the issuer’s specific circumstances). Inputs used are consistent with the characteristics of the asset / liability that market participants would take into account.

3. Statement of Compliance

As explained above, the financial statements have been prepared in accordance with *International Financial Reporting Standards* applicable for the reporting period to 31st December 2020.

4. Adoption of New and Revised International Financial Reporting Standards (“IFRSs”)

(a). Application of New IFRS requirements

For the preparation of financial statements, the following amendments to Standards are mandatory for the first time for the financial year beginning on or after 1st January 2020:

(i). *Amendments to IAS 1: Presentation of Financial Statements and IAS 8: Change in Accounting Policies*: This standard is applied in selecting and applying accounting policies, accounting for changes in estimates and reflecting corrections of prior period errors. The standard requires compliance with any specific IFRS applying to a transaction, event or condition, and provides guidance on developing accounting policies for other items that result in relevant and reliable information. Changes in accounting policies and corrections of errors are generally retrospectively accounted for, whereas changes in accounting estimates are generally accounted for on a prospective basis. The following amendments are effective for annual reporting periods beginning on or after 1st January 2020. Earlier application is permitted.

- *Impact of Change on the Current Period*: IAS 8 specifically requires disclosure of the effect of a change in accounting policy not only on prior periods but also on the current period, unless it is impracticable to determine the amount of the adjustment. To make this disclosure, entities will need to apply both the old accounting policy and the new policies parallel in the year of adoption. The standard includes a definition of impracticable and a set of criteria that must be satisfied for the exemption to be applied, setting quite a high hurdle for using this exemption. The IASB did consider requiring this disclosure only for voluntary changes of accounting policies and not where the change is a result of changes in the accounting standards. However, they did not proceed with the amendment but decided instead to give relief on a case-by-case basis. For example, relief was provided for the adoption of IFRS 15 Revenue from contracts with customers, but not for entities that adopted IFRS 16 Leases without using the simplified transitional approach. Additional comparative information –third statement of financial position.
- *Additional Comparative Information –Third Statement of Financial Position*: If an entity has applied an accounting policy retrospectively, restated items retrospectively or reclassified items in its financial statements and this had a material effect on the information in the statement of financial position (statement of financial position) at the beginning of the preceding period, the entity must present a third statement of financial position as at that date (1 January 2019 for entities with a 31 December 2020

year-end). However, it is not necessary to include the additional comparative information in the affected notes, provided the entity has disclosed all of the quantitative information that is required by IAS 8. The third statement of financial position must be presented as at the beginning of the preceding period even if the entity presents comparative information for earlier periods.

- *Impact of Change on Prior Interim Financial Reports:* There is no explicit requirement to disclose the financial effect of a change in accounting policy that was made during the final interim period on prior interim financial reports of the current annual reporting period. However, where the impact on prior interim reporting periods is significant, an entity should consider explaining this fact and the financial effect as part of the disclosures made under paragraphs 28 and 29 of IAS 8.
- (ii). *IFRS 3 - Business Combinations: – Amendments to IFRS 3.* The Standard has been amended with respect to definition of a business. The amendments are effective for annual periods beginning on or after 1st January 2020. Earlier application is permitted.
- (iii). *Amendments to IFRS 4-Insurance Contracts (Superseded by IFRS 17):* The amendments are effective for annual periods beginning on or after 1st January 2020. Earlier application is permitted.
- (iv). *Amendments to IFRS 16: Leases:* IFRS 16 specifies how to recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is 12 months or less or the underlying asset has a low value. Effective 1st January 2019, the final amendments are effective for annual periods beginning on or after 1st January 2020.
- (v). *IAS 39 - Financial Instruments: Recognition and Measurement:* This standard outlines the requirements for the recognition and measurement of financial assets, financial liabilities, and some contracts to buy or sell non-financial items. Financial instruments are initially recognised when an entity becomes a party to the contractual provisions of the instrument and are classified into various categories depending upon the type of instrument, which then determines the subsequent measurement of the instrument (typically amortised cost or fair value). Special rules apply to embedded derivatives and hedging instruments. The amendments are effective for annual periods beginning on or after 1st January 2020. Earlier application is permitted.
- (vi). *IFRS 7 - Financial Instruments: Disclosures:* This standard requires disclosure of information about the significance of financial instruments to an entity, and the nature and extent of risks arising from those financial instruments, both in qualitative and quantitative terms. Specific disclosures are required in relation to transferred financial assets and a number of other matters. The amendments are effective for annual periods beginning on or after 1st January 2020. Earlier application is permitted.

- (vii). *IFRS 9 - Financial Instruments*: The final version of IFRS 9 "Financial Instruments" issued in July 2014 is the IASB's replacement of IAS 39 "Financial Instruments: Recognition and Measurement". The Standard includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting. Initially effective 1st January 2018, the final amendments are effective for annual periods beginning on or after January 1, 2020. Earlier application is permitted.

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(b). New IFRS Requirements in Issue but not Yet Effective

The entity has also elected to adopt the following new or amended Standards and Interpretations that have been issued by the IASB but are not yet effective for the financial year beginning 1 January 2020.

(i). *Annual Improvements to IFRS Standards 2018-2020 Cycle*.

(ii). *Covid-19-Related Rent Concessions – Amendments to IFRS 16 and*

(iii). *Interest Rate Benchmark Reform – Amendments to IFRS 9, IAS 39 and IFRS 7*

The Directors anticipate that the new Standards, amendments and Interpretations will be adopted in the entity's financial statements when they become effective.

(c). Amendments to Existing Standards Not Yet Effective

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2020 reporting periods and have not been early adopted by the entities. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions:

- (i). *IAS 1 - Presentation of Financial Statements*: This standard sets out the overall requirements for financial statements, including how they should be structured, the minimum requirements for their content and overriding concepts such as going concern, the accrual basis of accounting and the current/non-current distinction. The standard requires a complete set of financial statements to comprise a statement of financial position, a statement of profit or loss and other comprehensive income, a statement of changes in equity and a statement of cash flows. The amendments are effective for annual periods beginning on or after 1st January 2023. Earlier application is permitted.
- (ii). *IAS 16 - Property, Plant and Equipment*: This standard outlines the accounting treatment for most types of property, plant and equipment. Property, plant and equipment is initially measured at its cost, subsequently measured either using a cost or revaluation model, and depreciated so that its depreciable amount is allocated on a systematic basis over its useful

life. The amendments are effective for annual periods beginning on or after 1st January 2022. Early application is permitted.

- (iii). *IAS 37 - Provisions, Contingent Liabilities and Contingent Assets*: This standard outlines the accounting for provisions (liabilities of uncertain timing or amount), together with contingent assets (possible assets) and contingent liabilities (possible obligations and present obligations that are not probable or not reliably measurable). The amendments are effective for annual periods beginning on or after 1st January 2022. Early application is permitted.
- (iv). *IFRS 1 - First-time Adoption of International Financial Reporting Standards*: This sets out the procedures that an entity must follow when it adopts IFRS for the first time as the basis for preparing its general purpose financial statements. The amendments are effective for annual periods beginning on or after 1st January 2022. Early application is permitted.
- (v). *IFRS 3 - Business Combinations*: This standard outlines the accounting when an acquirer obtains control of a business (e.g. an acquisition or merger). The amendments are effective for annual periods beginning on or after 1st January 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.
- (vi). *IFRS 4 - Insurance Contracts*: The IASB has also published 'Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)' to defer the fixed expiry date of the amendment also to annual periods beginning on or after January 1, 2023.
- (vii). *IFRS 17 - Insurance Contracts*: IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity. The IASB tentatively decided to defer the effective date of IFRS 17, Insurance Contracts to annual periods beginning on or after 1st January 2022.

The Commission does not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Commission in future periods.

(d). **New Standards and Interpretations**

There are no other *IFRSs* or *IFRIC interpretations* that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

5. Foreign Currencies

In preparing its financial statements, the Commission's foreign currency transactions are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences are recognised in profit or loss.

6. Property, Plant and Equipment

(a) Cost and Valuation

Property, plant and equipment are stated at fair value. Land and buildings are stated in the statement of financial position at their cost or revalued amounts, if revalued, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The Commission use a depreciated historical cost basis as a proxy for fair value as non-property assets have a short useful life or are of relatively low value. Any permanent impairment in the value of property, plant and equipment on revaluation is charged to the statement of comprehensive income when it occurs.

(b) Subsequent Expenditure

The Commission recognises, in the carrying amount of a tangible fixed asset, the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Commission and the cost of the item can be measured reliably. All other costs are recognised in the income statement as an expense as incurred.

(c) Depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives, using the straight-line method:

– Motor Vehicles	·	25%
– Office Equipment	·	20%
– Computer Equipment	·	33.33%
– Office Furniture Fittings	·	25%

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

(d) Leased Assets

Leases which transfer to the Commission substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at inception of the lease. The Commission measures the cost of its lease obligation and the leased asset at the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income. Capitalised leased assets are depreciated over the same period as assets that are owned.

(e) Intangible Assets

The costs of purchasing major software licences are capitalised as intangible fixed assets, although ongoing software maintenance costs are written off in the period in which they are incurred. As permitted by *IAS 38*, intangible assets are carried at depreciated historic cost, which is a proxy for fair value as they are considered to have short useful lives or low value.

(f) De-recognition

An item of plant and equipment is de-recognised upon disposal or when no future economic benefits are expected to arise from continued use of the asset. Any gain or loss arising on de-recognition is included in the income statement in the year the item is de-recognised.

(g) Impairment

Under *IAS 36*, individual assets are reviewed for impairment to ensure their carrying amount is not greater than the recoverable amount. At each reporting date, the Commission assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Commission makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount. Recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised.

