



Republic of Zambia
MINISTRY OF FINANCE



“Ultimately, a coordinated and concerted effort can help Zambia reach its growth targets”

page 4, CMMP

CMMP Stakeholders' Workshop: Validation of Activities in the Implementation Plan

30 – 31 March 2021

Lusaka (via zoom)

Capital Markets Master Plan Overview [page 1-7]

- Aim
- 7NDP
- Vision 2030

CMMP

Aims to reposition capital markets to contribute to help Zambia realise its developmental agenda

7NDP

To diversify and make economic growth inclusive

To reduce poverty and vulnerability

To reduce developmental inequalities

To enhance human development

To create a conducive governance environment for a diversified and inclusive economy

Vision 2030

Attaining and sustaining high levels of economic growth

Maintaining a macroeconomic climate and investment climate for attracting and retaining high levels of foreign and domestic investment

Improving access to capital by nationals for investment needs

Sustaining adequate of highly skilled and motivated human resources

Improving access to affordable credit and other financial services as well as the development of the capital markets in both rural and urban areas, for both men and women

Capital Markets Overview

- Uses
- Users (Issuers)
- Types
- Well-functioning markets

❖ Capital markets can facilitate:

- Flows of funds from savers to those requiring long term capital (via bonds/shares/unit trusts, etc)
- Price discovery - help provide benchmarks for interest rates and prices (if liquid markets exist)
- Enhances performance due to enhanced scrutiny/corporate governance

❖ Potential users (issuers) of capital markets:

- Governments | Private businesses | Infrastructure, agriculture, environmental projects (PPPs)

❖ Capital markets include both public or private markets

❖ Well-functioning markets must be:

- Efficient | Transparent | Trusted – predictable & reliable
- Attractive to not only local investors but foreign investors too

CMMP Trajectory

2017

Indaba & CMMP
resolution
(3-5 April)

2019

SEC –FSDA/Z MoU (April)
Consultants engaged &
starts (June)

2020

Market Assessment
Report (Jan)
Consensus Building
w/shop (27-28 Feb)

2020

1st Draft (May)
1st SCM (May)
2nd SCM (June)
3rd SCM (June)
2nd Draft (Nov)