7. Financial Instruments

(a) Financial Assets and Financial Liabilities

Financial assets and financial liabilities are recognised in the Commission's statement of financial position when the Commission becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value.

Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial

liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

(b) Financial Assets

The Commission’s financial assets are classified into the following specified categories: ‘Available for sale’, ‘cash and equivalents’ and ‘receivables’. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

(i) Classification

- All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.
- All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets:
 - Instruments that meet the following conditions are measured subsequently at amortised cost: The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
 - Instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI): The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
 - By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL). Despite the foregoing, the Commission may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and the Commission may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(ii) Cash and Cash Equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short-term deposits. Bank overdrafts that are repayable on demand and form an integral part of the Commission’s cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows. The

Commission maintains its bank accounts with major banks in Zambia of high credit standing.

(iii). *Receivables*

Trade and other receivables are not interest-bearing and are stated at cost reduced by appropriate allowances for estimated irrecoverable amounts. Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. A provision for impairment of receivables is established when there is objective evidence that the Commission will not be able to collect all the amounts due according to the original terms of receivables. The amount of the provision is the amount between the carrying amount and the present value of expected cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the statement of comprehensive income. All other accounts receivable and other assets are carried at net realisable value, which approximates fair value.

(iv). *Impairment*

The Commission recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account. The Commission recognises a loss allowance for expected credit losses on receivables and contract assets. The expected credit losses on these financial assets are estimated using a provision matrix based on the Commission’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. For all other financial instruments, the Commission recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Commission measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

(v). *De-recognition*

The Commission derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Commission neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Commission recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Commission retains substantially all the risks and rewards of ownership of a transferred financial asset, the Commission continues to recognise the financial asset and also recognises a

collateralised borrowing for the proceeds received. On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

(c) **Financial Liabilities**

(i). *Measurement*

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument

Financial liabilities are classified according to the substance of the contractual arrangements entered into. Other payables and amounts due to related parties are stated at their nominal value. Financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

(ii). **Payables**

Trade and other payables are not interest-bearing and are stated at amortised cost.

(iii). **Provisions**

Provisions are recognised when the Commission has a present obligation (legal or constructive) as a result of a past event, it is probable that the Commission will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

(iv). **Employee Benefits**

- **Pension Contributions:**

The Commission has a plan with National Pension Scheme Authority (NAPSA) where the Commission pays an amount equal to the employee's contributions. Employees contribute 5% of their gross earnings up to a ceiling set annually.

- **Other Employee Benefits**

In accordance with IAS 19 employee benefits, accruals have been made for short-term employee benefits, such as salaries, paid absences and leave pay. Provisions for leave pay are made in respect of all staff. In addition, all employees are entitled to gratuity and a provision is made thereon. The estimated monetary liability for

employees' accrued gratuity and leave pay entitlement at the statement of financial position date is recognised as an expense accrual.

(v). *De-recognition*

The Commission derecognises financial liabilities when, and only when, the Commission's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

(d) Contingent Liabilities

Contingent liabilities are initially measured at fair value. At the end of subsequent reporting periods, such contingent liabilities are measured at the higher of the amount that would be recognised in accordance with *IAS 37 Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less cumulative amortisation recognised in accordance with *IFRS 15 Revenue from Contracts with Customers*.

(e) Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(f) Financial Risk Management

The Commission's activities expose it to a variety of financial risks. The most important types of risk are currency risk, credit risk, liquidity risk, market risk and other operational risk. Policies and exposures on risks and financial instruments are discussed in Note 20 to the financial statements.

(g) Fair Values of Financial Assets and Liabilities

The carrying amounts of financial assets and liabilities are representative of the Commission's position at 31st December 2020 and are in the opinion of the commissioners not significantly different from their respective fair values due to generally short periods to maturity dates as set out in Note 16 on page 54.

8. Grants

Revenue Grants (grants with no future directly related costs) are treated as unrestricted funds; Deferred Revenue Grants (grants with specific future related costs) are treated as temporarily restricted funds and charged to revenue as the conditions attaching to them expire.

9. Taxation

No allowance is made for income or deferred taxes as the Commission is exempt from taxation, except on unrelated business income.

10. Capital Management

The Commission's objective when managing capital is to safeguard the Commission's ability to continue as a going concern so that it can continue to provide benefits to stakeholders. The Commission's capital is supported by grants from the Government of the Republic of Zambia (GRZ) and its internally generated fees. The Commission considers its cash and cash equivalents to be the manageable capital from its financial resources. The Commission's policy is to maintain sufficient cash balances to cover operating and administration costs over a reasonable future period. The Commission currently has no externally-imposed capital requirements except to maintain sufficient cash balances.

11. Segmental Reporting

Segmental reporting is applied in line with IFRS 8 to report the split between levy and fee income. Expenditure, however, is not segmented. Segmental reporting is not required for assets and liabilities, as this information is not regularly reported to the chief operating decision-maker.

12. Revenue

Revenue and Financing Sources	Commission and non-Commission Revenue	Revenue Availability	Presentation
Securities transaction fees	Commission Revenue	Collection of securities transaction fees are used to supplement the SEC's annual appropriation.	Statement of Comprehensive Income
Registration, merger, and other fees from registrants	Commission Revenue	There are no restrictions on collections beyond the amount needed to be billed.	Statement of Comprehensive Income
Compensation Fund Contributions	Non-Commission Revenue	Certain collections of monetary sanctions are deposited into the SEC's Compensation Fund in accordance with legislation.	Reported on the Statement of Changes in Net Position

Revenue is measured based on the consideration to which the Commission expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Commission recognises revenue when it transfers control of a product or service to a customer:

- (a). *Licensing Fee Income* is recognised upon issue of a licence.
- (b). *Registration Fee Income* is recognised once securities are registered.

(c). *Authorisation Fee Income* on a takeover or merger transactions is recognised when the transaction is duly authorised.

(d). *The LuSE Trade Commission* is credited to the statement of comprehensive income on an accrual basis.

13. Other Income and Expenditure

Other income and expenditure is recognised on an accruals basis. Where income received relates to a period of time covering more than one accounting period, that part extending beyond the current accounting period is treated as deferred income. Corporate overheads are not segmented.

14. Critical Judgements in Applying Accounting Policies and Key Sources of Estimation Uncertainty

Many of the amounts included in the financial statements involve the use of judgement and/or estimation. These judgements and estimates are based on management's best knowledge of the relevant facts and circumstances, having regard to previous experience, but actual results may differ from the amounts included in the financial statements. Information about such judgements and estimation is contained in the accounting policies above and/or the notes to the financial statements on Pages 44 to 57. However, the key areas are summarised below.

(a) **Areas of judgement that have the most significant effect on the amounts recognised in the financial statements are:**

- (i). Review of asset carrying values and impairment charges and reversals
- (ii). Estimation of asset lives
- (iii). Determination of fair values of non-current assets
- (iv). Impairment losses on receivables.
- (v). The Commission makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events believed to be reasonable under the circumstances.

(b) **Key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are:**

- (i). Review of asset carrying values and impairment charges and reversals
- (ii). Estimation of liabilities for post-retirement costs
- (iii). Contingencies

15. Comparatives

Where necessary, corresponding figures have been reclassified to conform to changes in the presentation of the current period.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

NOTES TO THE FINANCIAL STATEMENTS
Amounts are stated in *Zambian Kwacha*

	2020	2019	
1. Fee Revenue			
Annual Issuers Fees	1,100,000	1,100,000	
Authorisation fees	618,031	398,332	
Inspection Fees	132,615	123,480	
Licensing Fees	874,707	1,097,354	
Other Fees	13,456	4,685	
Registration Fees	101,250	1,585,176	
Scrutiny Fees	366,669	233,335	
	3,206,727	4,542,362	
2. Commissions and Levies			
Administration Fines	194,100	493,813	
Commissions on LuSE Trades	13,306,352	1,708,448	
Levies on Collective Investment Schemes	802,627	829,934	
	14,303,079	3,032,194	
3. Interest Income			
Interest Income-Investments	83,672	318,037	
Interest Income-Staff Loans	1,250	27,847	
	84,922	345,884	
4. Other Income			
Grant Income	11,058,490	9,461,367	
Profit on Disposal	49,746	8,700	
Sundry Income	81,696	158,562	
	11,189,932	9,628,629	
5. Impairment Loss on Financial Assets			
	Trade Receivables	Other Assets	Total
Balance at 1 January 2019	80,000	805,668	885,668
Impairment Loss	60,000	56,700	116,700
Written Off	(80,000)	(805,668)	(885,668)
Balance at 31 December 2019	60,000	56,700	116,700
Impairment Loss	20,000	1,483,866	1,503,866
Written Off	(60,000)	(56,700)	(116,700)
Balance at 31 December 2020	20,000	1,483,866	1,503,866
6. Taxation			
No provision is made for taxation as the Commission is exempt from taxation			

SECURITIES AND EXCHANGE COMMISSION ("SEC")
(ESTABLISHED PURSUANT TO ACT NO. 41 OF 2016 OF THE LAWS OF ZAMBIA)

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

NOTES TO THE FINANCIAL STATEMENTS

Amounts are stated in *Zambian Kwacha*

7. Property, Plant and Equipment

Cost	Motor Vehicles	Office & Equipment	Office Furniture	Computer Equipment	CWIP	Total
At 1 January 2019	1,803,994	306,888	525,380	747,230	1,041,081	4,424,574
Additions	-	-	-	16,650	24,583	41,233
Disposals	-	(4,629)	-	-	-	(4,629)
At 31 December 2019	1,803,994	302,259	525,380	763,880	1,065,664	4,461,178
At 1 January 2020	1,803,994	302,259	525,380	763,880	1,065,664	4,461,178
Additions	-	7,644	-	110,379	-	118,023
Disposals	(405,428)	-	-	-	-	(405,428)
At 31 December 2020	1,398,566	309,904	525,380	874,259	1,065,664	4,173,773
<u>Depreciation</u>						
At 1 January 2019	873,650	134,523	380,405	484,381	-	1,872,959
Charge for the Period	380,021	58,001	62,683	120,877	-	621,582
Eliminated on Disposal	-	(5,230)	-	-	-	(5,230)
Adjustments	-	-	(11,554)	1,722	-	(9,832)
At 31 December 2019	1,253,671	187,294	431,534	606,980	-	2,479,478
At 1 January 2020	1,253,671	187,294	431,534	606,980	-	2,479,478
Charge for the Period	277,990	58,323	59,659	132,854	-	528,826
Eliminated on Disposal	(354,750)	-	-	-	-	(354,750)
Adjustments	-	(0)	(0)	-	-	(1)
At 31 December 2020	1,176,911	245,616	491,193	753,773	-	2,667,492
<u>Carrying Amounts</u>						
At 31 December 2019	550,323	114,966	93,846	156,900	1,065,664	1,981,699
At 31 December 2020	221,655	64,287	34,187	134,425	1,065,664	1,520,219

NOTES TO THE FINANCIAL STATEMENTS
Amounts are stated in *Zambian Kwacha*

	2020	2019
8. Receivables at Amortised Cost		
Issuer Fees	129,088	26,392
(a) Analysis of Receivables		
Gross Amounts Receivable	149,088	86,392
Less: Impairment Provision	(20,000)	(60,000)
	129,088	26,392
(b) Movement in Impairment Provision		
At the beginning of the Period	60,000	60,000
Charge for the Period	20,000	60,000
Written off during the Period	(60,000)	(60,000)
At the End of the Period	20,000	60,000
(c) Net Accounts Receivables are Summarised as follows:		
Neither past due nor impaired	129,088	26,392
Past due but not impaired	-	-
Impaired	20,000	60,000
Gross	149,088	86,392
Less: allowance for impairment	(20,000)	(60,000)
Net	129,088	26,392

The average credit period on sales of goods is 60 days. No interest is charged on outstanding trade receivables. The Commission always measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The Commission has recognised a loss allowance of 100% against all receivables over 120 days past due because historical experience has indicated that these receivables are generally not recoverable. There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

NOTES TO THE FINANCIAL STATEMENTS
 Amounts are stated in *Zambian Kwacha*

	2020	2019
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The Commission writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier. None of the trade receivables that have been written off is subject to enforcement activities.

The following table details the risk profile of trade receivables based on the Commission’s provision matrix. As the Commission’s historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between the Commission’s different customer bases.

	2020	Amount	ECL	2018
Ageing				
< 30 Days		129,088	0%	-
31 - 60 Days		-	5%	-
61-90 Days		-	10%	-
91-120 Days		-	25%	-
121 - 180 Days		-	50%	-
Over 180 Days		20,000	100%	20,000
Life Time ECL		<u>149,088</u>		<u>20,000</u>

	2019	Amount	ECL	2017
Ageing				
< 30 Days		26,392	0%	-
31 - 60 Days		-	2%	-
61-90 Days		-	5%	-
91-120 Days		-	10%	-
121 - 180 Days		-	25%	-
Over 180 Days		60,000	50%	60,000
Restatement Adjustment to ECL on Adoption of IFRS 9		-		-
Life Time ECL		<u>86,392</u>		<u>60,000</u>

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

NOTES TO THE FINANCIAL STATEMENTS
Amounts are stated in *Zambian Kwacha*

	2020	2019
9. Other Financial Assets		
Deposits and Prepayments	26,211	26,211
GRZ Grants Receivable	1,478,115	-
Inspection Fees	56,700	105,840
Staff Receivables	255,398	300,433
Sundry Debtors	5,751	-
	1,822,176	432,484
Less Impairment Provision	(1,540,566)	(56,700)
	281,610	375,784
Movement in Impairment provision in Other Assets:		
Opening Balance	56,700	805,668
Charge	1,483,866	56,700
Write-Off	-	(805,668)
	1,540,566	56,700
10. Cash and Cash Equivalents		
(a) Cash at Bank and in Hand		
Barclays Bank	4,377,441	2,581,976
Standard Chartered Bank	263,912	95,877
Petty Cash	17	-
	4,641,370	2,677,853
(b) Short-Term Bank Deposits		
Standard Chartered Bank	635,589	-
Barclays Bank I	3,055,378	-
	3,690,967	-
	8,332,336	2,677,853

In the statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. In the balance sheet, bank overdrafts are shown within borrowings in current liabilities.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

NOTES TO THE FINANCIAL STATEMENTS
Amounts are stated in *Zambian Kwacha*

	2020	2019
11. Statutory Funds		
Compensation Fund	98,276	134,946
Market Development Fund	364,102	380,681
	462,378	515,627
12. Deferred Income		
Restated Balance at Start of Year	539,500	-
Received during the year	163,333	539,500
Amortised during the year	(539,500)	-
Balance as at year end	163,333	539,500
This represents income received in the year for the following financial period.		
13. Investor Protection Funds		
Uncollected Dividends-Stanbic	29,300	29,300
Cavmont Guarantee Fund -ECR	607,526	61,937
Mukuyu Growth Funds	255,939	-
	892,765	91,237
14. Employee Benefits and Provisions		
Gratuity Provision	4,393,133	4,182,784
Leave Pay Provision	947,071	880,335
	5,340,204	5,063,119
15. Payables, Accruals and Provisions		
Audit Provisions	400,733	229,320
NAPSA	54,941	220
PAYE	843,184	-
Sundry Payables	-	173
Save as You Earn	4,900	-
NHIMA	17,076	-
	1,315,373	229,713

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

NOTES TO THE FINANCIAL STATEMENTS
Amounts are stated in *Zambian Kwacha*

16. Financial Instruments

The Commission's activities expose it to a variety of financial risk: market risk (including currency risk, fair value positions), liquidity and credit risk:

(a) Total Financial Instruments

31 December 2020				
	Receivables	Assets at Fair Value through P & L	Assets at Amortised Cost	Total
<u>Assets as per statement of financial position</u>				
Loans and Receivables:				
-Trade and Other receivables	410,698	-	-	410,698
-Cash and Equivalents	8,332,336	-	-	8,332,336
Total	8,743,034	-	-	8,743,034
		Liabilities at Fair Value through P & L	Other Financial Liabilities at Amortised Cost	Total
<u>Liabilities as per statement of financial position</u>				
Other Financial Liabilities		-	5,802,582	5,802,582
Trade and Other Payables		-	1,320,835	1,320,835
Total		-	7,123,417	7,123,417
31 December 2019				
	Receivables	Assets at Fair Value through P & L	Assets at Amortised Cost	Total
<u>Assets as per statement of financial position</u>				
Loans and Receivables:				
-Trade and Other receivables	390,736	-	-	390,736
-Cash and Equivalents	2,677,853	-	-	2,677,853
Total	3,068,588	-	-	3,068,588
		Liabilities at Fair Value through P & L	Other Financial Liabilities at Amortised Cost	Total
<u>Liabilities as per statement of financial position</u>				
Other Financial Liabilities		-	5,578,747	5,578,747
Trade and Other Payables		-	229,713	229,713
Total		-	5,808,460	5,808,460

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

NOTES TO THE FINANCIAL STATEMENTS

Amounts are stated in *Zambian Kwacha*

(b) *Credit Risk*

The Commission takes on exposure to credit risk, which is the risk that a counterparty will cause a financial loss to the Commission by failing to pay amounts in full when due.

As at 31 December 2020, the maximum exposure to credit risk, without taking into account any collateral held or other credit enhancements, which will cause a financial loss to the Commission due to failure to discharge an obligation by the counterparties arises from the carrying amount of each financial asset in the statement of financial position.

In order to manage this risk, the Commission has a defined credit policy which is documented and forms the basis of all credit decisions. The Commission also makes allowance for impairment against non-performing accounts, where recovery is doubtful. The carrying amount of financial assets represents the maximum credit exposure. As shown below, exposure to credit risk is represented by cash balances and amounts due on accounts receivables:

Category	Rating	ECL	Gross Carrying Amount	Loss Allowance	Net Carrying Amount
2020					
Bank and Cash Balances	Performing	12-Month ECL	4,641,370	-	4,641,370
Fixed Deposits	Performing	12-Month ECL	3,690,967	-	3,690,967
Receivables at Amortised Cost	Performing	Simplified Approach	149,088	(20,000)	129,088
Other Financial Assets	Performing	Not credit impaired	1,822,176	(1,540,566)	281,610
			10,303,601	(1,560,566)	8,743,034
2019					
Bank and Cash Balances	Performing	12-Month ECL	2,677,853	-	2,677,853
Fixed Deposits	Performing	12-Month ECL	-	-	-
Receivables at Amortised Cost	Performing	Simplified Approach	86,392	(60,000)	26,392
Other Financial Assets	Performing	Not credit impaired	421,043	(56,700)	364,343
			3,185,288	(116,700)	3,068,588

For trade receivables, the Commission has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Commission determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix.

The Commission’s primary credit exposure from illiquidity of cash and cash equivalents amounted to **K4.641million** at 31st December 2020 (2019: K2.677million).

NOTES TO THE FINANCIAL STATEMENTS

Amounts are stated in *Zambian Kwacha*

The credit risk for cash and cash equivalents and short-term deposits is considered negligible, since the counterparts are reputable banks with high quality external credit ratings.

The credit risk for investments is considered to be low, since the Fund Managers are reputable entities.

In respect of trade and other receivables, the Commission is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. Based on historical information about default rates, management considers the credit quality of trade receivables that are not past due or impaired to be good.