2021

SEC-MOF review (Feb)
**Stakeholders w/shop
(March)**

Capital Markets Master Plan

- Vision
- Mission

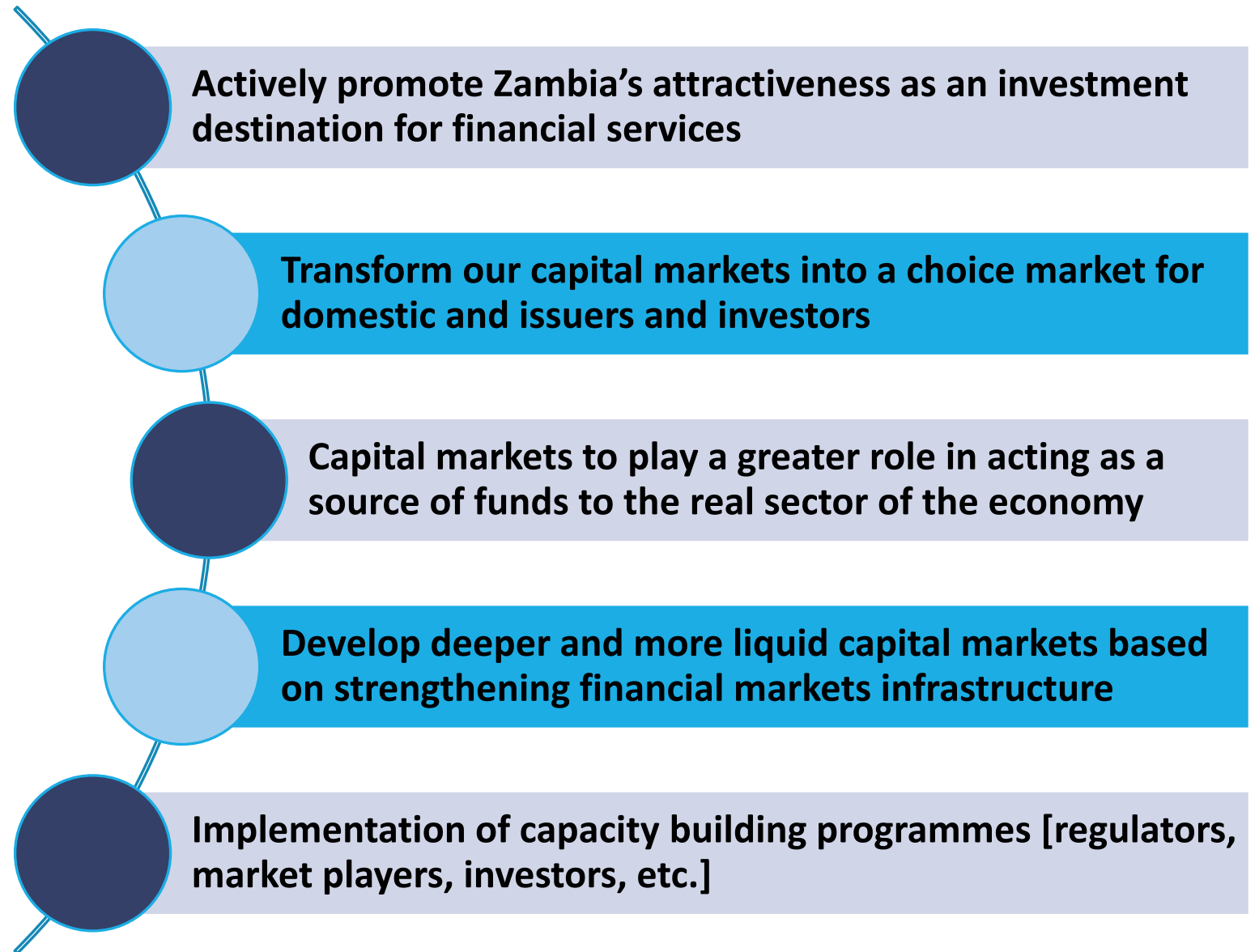
Mission	Vision
To create efficient, transparent, effective, safe, innovative, inclusive and sustainable capital markets	To reposition the Zambian Capital Markets to become an attractive international destination for long-term investment and be the primary source of long-term capital for Zambia that will enable sustainable growth, development and stability of the country

❖ The above are in line with vision 2030 which aims to make Zambia a prosperous middle-income nation by 2030

- *“reducing poverty and vulnerability can be bolstered by expanding the investor base and investor awareness, as well as the development of appropriate wealth-creating and innovative instruments for the general population”*
- Developing deep, liquid and safe capital markets is of paramount importance for Zambia’s sustainable future
- [Refer to table on page 5 – Selection of indicators for Zambia]

Capital Markets Master Plan

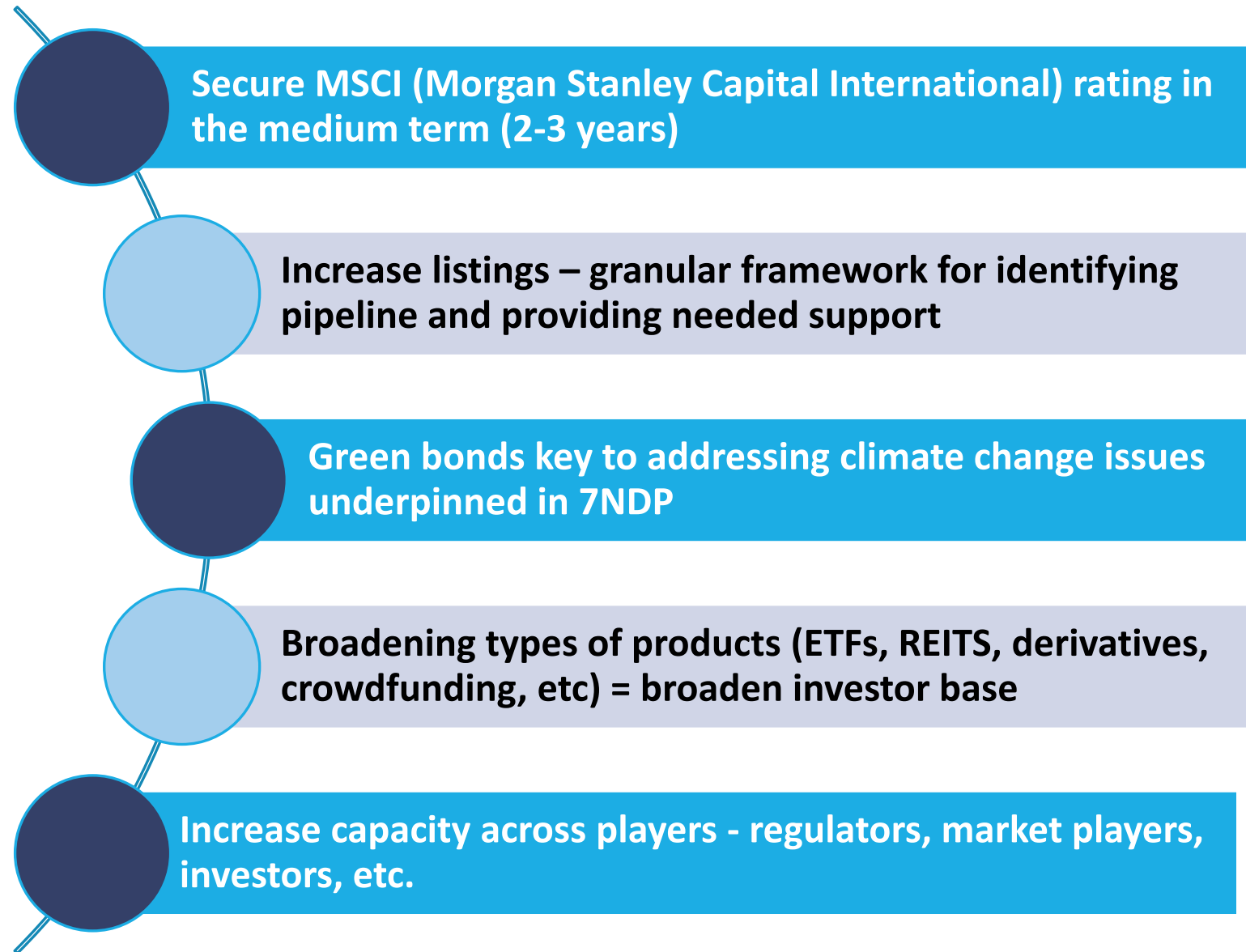
- Broad Objectives



Capital Markets Master Plan

- Key aspirations/pointers listed

▪ [Refer to Excel Table – 1.1. to 1.9]



Capital Markets Master Plan

- Five (5) Development Thematic Areas
- Building Blocks

Development Area	Building Blocks
① Enhancing the government bond market	Enhance primary market issuance and transparency Develop secondary market trade Develop secondary market post-trade
② Enhancing other traditional security markets	Develop the corporate bond market Enhance the equity market Develop collective investment schemes
③ Development of new and innovative products/markets	Enhance the private equity, debt and venture capital markets Tracking and supporting of capital market developments Developing ETFs, REITs and retail bonds Developing securitisation and mortgage refinancing Developing the market for green bonds
④ Enhancing capacity building across the capital markets	Enhance the capacity among regulators and stakeholders Enhance investor education Develop sustainable funding models across the capital markets
⑤ Enhancing the capital market regulatory environment	Enhance regulation to empower regulatory oversight Enshrine investor protection Develop sound investing and reporting guidelines

Capital Markets Master Plan

- **An Inspiration from Kenya**
- [refer also to the Abu-Dhabi & Mauritius Financial Hubs (tax free havens)]

CMMP Kenya

- Launched in 2014
- 54% achieved in 6 years

Achievements

- Enabling environment for new products
 - ❑ Green Bonds, Derivatives, ETF, REITS, Online forex trading, etc
- New & efficient Central Securities Depository
- Admitted to prestigious Global Financial Centre Index

Challenges

- Negative impact, took away investor confidence
 - ❑ Collapse of Imperial Bank, Chase Bank & two brokerage firms: Discount Securities & Nyanga Stockbrokers