The Commission’s current credit risk grading framework comprises the following categories:

Category	Description	Basis for recognising expected credit losses
Performing	The counterparty has a low risk of default and does not have any past-due amounts	12-month ECL
Doubtful	Amount is >30 days past due or there has been a significant increase in credit risk since initial recognition	Lifetime ECL – not impaired
In default	Amount is >90 days past due or there is evidence indicating Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off

(c) *Market Risk*

(i) *Currency risk*

The Commission takes on low exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows as the majority of its transactions and balances are in local currency.

(ii) *Interest Rate Risk*

The Commission is exposed to interest rate risk to the extent of the balance of any loans and other borrowings taken and outstanding. During the period under review, the commission was not subject to any interest rate risks as it had no any loans, and other borrowings taken and outstanding. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on a change in the average market interest rate for each

NOTES TO THE FINANCIAL STATEMENTS

Amounts are stated in *Zambian Kwacha*

period, and the financial instruments held at each reporting date that are sensitive to changes in interest rates. All other variables are held constant.

(iii) *Fair Values*

Because of short maturity profiles, fair values of financial assets and liabilities approximate to their carrying amounts.

(d) *Liquidity Risk and Interest Rate Risk*

Liquidity risk is the risk that the Commission will not be able to pay financial instruments liabilities as they come due. The principal external risks faced by the Commission remain unforeseen reduction of operating income.

The table below summarises the Commission's exposure to liquidity risks:

	Up to 1 Month	1-3 Months	4-12 Months	1-5 Years	Total
At 31 December 2020					
Non-Interest Bearing	555,087	1,665,260	4,440,693	462,378	7,123,417
	555,087	1,665,260	4,440,693	462,378	7,123,417
At 31 December 2019					
Non-Interest Bearing	441,069	1,323,208	3,528,555	515,627	5,808,460
	441,069	1,323,208	3,528,555	515,627	5,808,460

(i) *Liquidity Risks*

This is monitored on a daily basis by management and controlled as far as reasonably possible to minimise the risk of mismatches between current liabilities and current assets.

(ii) *Interest Rate Risk*

The Commission's interest rate risk arises from its lease obligations. The risk is deemed low.

(iii) *Cash Flow Risk*

In the opinion of the directors, the risk that future cash flows may not be sufficient to meet its working capital requirements is medium.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

NOTES TO THE FINANCIAL STATEMENTS

Amounts are stated in *Zambian Kwacha*

(e) Fair Value Estimation

The different levels of determining fair value, by valuation method, have been defined as: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly prices) or indirectly derived from prices); and Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs). The fair values of the Commission’s financial assets and liabilities for both the current and comparative year do not differ materially from their carrying values:

Interest-bearing loans and borrowings: Fair value is calculated based on expected future principal and interest cash flows.

Trade and other receivables/payables: For receivables/payables the carrying amount is deemed to reflect the fair value.

17. Capital Management

The Commission’s objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns to controlling interests and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Commission monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including ‘current and non-current borrowings’ as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as ‘equity’ as shown in the statement of financial position plus net debt. The gearing ratios at 31 December 2020 and 2019 were as follows:

	2020	2019
Debt	-	-
Cash	8,332,336	2,677,853
Net Debt	8,332,336	2,677,853
Equity	2,069,799	(1,395,918)
Net debt to equity ratio	402.57%	-191.83%

18. Related Parties

(a) Control of the Commission

The Commission is controlled by a Board of Commissioners. Members of the Board who held office during the year and to the date of this report are shown on Pages 2 and 3.

NOTES TO THE FINANCIAL STATEMENTS

Amounts are stated in *Zambian Kwacha*

(b) Identity of Related Parties

The key executives of the Board i.e. officers other than Board of Commissioners with the ability, directly or indirectly, to control or exercise significant influence over the Board in making financial and operating decisions, are listed on Page 4.

(c) Transactions with Related Parties:

In 2009, the IASB revised IAS 24 again to address the disclosures in government-related entities issued a revised IAS 24 to simplify the definition of 'related party' and to provide an exemption from the disclosure requirements for some government-related entities. Under this revision, IAS 20-Grants requires government support in grants or other support to be disclosed in the financial statements of the reporting entity. IAS 24 requires such disclosure of support from government to also be disclosed. However, no disclosure is required in the financial statements of state-controlled enterprises as regards related party relationships with other state-controlled enterprises and transactions with such enterprises.

	2020	2019
(i) Grants from Government	11,058,490	9,461,367
(ii) Government Assistance	2,189,005	3,539,714
(iii) Key Management Compensation	3,633,089	3,139,632
(iv) Remuneration to Commissioners	944,568	957,505
(v) Amounts Payable to key executives	2,114,901	1,733,517

19. Capital Commitments

There were no amounts authorised by the Board not contracted for in the current or prior year. However, on the CWIP, gross of capital grants deductible from the costs does not include additional costs that will arise prior to completion. To date, the costs cover only historical costs that have been incurred. There is need to establish the actual costs for full implementation and capital commitments established. There is also the possibility of additional impairment provisions being required for recognition. This remained undetermined at the year-end (2018: Nil).

20. Contingent Liabilities

- (a) From time to time, it is subject to legal challenge and judicial review of decisions made in the normal course of its business as regulator of the securities and capital markets in Zambia. Legal

NOTES TO THE FINANCIAL STATEMENTS

Amounts are stated in Zambian Kwacha

judgements could give rise to liabilities for legal costs but these cannot be quantified as the outcome of proceedings would be unknown and there is therefore considerable uncertainty as to the nature and extent of any subsequent liability. From time to time, it is subject to legal challenge and judicial review of decisions made in the normal course of its business as regulator of the securities and capital markets in Zambia. Legal judgements could give rise to liabilities for legal costs but these cannot be quantified as the outcome of proceedings would be unknown and there is therefore considerable uncertainty as to the nature and extent of any subsequent liability.

- (b) Other than the above, the Commission has not entered into any unquantifiable contingent liabilities as at the year-end by offering any guarantees, letters of comfort or indemnities to anyone.

21. Events after the Reporting Date

IAS 10 requires the Commission to disclose the date on which the accounts are authorised for issue by the Commission. The annual report and accounts were authorised by the Commission for issue on the date of the signature of the directors and the date of the auditor's report.

- (a). **General:** The Commission has evaluated subsequent events through to the date the financial statements were available for issuance, and has determined that there has not arisen since the end of the period any transaction or event of a material and unusual nature likely, in the opinion of management, to affect substantially the operations of the Commission, the results of those operations or the state of affairs of the Commission in subsequent financial periods.
- (b). **Impact of Covid-19 Virus:** The Commission has considered the impact of Coronavirus Covid 19 and resulting government restrictions on business and social operations. The Commission recognises that sustained effect of the virus and the associated implementation of government measures to control the pandemic may create conditions that affect the ability of the business to continue operations. As at the date of this report, no direct implications have been estimated and quantified by the business as a result of the global pandemic.

SECURITIES AND EXCHANGE COMMISSION (“SEC”)
(ESTABLISHED PURSUANT TO ACT NO. 41 OF 2016 OF THE LAWS OF ZAMBIA)

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

APPENDIX - OPERATIONAL COSTS
Amounts are stated in *Zambian Kwacha*

	2020	2019
<u>Employee Costs</u>		
Basic Pay	10,305,515	10,532,977
Bonuses and other Allowances	1,594,596	418,376
Gratuity	3,336,435	3,037,992
Leave Pay	1,111,956	1,044,475
Medical Expenses	996,689	192,399
NAPSA-Employer Contributions	296,654	269,956
NHIMA	101,664	25,519
Workers Compensation Fund Control Board	4,355	11,612
Overtime	14,831	32,760
	17,762,695	15,566,066
<u>Administration Expenses</u>		
Advertising & Promotions	160,531	317,636
Audit Fees	186,996	228,360
Bank Charges	51,035	51,619
Board and Committee Expenses	944,568	957,505
Consultancy	41,000	213,402
Electricity & Utilities	125,782	132,598
Insurance	271,368	456,852
Legal Expenses	63,248	-
Motor Vehicle Expenses	349,460	347,666
Office Rentals	1,742,250	1,612,244
Other Expenses	179,526	241,060
Postage & Courier	6,760	16,622
Print & Stationery	98,749	96,677
Repairs & Maintenance	109,435	73,420
Security Expenses	232,380	259,060
Telephone & Internet	445,272	304,382
Subscriptions, Publications ,Workshops and Training	508,268	1,004,139
	5,516,627	6,313,241
Total Expenses	23,273,860	21,879,307

Appendix I The SEC Staff in 2020

Name	Position	Date Left
Mr. Phillip K. Chitalu	Chief Executive Officer	-
Mrs. Diana Sichone	Commission Secretary and Director – Enforcement and Legal Services	-
Ms. Mutumboi Mundia	Director - Market Supervision and Development	-
Mr. Bruce Mulenga	Manager - Market Transactions and Investments	-
Mr. Mateyo Lungu	Manager – Finance	-
Mr. Saul Nyalugwe	Manager – Administration	-
Mr. Abraham Alutuli	Manager – Market Supervision	-
Mr. Nonde Sichilima	Manager – Market Supervision	-
Mrs. Dingase Makumba	Manager – Market Development	-
Mr. Lubunda Ngala	Manager – Law Reform and Enforcement	02.04.2020
Mr. Mubanga Kondolo	Manager – Financial Inclusion	-
Mrs. Sitali Mugala	Product Development and Market Research Officer	-
Ms. Racheal M. Banda	Human Resource Officer	-
Mrs. Leah Simasiku	Surveillance Officer	-
Mrs. Veronica O. Sichone	Acting Manager – Law Reform and Enforcement	05.12.2020
Mr. Thomas Thole	Investigations Officer	-
Ms. Gertrude Buyungwe	Analyst/Inspection Officer	-
Mr. Benson Mwileli	Analyst/Inspection Officer	-
Mr. Sydney Katumba	Information Technology Officer	-
Mrs. Theresa Chimbila	Accounts Assistant	-
Ms. Priscilla Mwale	Personal Assistant to the CEO	-
Ms. Siberia T. Siamayuwa	Pool Secretary	-
Mr. Saviour Mooya	Driver	-
Mr. Alexander Tondo	Office Assistant	-

SEC Management and Staff



Abraham



Alexander



Benson



Bruce



Diana



Dingase



Gertrude



Leah



Lubunda



Mateyo



Mubanga



Mutumboi



Nonde



Phillip



Priscilla



Rachel



Saul



Siberia



Sitali



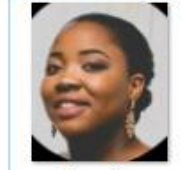
Sydney



Theresa



Thomas



Veronica



Xavior



Appendix II

List of Authorised Capital Market Players as at 31st December, 2020

In order to ensure that only fit and proper persons and entities are allowed to offer securities services to the investing public, the Commission approved the applications of the following entities to conduct securities business in the categories shown below:

Dealer's Licenses

The following corporate entities held a Dealer's license as at 31st December, 2020:

Item	Company Name	2020		2019	
		Yes	No	Yes	No
1.	Aflife Capital Zambia Limited	√		√	
2.	Aflife Holdings Zambia Limited	√		√	
3.	Aflife Private Wealth Limited	√		√	
4.	African Banking Corporation Investment Services Limited	√		√	
5.	African Banking Corporation Zambia Limited T/a Atlas Mara Bank Zambia Limited	√		√	
6.	African Life Financial Services Limited	√		√	
7.	Altus Capital Limited	√		√	
8.	Autus Securities Zambia Limited	√		√	
9.	Absa Bank Zambia Plc	√		√	
10.	Citibank Zambia Limited	√		√	
11.	Equity Capital Resources Plc.	√		√	
12.	Finance Securities Limited	√		√	
13.	First National Bank Zambia Limited	√		√	
14.	Hobbiton Investments Services Limited	√		√	
15.	Investrust Bank Plc	√		√	
16.	Kukula Capital Limited	√		√	
17.	Laurence Paul Investment Services Ltd	√		√	
18.	Longhorn Associates Limited	√		√	
19.	Madison Asset Management Company Ltd	√		√	
20.	Pangaea Securities Limited	√		√	
21.	Prudential Life Assurance Limited	√		√	
22.	Prudential Pension Management Zambia Limited	√			√
23.	Stanbic Bank (Z) Limited	√		√	
24.	Standard Chartered Bank (Z) Limited	√		√	
25.	Stockbrokers Zambia Limited	√		√	
26.	Thirty Thirty Capital Limited		√	√	
27.	Zambia National Commercial Bank Plc	√		√	

Dealer's Representative Licenses

The following persons held a Dealer's representative's license as at 31st December, 2020:

Item	Name of Representative	Dealer	2020		2019	
			Yes	No	Yes	No
1	Mukudzei-Ishe Zhou	Aflife Capital Limited	√		√	
2	Fortunate Ngatsha	Aflife Holdings Zambia Limited	√		√	
3	Munakupya Hantuba	Aflife Private Wealth Limited	√		√	
4	Danny Mulenga	African Banking Corporation Investment Services Limited	√		√	
5	Nicholas Kabaso	African Banking Corporation Investment Services Limited	√		√	
6	Zangose Mwanza	African Banking Corporation Investment Services Limited	√		√	
7	Michelle M. Musonda	African Banking Corporation Investment Services Limited	√		√	
8	Clifford Muzoka	African Banking Corporation Investment Services Limited	√		√	
9	Richard Ndhlovu	African Banking Corporation Zambia Limited	√		√	
10	Christopher K Mwelo	African Banking Corporation Zambia Limited	√		√	
11	Theresa Chiluba	African Banking Corporation Zambia Limited	√		√	
12	Mubanga Bwalya	African Banking Corporation Zambia Limited	√		√	
13	Geoffrey Musekiwa	African Life Financial Services Limited	√		√	
14	Vannessa K. Wright	African Life Financial Services Limited	√		√	
15	Jones Phiri	African Life Financial Services Limited	√		√	
16	Mumba Musunga	African Life Financial Services Limited	√		√	
17	Valerie M. Mwiinga	African Life Financial Services Limited	√		√	
18	Joseph Mazila	African Life Financial Services Limited	√			√
19	Nasilele Ngumbi	African Life Financial Services Limited	√		√	
20	Ken Simwaba	Altus Capital Limited	√		√	
21	Cecilia Kamba Siabusu	Altus Capital Limited	√		√	
22	Mataka Nkhoma	Autus Securities Zambia Limited	√		√	
23	Fumanikile Bbuku	Autus Securities Zambia Limited		√	√	
24	Joseph Simate	Autus Securities Zambia Limited		√	√	
25	Aaron Phiri	ABSA Bank Zambia Plc	√		√	
26	Boston Nkuname	ABSA Bank Zambia Plc	√		√	
27	Mukelebai Wambulawae	ABSA Bank Zambia Plc	√		√	
28	Lesa Mulenga	ABSA Bank Zambia Plc	√		√	
29	Stanley Kaweme Tamele	ABSA Bank Zambia Plc	√		√	
30	Selorm Kwami Andre	ABSA Bank Zambia Plc	√		√	
31	Hamubbatu Hanakoma	ABSA Bank Zambia Plc	√		√	
32	Carmen Hachandi	ABSA Bank Zambia Plc		√	√	
33	Ngosa Mary Kafwembe	Citibank Zambia Limited	√		√	
34	Steven Chitete	Citibank Zambia Limited	√		√	

Item	Name of Representative	Dealer	2020		2019	
			Yes	No	Yes	No
35	Victor Zimba	Citibank Zambia Limited	√			√
36	Choongo Chibawe	Equity Capital Resource Plc	√			√
37	Sabera Khan	Equity Capital Resources Plc	√		√	
38	Cornwell Fungai Musana	Equity Capital Resources Plc		√	√	
39	Nathan DeAssis	Equity Capital Resources Plc		√	√	
40	Barkat Ali	Finance Securities Limited	√		√	
41	Gerald Ndhlovu	First National Bank Zambia Limited	√		√	
42	Kapumpe Chola Kaunda	First National Bank Zambia Limited	√		√	
43	Ignatius Innocent Kashoka	First National Bank Zambia Limited	√		√	
44	Naomi Hara Palale	First National Bank Zambia Limited	√		√	
45	Chali Maria Mulenga	First National Bank Zambia Limited	√		√	
46	Celine P. Chauwa	Hobbiton Investment Management Services Limited	√		√	
47	Mwangala Mwiya	Hobbiton Investment Management Services Limited		√	√	
48	Richard Mutukwa	Investrust Bank Plc Limited	√		√	
49	Jito Kayumba	Kukula Capital Limited	√		√	
50	Tue Andersen	Kukula Capital Limited	√		√	
51	Aaron Yobe Zulu	Laurence Paul Investment Services Limited	√		√	
52	Martyn Banda	Laurence Paul Investment Services Limited	√		√	
53	Namoonga Malambo	Laurence Paul Investment Services Limited	√		√	
54	Chiwoni Soteli	Longhorn Associates Limited	√		√	
55	Mercedes Mwansa	Madison Asset Management Company Limited	√		√	
56	Blessing Chilombe	Madison Asset Management Company Limited	√		√	
57	Mupanga Chilungu	Madison Asset Management Company Limited	√		√	
58	Claire Machila Lungwe	Madison Asset Management Company Limited	√		√	
59	Siphiwe Nkunika	Madison Asset Management Company Limited	√		√	
60	Nkumbu P Pelekamoyo	Madison Asset Management Company Limited	√		√	
61	Ceaser Siwale	Pangaea Securities Limited	√		√	
62	Tidale Mwale-Chisunka	Pangaea Securities Limited	√		√	
63	Wendy Nsamwa Nglazi-Tembo	Pangaea Securities Limited	√		√	
64	Matete M. Sichizya	Prudential Life Assurance Zambia Limited	√		√	
65	Prabhleen Kohli	Prudential Life Assurance Zambia Limited	√		√	