Thank you

- Next is Question & Answers Sessions with Consultants



Capital Markets Master Plan Section 4

Summary of Market
Assessment Report Findings
[Page 8-16]

Key Highlights of MAR

- **Macroeconomic environment**
- **Legal / Regulatory framework**
- **Stakeholder consultations**

❖ KEY HIGHLIGHTS OF MAR

- Review of macroeconomic environment, PESTLE analysis of Zambia
- Analysis of legal / regulatory framework
- Assessment of international benchmarking - compares Zambia's capital markets landscape to peer nations
- Stakeholder consultation exercises and consensus building workshop undertaken

Capital Markets Master Plan Section 4

Summary of Market Assessment Report Findings

Macroeconomic review

P [positive]

E [negative]

S [stable]

T [positive]

L [positive]

E [stable]

❖ PESTLE ANALYSIS *“Macroeconomic review revealed a fragile outlook” draft CMMP, page 8*



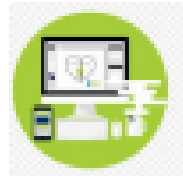
▪ Stable political landscape



▪ Fragile economy



▪ Lower middle income status



▪ Technologically progressive



▪ Strong legal framework



▪ Progressive mitigation measures taken

Capital Markets Master Plan

Section 4

Summary of Market Assessment Report Findings

Zambia Regulatory Review

- Strengths
- Weaknesses
- Opportunities
- Threats

❖ STRENGTHS

- Well defined regulatory landscape
- Competitive tax regime
- Favorable foreign investor policy (ownership, registration, language)

❖ WEAKNESSES

- Lack of coordination between SEC and other regulatory stakeholders
- Regulatory constraints inhibiting restructuring of SOEs
- Capacity gaps across regulatory stakeholders
- Lack of broad-based strategy to attract foreign investment

❖ OPPORTUNITIES

- Enhanced coordination to ensure appropriate allocation of resources for
- effective regulatory oversight and empowerment to drive capital market
- development
- Capacity building
- Enhanced regulation

❖ THREATS

- Misperceptions on Nationalization

Capital Markets Master Plan Section 4

Summary of Market Assessment Report Findings

International Benchmarking

- Benchmark peers
- Market landscape
- Government Bond Issuance
- Post trade infrastructure
- Private capital markets
- Protecting minority shareholders
- Market Development

❖ BENCHMARK PEER COUNTRIES

Frontier Peers	Emerging Peers
Argentina	Brazil
Botswana	Chile
Namibia	Indonesia
Kenya	Malaysia
Mauritius	South Africa

❖ MARKET LANDSCAPE

- Low product variety
- Low market capitalization to GDP at 12% (compared to peer group average of 62%)
- Highly illiquid Securities Exchange (value of shares traded equals 4% of GDP)
driven by lack off issuers, low trading activity, high returns on GRZ bonds

Capital Markets Master Plan Section 4

Summary of Market Assessment Report Findings

International Benchmarking

- Benchmark peers
- Market landscape
- Government Bond Issuance
- Post trade infrastructure
- Private capital markets
- Protecting minority shareholders
- Market Development

❖ GOVERNMENT BOND ISSUANCE (Primary and Secondary Markets)

- Well defined bond auction process and done by BoZ
- Open to all investors (retail / institutional)
- Need for enhanced transparency
- Need to introduce efficient primary issuance system (true primary dealership & Creation of ETP). Participants required to quote buy and sell prices
- Need to create a vibrant secondary government bond market to aid establish
- Proper yield curve

❖ POST TRADE INFRASTRUCTURE (Trading Landscape)

- Two CSDs (BoZ & LuSE)
- Not be ideal for a developing country (duplication of processes and costs)
- CSDs fall below best practice (no justifiable investment into two CSDs)
- Lack of a true Delivery Vs Payment system.