Item	Name of Representative	Dealer	2020		2019	
			Yes	No	Yes	No
66	Ernest Kando	Prudential Pension Management Zambia Limited	√			√
67	Alinani Simbule	Stanbic Bank Zambia Limited	√		√	
68	Chenge Besa Mwenechanya	Stanbic Bank Zambia Limited	√		√	
69	Chitemwe Ng'ambi Kapaya	Stanbic Bank Zambia Limited	√		√	
70	Dean Nathaniel Onyambu	Stanbic Bank Zambia Limited	√		√	
71	Mwila Pascal Mwenya	Stanbic Bank Zambia Limited	√		√	
72	Musenge Komeki	Stanbic Bank Zambia Limited	√		√	
73	Prudence Khumbo Mhango	Stanbic Bank Zambia Limited	√		√	
74	Veronica Sinkala	Stanbic Bank Zambia Limited	√		√	
75	Victor Chileshe	Stanbic Bank Zambia Limited	√		√	
76	Mintu Chitebe	Stanbic Bank Zambia Limited	√		√	
77	Benjamine N. Mulenga	Standard Chartered Bank (Z) Plc	√		√	
78	Chimuka Muyovwe	Standard Chartered Bank (Z) Plc	√		√	
79	Davy Nanduba	Standard Chartered Bank (Z) Plc	√		√	
80	Derek Bobo	Standard Chartered Bank (Z) Plc	√		√	
81	Dorothy N. K Moono	Standard Chartered Bank (Z) Plc	√		√	
82	Edna Towela Lungu	Standard Chartered Bank (Z) Plc	√		√	
83	Joseph Chibwe Ngesa	Standard Chartered Bank (Z) Plc	√		√	
84	Kabwe Mwaba	Standard Chartered Bank (Z) Plc	√		√	
85	Kayeba Mwenechanya	Standard Chartered Bank (Z) Plc	√		√	
86	Mubanga Yvonne Mukuka	Standard Chartered Bank (Z) Plc	√		√	
87	Muchindu Lombe	Standard Chartered Bank (Z) Plc	√		√	
88	Mulolwa Nkata Kamana	Standard Chartered Bank (Z) Plc	√		√	
89	Mwaka Kalenga Mfula	Standard Chartered Bank (Z) Plc	√		√	
90	Mwali Chisala	Standard Chartered Bank (Z) Plc	√		√	
91	Oluseggun M. Omoniwas	Standard Chartered Bank (Z) Plc	√		√	
92	Sampa David Shiyunga	Standard Chartered Bank (Z) Plc	√		√	
93	Ravi Kapadia	Standard Chartered Bank (Z) Plc	√		√	
94	Tamara M. Bbuku	Standard Chartered Bank (Z) Plc	√		√	
95	Wiggins Mupango	Standard Chartered Bank (Z) Plc	√		√	
96	Valarie M. Chulu	Standard Chartered Bank (Z) Plc	√		√	
97	Fred C. Kabombo	Standard Chartered Bank (Z) Plc	√		√	
98	Bwalya Kasito	Standard Chartered Bank (Z) Plc	√		√	
99	Kangwa Chola Chengo	Standard Chartered Bank (Z) Plc	√		√	
100	Mulenga Kawimbe	Standard Chartered Bank (Z) Plc	√			√
101	Kamungoma Mate	Stockbrokers Zambia Limited	√		√	
102	Maxime Chiluba Harlaar	Stockbrokers Zambia Limited	√		√	
103	Charles Mate	Stockbrokers Zambia Limited	√		√	
104	Jack Kanyanga	Stockbrokers Zambia Limited	√		√	
105	Boniface Mwamba	Stockbrokers Zambia Limited	√		√	

Item	Name of Representative	Dealer	2020		2019	
			Yes	No	Yes	No
106	Kadidja M Sidibe	Thirty Thirty Capital Limited		√	√	
107	Austin Hamukonka Chijikwa	Zambia National Commercial Bank Plc	√		√	
108	Charles Kamungu	Zambia National Commercial Bank Plc	√		√	
109	Cliff George Sakala	Zambia National Commercial Bank Plc	√		√	
110	Fredrick Mulenga Kaputo	Zambia National Commercial Bank Plc	√		√	
111	Kaluba Gloria Kaulugombe	Zambia National Commercial Bank Plc	√		√	
112	Kunda Catherine Chikumbi	Zambia National Commercial Bank Plc	√		√	
113	Virginia L. Mwalilino	Zambia National Commercial Bank Plc	√		√	
114	Lishala Clarence Situmbeko	Zambia National Commercial Bank Plc	√		√	
115	Tiyeze Chilembo	Zambia National Commercial Bank Plc	√		√	
116	Nana Mukwiza	Zambia National Commercial Bank Plc	√		√	
117	Mudenda Sikapoto	Zambia National Commercial Bank Plc	√		√	
118	Ivor Chambwe	Zambia National Commercial Bank Plc	√		√	
119	Nyangu Florence Mkalipi	Zambia National Commercial Bank Plc	√		√	
120	Roy Mwambai	Zambia National Commercial Bank Plc	√		√	
121	Chewe Mwila	Zambia National Commercial Bank Plc	√		√	
122	Jibinga Kelly Jibinga	Zambia National Commercial Bank Plc	√		√	
123	Kennedy Zeula	Zambia National Commercial Bank Plc	√		√	

Investment Adviser's License

The following corporate entities held an Investment Advisors license as at 31st December, 2020:

Item	Company	2020		2019	
		Yes	No	Yes	No
1.	Allied Securities and Asset Management Limited		√	√	
2	Benefit Consulting Services Limited		√	√	
3.	Charles Sichangwe	√		√	
4.	DeVere and Partners Investment Services (Z) Limited	√		√	
5.	Enock Bwalya	√		√	
6.	Errol Neal Molver	√		√	
7.	Riscura Limited	√		√	
8.	Simon Kalunga	√		√	
9.	Vunani Asset Management Limited	√		√	

Investment Adviser's Representative License

The following persons held an Investment Advisors Representatives license as at 31st December, 2020:

Item	Company Name	Investment Advisor	2020		2019	
			Yes	No	Yes	No
1.	Joost Groenveld	Allied Securities and Asset Management Limited		√	√	
2.	Collina B. Halwampa	Benefit Consulting Services Limited		√	√	
3.	Kandiye T. Liweleya	Benefit Consulting Services Limited		√	√	
4.	Chibamba Nyangu	deVere and Partners International Limited	√		√	
5.	Lynda Syamunyangwa	deVere and Partners International Limited	√		√	
6.	Maureen Nabulyato	deVere and Partners International (Z) Limited	√		√	
7.	Gift Kapande	deVere and Partners International (Z) Limited	√		√	
8.	Julian Visser	deVere and Partners International (Z) Limited	√		√	
9.	Arthur Kalumba	deVere and Partners International (Z) Limited	√		√	
10.	Dennis Nyirongo	deVere and Partners International Limited	√		√	
11.	Wenu Mutiti	deVere and Partners International Limited	√		√	
12.	Lwiindi Muzongwe	deVere and Partners International Limited	√		√	
13.	Mosses M Sibongo	deVere and Partners International (Z) Limited	√		√	
14.	Zamiwe Ndhlovu	deVere and Partners International (Z) Limited	√		√	
15.	Michelle T. M. Banda	deVere and Partners International (Z) Limited	√		√	
16.	Theresa Gumbo	deVere and Partners International (Z) Limited	√		√	
17.	Mubanga Nundwe	deVere and Partners International (Z) Limited	√			√
18.	Elizabeth Nampasa	deVere and Partners International (Z) Limited		√	√	
19.	Charity Siwale	Riscura Zambia Limited	√		√	
20.	Cindy Waheeb Taudrous	Riscura Zambia Limited	√		√	
21.	Munyumba Mutwale	Vunani Asset Management Limited	√		√	

Securities Exchange Licenses

The following entities held a securities exchange license as at 31st December, 2020:

Item	Company Name	2020		2019	
		Yes	No	Yes	No
1.	Bond & Derivatives Exchange Zambia Plc	√		√	
2.	Lusaka Securities Exchange Plc	√		√	

Appendix III

Contact Details of Capital Market Players

Securities Exchanges contact details

LuSE PLC	BaDEX PLC
<p>Chief Executive Officer: Mrs. Priscilla Sampa</p> <p>Address (physical): Lusaka Securities Exchange 2nd floor, Mamco House Plot 316B, Independence Avenue</p> <p>Address (postal): P.O. Box 34523 Lusaka</p> <p>Telephone: +260 (211) 228594/228537</p> <p>Facsimile: +260 (211) 225969</p> <p>E-mail: info@luse.co.zm</p>	<p>Chief Executive Officer: Mr. Peter Sitamulaho</p> <p>Address (physical): Bonds and Derivatives Exchange Zambia Plc Plot No 7450, Katopola Road Rhodespark, Off Great East Road</p> <p>Address (postal): Post. Net Box 334 Private bag E10 Arcades Lusaka</p> <p>Telephone: +260 (211) 220537</p> <p>Facsimile: +260 (211) 220574</p> <p>E-mail: info@badex.co.zm</p>

Dealers' Contact Details

a) *Members of the LuSE*

Autus Securities Limited

34 Kholo Road
Woodlands

Lusaka

P. O. Box 320308

Tel: +260 (211) 840513, +260 761 002002, +260 761 003003

Email: mataka@autussecurities.com

www.autussecurities.com

Equity Capital Resources Plc

4th Floor Godfrey House, West Wing
Kabelenga Road

Lusaka

Tel: +260 (211) 840313, 227518

Email: info@ecrinvestments.com

Website: www.ecrzambia.com

Hobbiton Investment Management

Zener Office Park
Stand No. 2287/A
Corner Lagos & Lubuto Rds
Lusaka
P.O Box 32350
Tel: +260 (211) 232877, +260 956 529 966,
Email: mimi.lungu@hobbiton.co.zm

Madison Asset Management Company Ltd

Plot 316, Independence Avenue
P.O. Box 37013
Lusaka
Tel: +260 (211) 255121/257152
Fax: +260 (211) 253417
Email: mupanga@madisonassets.co.zm
www.madisonassets.co.zm

Pangaea Renaissance Securities Ltd

Pangaea Securities Limited
2nd Floor, Pangaea Office Park
Stand 2374
Great East Road
Lusaka
Tel: +260 (211) 220707
Fax: +260 (211) 220925
Email: mbuto@pangaea.co.zm

Stockbrokers Zambia Limited

32 Lubu Road
Longacres
P O Box 38956,
Lusaka
Tel: +260 (211) 227303/232456
Fax: +260 (211) 224055
Email: jkanyanga@sbz.com.zm
Website: www.sbz.com

Zambia National Commercial Bank Plc

Head Office Building
Cairo Road-South End
P O Box 33611
Lusaka
Tel: +260 211 425 650, Mobile: +260977 873262
Fax: + 260 (211) 223084
E-mail: Kaluba.kaulungombe@zanaco.co.zm
Website: www.zanaco.co.zm

b) Other Dealers

African Banking Corporation Investment Services Limited

Atlas Mara Head Office
Ground Floor, Pyramid Plaza
Corner Church and Nasser Roads
P.O. Box 39501

Lusaka

Tel: +260 (211) 257970-6
E-mail: nkabaso@bancabc.com
Website: www.atlasmarazambia.com

Aflife Capital Zambia Limited

Plot No. 74 Independence Avenue
4th Floor, Mpile House
P.O. Box 37501

Tel: +260 (211) 253772
Fax: +260 (211) 253112
E-mail: Faith@aflife.co.zm

Aflife Holdings Zambia Limited

Plot No. 74 Independence Avenue
4th Floor, Mpile House
P.O. Box 37501

Tel: +260 (211) 253772
Fax: +260 (211) 253112
E-mail: Faith@aflife.co.zm

African Banking Corporation Zambia Limited (Trading as Atlas Mara Bank Zambia Limited)

Atlas Mara House,
Corner Church and Nasser Roads,
P O Box 39501, Lusaka Ground Floor, Atlas Mara House

LUSAKA

Tel: +260 211 229733-40
E-mail: jkoni@bancabc.co.zm
website: www.atlasmarazambia.com

Aflife Private Wealth Limited

Plot No. 74 Independence Avenue
4th Floor, Mpile House
P.O. Box 37501

Lusaka

Tel: +260 (211) 253772
Fax: +260 (211) 253112
E-mail: Alex@aflife.co.zm

Altus Capital Limited

Plot 74 Independence Avenue
Mpile House
Lusaka
P.O. Box 35352

Tel: +260 (211) 253566
Fax: +260 (211) 253112
E-mail: capital@altus.co.zm

African Life Financial Services Limited

Independence Avenue
74 Independence Avenue,
P. O. Box 51331,
Lusaka

Tel: +260) 211 254841
Fax: (+260) 211 253112
E-mail: geoff@aflife.co.zm

ABSA Bank Zambia Plc

Elunda Office Park
Plot 4643 / 4644
Addis Ababa round about, Rhodes Park
Lusaka

Private Bag E308
Tel: + (260) (211) 366150 / 169
Fax: + (260) (211) 225553
Email: Mwape.Mondoloka@absa.africa
Website: www.absa.co.zm

Citibank Zambia Limited

Citibank House
Stand No. 4646
Addis Ababa Roundabout
Lusaka

P. O. Box 30037
Tel: +260 (211) 444400; 0971 025 133
Fax: +260 (211) 226064
Email: victor.zimba@citi.com
Website: www.citigroup.com

Finance Securities Limited

Plot No. 2110/2111 Sepele Road
Opp. Finance House Cairo Road
Lusaka.

Cell: +260977638583
Skype ID: joel.mbul01

First National Bank Zambia Limited

Plot No. 22768, Corner Great East and Thabo Mbeki road,
P.O. BOX 36187,

Lusaka

Tel (Gen): +260 211 366800 | Direct: +260 211 36 9639 | Cell: +260 966 116 273 and +260 978 017 761
E-mail: haggai.chipungu@fnb.co.za
Web: www.fnb.co.za

Investrust Bank Plc

Ody's Park, Great East Road
P.O. Box 19028/29

Lusaka

Tel: (0211) 238733-5

Website: www.investrustbank.co.zm

Kukula Capital Limited

32A Foxdale Forest Club House
Off Zambezi Road,
Roma,

Lusaka

Tel: +260 211 295792

Email: info@kukulacapital.com

Laurence Paul Investment Services Limited

5th Floor, Design House
Dar es Salaam Place (off Cairo Road)
P O Box 35008

Lusaka

Tel: (0211) 220302/3

Fax: (0211) 220454

E-mail: info@laurencepaul.com

Website: www.laurencepaul.com

Longhorn Associates Limited

Office Park |Plot 1146/1,
Lagos Road Rhodes Park,
P. O. Box 50655

Lusaka

+260 211 252540 | +260 973 452635

Email: marlon@longhorn-associates.com

LinkedIn & Facebook: Longhorn Associates

Website: www.longhorn-associates.com

Prudential Life Assurance Zambia Limited

Prudential House
Plot 32256 Thabo Mbeki

Lusaka

P.O Box 31357

Tel: +260 211 222233/4

Website: www.prudential.co.zm

Prudential Pension Management Zambia Limited

Prudential House
Plot 32256 Thabo Mbeki

Lusaka

P.O Box 31357

Tel: +260 211 222233/4

Website: www.prudentialpensions.co.zm

Stanbic Bank Zambia Limited

Stanbic House
Head Office
Plot 2375, Addis Ababa Drive
Lusaka
P. O. Box 31955
Tel: +260 (211) 370000 – 18
Fax: +260 (211) 258439
Website: www.stanbicbank.co.zm

Standard Chartered Bank Zambia Plc

Head Office
Stand No. 4642
Cnr of Mwaimwena Road and Addis Ababa Drive
P O Box 31934
Lusaka
Tel: (0211) 422198-99
Fax: (0211) 222092/225337
Standard Chartered Bank Zambia Plc
Phone: +260 211 422203
Mobile: + 260 977 767703
E-mail: Dorothy.Moono@sc.com

Stockbrokers Zambia Limited

Mr. Jack Kanyanga
Managing Director
32 Lubu Road
LUSAKA
Tel: (+260 211) 232456
+26 0977/ 966 853315
E-mail: jkanyanga@sbz.com.zm
Website: www.sbz.com.zm

Zambia National Commercial Bank Plc

ZANACO Head Office
Plot 2118/2119 Sapele Road/Cairo Road
P.O. Box 33611
LUSAKA
<http://www.zanaco.co.zm/>

Investment Advisors' Contact Details**Charles Sichangwa**

C/o Wits Limited
4th Floor, Godfrey House,
Kabelenga Road
Lusaka
Tel: +260 (211) 226441/5
Fax: +260 (211) 227116
Email: wits@zamnet.zm

deVere and Partners Investment Services Zambia Limited

Plot 284 Cnr Joseph Mwilwa Road and Great East Road
Rhodes Park

Lusaka

Tel: +260 211 295999

Fax: 260 211 257114

Email: deVere@devere-group.com

Website: www.devere-group.com

Enock Bwalya

Plot 22956

PHI Chainama

Lusaka

Mobile +260977807793 | +27605455934|+260950952753

Email: enock.bwalya@africanheights.com|enock.bwalya@yahoo.com

Skype:bwalya70 www.africanheights.com

Errol Molver

Plot No. 12C

Off Kabulonga Road

Lusaka

Riscura Zambia Limited

Figtree house Plot No. 1

Warthog Road, Kabulonga

Lusaka

P.O. Box 320181, Lusaka

Tel: +260 (211) 262 773

Fax: +260 (211) 262 773

Email: Zambia@riscura.com

Website: www.riscura.com

Simon Kalunga

Plot No. 1625

Ibex Hill

Lusaka

Vunani Asset Management Limited

Plot 20 Mpulungu Road,

Olympia,

Lusaka

Self Regulatory Organisations

Capital Markets Association of Zambia

Latitude 15, Leopard Hill Road, Kabulonga

P. O Box 51583

Lusaka

Email: Info@cmaz.co.zm

Listed Companies' contact details

African Explosives Limited (AEL) Zambia Plc

Plot 1168/M
Kitwe-Mufulira Road
P.O. Box 40092

Mufulira

Tel: +260 (966) 990945-9
Fax: +260 (212) 412749z
Website: www.ael.co.za

Listed on 23rd October, 2006

Airtel (formerly Celtel and Zain) Zambia Plc

Stand 2375
Addis Ababa drive

Lusaka

Tel: +260 (977) 915000
Website: www.Africa.airtel.com/zambia

Listed on 11th June, 2008

British American Tobacco (BAT) Zambia Plc

Plot # PH1 IND 54 & 53
LS MFEZ, Chifwema Road
P.O. Box 30162

Lusaka

Tel: +260968 678 814/ 787 / 671
E-mail: batzam@bat.com
Website: www.bat.com

Listed on 15th December, 1996

Cavmont Capital Holdings Zambia Plc

Unit C, Counting House Square (behind Arcades Shopping Centre)
Thabo Mbeki Road
P O Box 32322

Lusaka

Tel: (0211) 257772/256055/256064
Fax: (0211) 256074
E-mail: contact@cavmont.com.zm
Website: www.cavmont.com.zm

Listed on 13th September, 2006

Copperbelt Energy Corporation Plc

23rd Avenue, Nkana East
P.O. Box 20819

Kitwe

Tel: +260 (212) 244000/244281
Fax: +260 (212) 223445/244040
E-mail: info@cec.com.zm
Website: www.copperbeltenergy.com

Listed on 21st January, 2008

First Quantum Minerals Limited

C/o Choice Corporate Services

Stand 3509/No. 7

Matandani Close, Rhodespark

Lusaka

Zambia Depository Receipts listed in July 2011

Investrust Bank Plc

Investrust House

Plot 4527/8 Freedom Way

Lusaka

P O Box 32344

Tel: (0211) 238733-5

E-mail: investrust@investrustbank.co.zm

Listed on 21st June, 2007

Lafarge Cement Plc

Farm No. 1880

Kafue Road

Chilanga

P.O. Box 30162

Tel: +260 (211) 367400/600

Fax: +260(211) 278134

E-mail: cement.enquiries@lafarge-zm.lafarge.com

Website: www.lafarge.com

Listed on 22nd May, 1995

Madison Financial Services Plc

Plot 316 Independence Avenue

P.O.Box 37013

Lusaka

Tel:378700-5

Email: info@madison.co.zm

Website: www.madisonshares.com

Listed on 1st September 2014

Metal Fabricators of Zambia (ZAMEFA) Plc

Plot 1400 Cha Cha Cha Road

Luanshya

P.O. Box 90295

Tel: +260(212) 510599

Fax: +260 (212) 229003/4

Website: www.pdic.com

Listed on 9th September, 2004

National Breweries Plc

Plot No. 1609/10, Sheki Sheki Road

P.O. Box 35135

Lusaka

Tel: +260 962 249 210

Fax: +260 (211) 246326
Website: www.ab-inbev.com
Listed on 16th March, 1998

Pamodzi Hotels Plc

Pamodzi Hotel Complex
Plot 463, Church Road
P.O. Box 35450

Lusaka

Tel: +260 (211) 254455/250995
Fax: +260 (211) 254005
E-mail: pamodzi.lusaka@tajhotels.com
Website: www.tajhotels.com