▪ PRIVATE CAPITAL MARKETS

- Potential to contribute towards flow of long term financing
- Enhancement of legal / regulatory provision to support growth and expansion of
- Private equity / venture capital as an asset class

❖ PROTECTING MINORITY SHAREHOLDERS

- Need for improvements in certain areas i.e. mandatory regulation to include independent / non-executive director on boards, review of conflicts of interest

Capital Markets Master Plan Section 4

Summary of Market Assessment Report Findings

International Benchmarking

- **Benchmark peers**
- **Market landscape**
- **Government Bond Issuance**
- **Post trade infrastructure**
- **Private capital markets**
- **Protecting minority shareholders**
- **Market Development**

❖ MARKET DEVELOPMENT

- Abreast of disruptions and trends in global capital markets
- Green bonds, Sandbox
- Pipeline of potential firms for public listing
- Investor education
- Other market development appropriate for Zambia: -
- Enhanced investor education
- Establishing SME Equity and Debt funds to incubate and eventually look towards integration

Capital Markets Master Plan Section 4

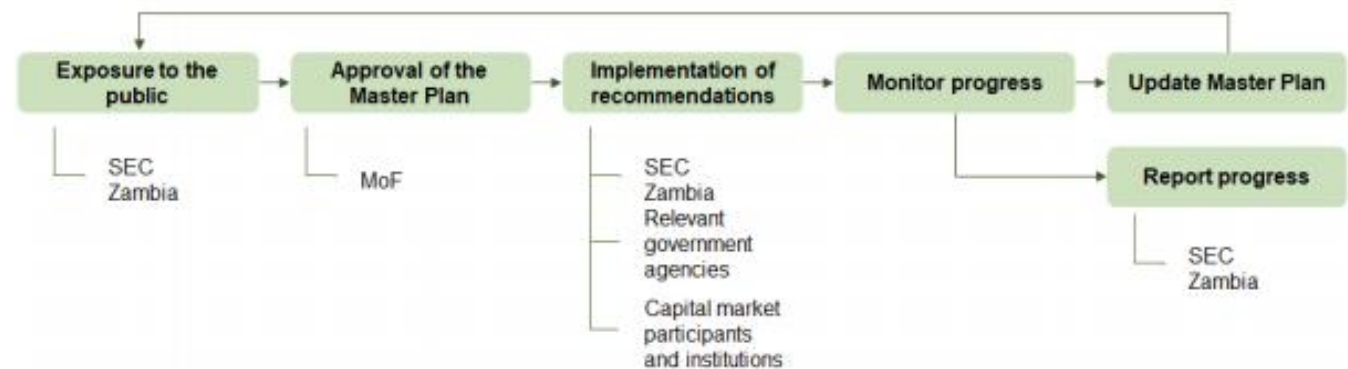
Development Areas and Implementation plan

- Implementation of CMMP
- Development Areas

❖ IMPLEMENTATION OF CMMP

- MoF to provide high level oversight
- SEC responsible for overall implementation of CMMP activities alongside MoF and co-Regulators.
Also to serve as CMMP Secretariat
- Establishment of Steering Committee, Implementation Committee, Working Groups, Project Leads
- Quarterly meetings to be conducted for SC and IC
- Progress measurement against performance measures (5 yr. mid-term review)
- Performance monitored and communicated by CMMP Steering Committee via public Reports