Listed on December 21st, 2001

**Puma Energy Plc
(formerly BP Zambia)**

Head Office
Stand No. 1710, Mungwi Road

Lusaka

P.O. Box 31999
Tel: +260 (211) 376100
Fax: +260 (211) 376149
E-mail: zambia@pumaenergy.com
Website: www.pumaenergy.com

Listed on 18th July, 2002

**Real Estate Investments Zambia Plc
(formerly Farmers House)**

Farmers House, Central Park
Cairo Road

Lusaka

P.O. Box 30012
Tel: +260 (211) 227684-89
Fax: +260 (211) 222906
E-mail: info@reiz.co.zm
Website: www.reiz.co.zm

Listed on 27th September, 1997

Shoprite Holdings Plc

Plot 19255 Cnr, Great East and Manchinchi Roads
Manda Hill Centre
Tel: +260 (211) 251155

Website: www.shopriteholdings.co.za

Listed on 19th February, 2003

Standard Chartered Bank Zambia Plc

Head Office
Stand No. 4642
Cnr of Mwaimwena Road and Addis Ababa Drive
P O Box 31934

Lusaka

Tel: (0211) 422198-99

Fax: (0211) 222092/225337

E-mail: customer.first@zm.standardchartered.com

Website: www.standardchartered.com/zm

Listed on 30th November, 1998

Zambeef Products Plc

Plot 4970 Manda Road

Industrial Area

P/Bag 17, Woodlands

Lusaka

Tel: +260 (211) 369000

Fax: +260 (211) 369050

E-mail: info@zambeef.co.zm

Website: www.zambeefplc.com

Listed on 5th April 2005

Zambia Bata Shoe Company Plc

Stand 6437, Mukwa Road

Heavy Industrial Area

P.O. Box 30479

Lusaka

Tel: +260 (211) 244397/242328

Fax: +260 (211) 244254

E-mail: batashoe@zamnet.zm

Website: www.bata.co.zm

Listed on 31st March, 2009

Zambia Forestry and Forest Industries Corporation Plc

HEAD OFFICE

P.O Box 71566, Dola Hill

Ndola

Tel: +260 212 671482

Fax: +260 212 616030

Email: info@zaffico.co.zm

Listed on 12th February 2020

Zambian Breweries Plc

Mungwi Road, Plot 6438

Heavy Industrial Area

P.O. Box 30237

Lusaka

Tel: +260 (211) 246555, +260 962 249200

Fax: +260 (211) 242124

E-mail: zambrew@zambrew.com.zm

Website: www.ab-inbev.com

Listed on 9th June, 1997

Zambia Reinsurance Plc

Plot 187C Namambozi Road

Fairview

Lusaka

Postnet Box 658

P/Bab E891

Tel: +260 (211) 221159, +260 971 695149

Email: primare@prima-re.co.zm

Website: www.prima-re.com

Listed on 21st December, 2004

Zambia National Commercial Bank Plc

Head Office Building

Cairo Road-South End

P O Box 33611

Lusaka

Tel: + 260 (211) 228979/ 221355/ 221380/ 221404

Fax: + 260 (211) 223084

E-mail: customerservice@zanaco.co.zm

Website: www.zanaco.co.zm

Listed on 27th November, 2008

Zambia Sugar Plc

Nakambala Sugar Estate

Livingstone Road

P O Box 670240

Mazabuka

Tel: +260 (213) 231103/231106

Fax: +260(213) 230385

E-mail: administrator@zamsugar.zm

Website: www.illovosugar.co.za

Listed on 28th August, 1996

ZCCM Investment Holdings Plc

ZCCM-IH Office Park

Stand No. 16806, Alick Nkhata Road

Mass Media Complex Area

Lusaka

P O Box 30048

Tel: +260(211) 220654/221023

Fax: +260 (211) 220449/221057

E-mail: corporate@zccm-ih.com.zm

Website: www.zccm-ih.com.zm

Listed on 24th January, 1996

Quoted Companies' Contact Details

Absa Bank Zambia Plc

Elunda Office Park

Plot 4643 / 4644

Addis Ababa round about, Rhodes Park

Lusaka

Private Bag E308
Tel: + (260) (211) 366150 / 169
Fax: + (260) (211) 225553
Quoted on 9th March, 2005

Chambishi Metals Plc

Sub-division L and M of Lot No. 10/M
Kitwe-Chingola Road

Chambishi

P.O. Box 21151 (Kitwe)
Tel: +260 (212) 744006/7
Fax: +260 (212) 744035
E-mail: info@chambishi.com.zm

Quoted on 25th January, 2000

Chibuluma Mines Plc

Off South Downs Airport Road
Lufwanyama

P.O. Box 260499
Tel: +260 (212) 749 – 333/777/110
Fax: +260 (212) 749799/749299
E-mail: bsinkala@chib.com.zm

Website: www.metorexgroup.com

Quoted on 22nd December, 1999

Copperbelt Energy Corporation Africa Plc

2nd floor Green City
Plot 2374, Kelvin Siwale Road,
P.O Box 320125

Lusaka

Quoted in 2017

EIZ Properties Plc

CL/7 Brentwood drive
Longacres

Lusaka

P.O. Box 51084 (Lusaka)
Tel: +260 (211)255161/256205
E-mail: eiz@coppernet.zm

Quoted on 9th April 2015

Ikulileni Investments Plc

Building 3, Acacia Park
Stand 22768. Thabo Mbeki Road
P.O. Box 35464 (Lusaka)

Tel: +260 (211)370140-5
Fax: +260 (211) 370018-20
Website: www.stanbic.co.zm

Quoted on 18th April, 2015

Kansanshi Mining Plc

Mine Site

Solwezi

P.O. Box 110835

Tel: +260 (212) 658000

Fax: +260 (212) 658300

E-mail: Sean.whittome@fqml.com

Website: www.first-quantum.com/our-business/operating-mines/kansanshi

Quoted on 29th June, 1999 (as Cyprus Amax Kansanshi Plc)

Konkola Copper Mines Plc

Stand M/1408

Fern Avenue

Chingola

P/Bag KCM (c) 2000

Tel: +260 (211) 350604

E-mail: corporate.communications@kcm.co.zm

Website: www.kcm.co.zm

Lusaka Securities Exchange Plc

See address information under Securities Exchanges above

Mopani Copper Mines Plc

Corporate Office

Central Street Nkhana West

Kitwe

P.O. Box 22000

Tel: +260 (212) 247012/247847

Fax: +260 (212) 247445

E-mail: mopani@mopani.com.zm

Website: www.mopani-copper-mines

Professional Insurance Corporation Zambia Plc

Finsbury Park, Kabwe Roundabout

P.O. Box 34264 Lusaka

Tel: +260 (211) 366703

E-mail: customerservice@picz.co.zm

Website: www.picz.co.zm

Quoted on 24th September 2014

Veritas General Insurance Plc

Plot 6/60 Kapingila House

Kabulonga Road, Kabulonga

Lusaka

P. O. Box 31965, Lusaka

Tel: + (260) (955) 359 873

Fax: + (260) (211)266366

Email: veritas@veritasgeneral.com

Quoted on 19th February, 2015

African Banking Corporation Limited (Trading as Atlas Mara Bank Zambia Ltd)

See information on Dealers above.

Bayport Financial Services - Debt securities listed on 24th April 2014

Plot 68 Independence Avenue

Lusaka

P.O. Box 33819

Tel: +260 (211) 257243

Fax: +260 (211) 257432

E-mail: jchola@bayportfinance.com

Website: www.bayportfinance.com

Focus Financial Services Limited - Debt securities listed on 24th April 2014

1st floor, Building 3

Acacia Park

Thabo Mbeki Road

Lusaka

P. O. Box 345536

Tel: +260 (211) 291310-14

Fax: +260 (211) 291311

Website: www.focus.co.zm

Izwe Loans Zambia Limited - Debt securities listed on 15th July 2013 and 1st August 2013

Ground Floor, South Wing

Lubuto House, Lubuto Road

Rhodes Park

P. O. Box 35087

Lusaka

Tel: +260 (211) 235273

Email: info@izwezambia.com

Website: www.izwezambia.com

Madison Finance Company Limited - Debt securities listed on 1st September, 2014

Madison House

Plot 318, Independence Avenue

Lusaka

P. O. Box 34366

Tel: +260 (211)252248/49

Email: customerservice@mfinance.co.zm

Website: www.mfinance.co.zm

Real Estate Investments Zambia Plc - Debt securities listed on 12th November 2010

(formerly Farmers House)

Farmers House, Central Park

Cairo Road

Lusaka

P.O. Box 30012

Tel: +260 (211) 227684-89

Fax: +260 (211) 222906

E-mail: robin.miller@zamsaf.co.zm

Website: www.reiz.co.zm

Stanbic Bank Zambia Limited Limited - Debt securities listed on 31st October, 2014

See information on Dealers above.

Ulendo Road Infrastructure Road Programme (RINP) - Debt securities listed on 11th December, 2015

2nd Floor, Pangaea Office Park

Stand No. 2374 Great East Road, Lusaka

P.O. Box 34536 (Lusaka)

Tel:+260 (211)291310-14

Fax:+260 (211) 291312

Website: www.focus.co.zm

Zambian Home Loans Limited

Plot 35370 Garden Plaza, Thabo Mbeki Road

Lusaka

Post Net Box 301

Tel: +260 211 254325

Email: info@zambiahomeloans.co.zm