Figure 1: Implementation Process



Source: Consortium analysis

Capital Markets Master Plan

Section 4

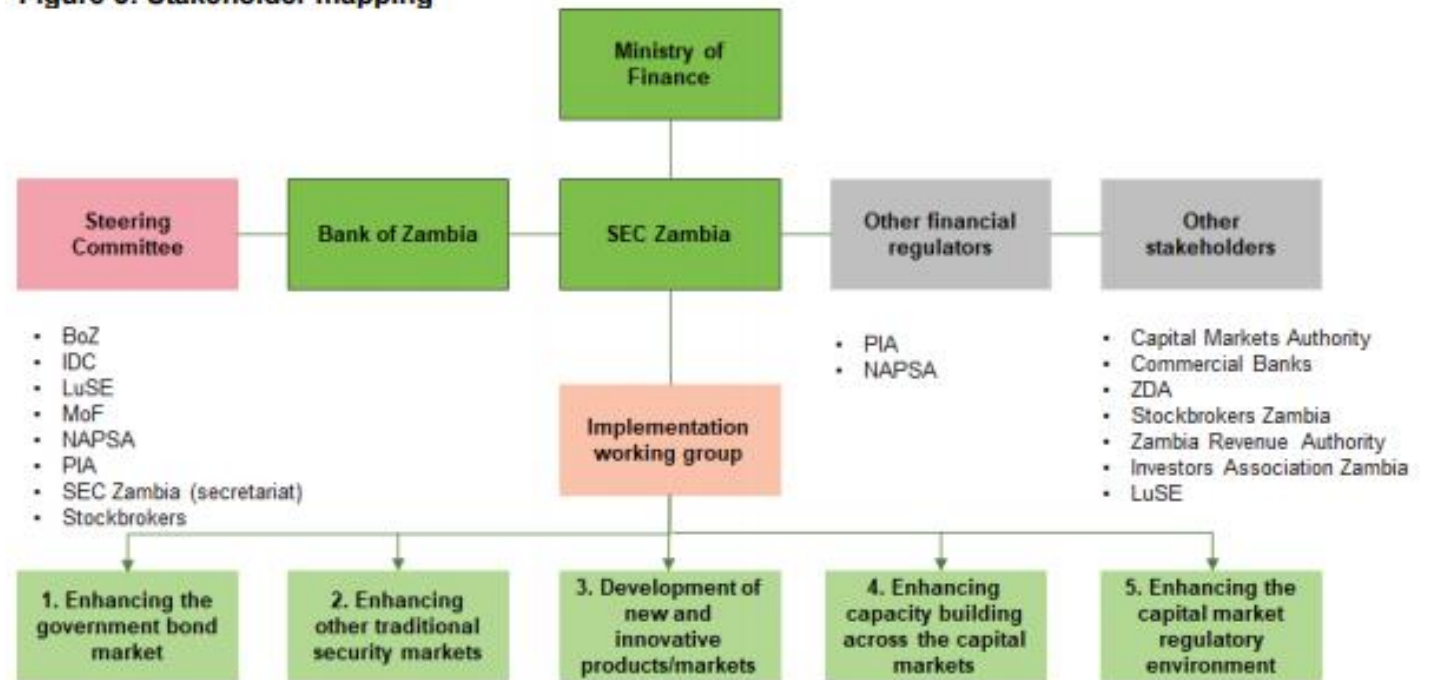
Development Areas and Implementation plan

- Implementation of CMMP
- Development Areas

❖ IMPLEMENTATION OF CMMP

- Stakeholder mapping for CMMP implementation

Figure 3: Stakeholder mapping



Source: Consortium analysis

❖ DEVELOPMENT AREAS AND IMPLEMENTATION MATRIX

- Stakeholder mapping for CMMP implementation

#	Working group	Lead partner(s)	Other members	Areas of responsibility
1	Enhancing the Government Bond Market	MoF, SEC, BoZ	LuSE and Potential primary dealer banks	<ul style="list-style-type: none"> • Government auction process • Price discovery • Settlement and Clearing of transactions • Record of ownership • Electronic Bond Trading
2	Enhancing other traditional securities	BoZ, SEC	LuSE, ZDA, IDC	<ul style="list-style-type: none"> • Corporate bond dealing • Promotion of issuance • Listing requirements • Pipeline development
3	Development of new and innovative products	MoF, BoZ, SEC	LuSE, ZDA, Donors	<ul style="list-style-type: none"> • New product development • Updated trends and disruptions
4	Enhancing capacity building across the capital markets	MoF, BoZ, SEC	CMAZ, LuSE	<ul style="list-style-type: none"> • Capacity building • Funding policies • Investor education
5	Enhancing the capital market regulatory environment	MoF, BoZ, SEC	LuSE, IAZ, NAPSA, PIA, ZRA, ZDA	<ul style="list-style-type: none"> • Regulatory mandates • Investor Protection • Investment guidelines • Reporting standards

Capital Markets Master Plan

Section 4

Development Areas and Implementation plan

- Implementation of CMMP
- Development Areas

Capital Markets Master Plan

Section 4

Development Areas and Implementation plan

- Implementation of CMMP
- Development Areas

❖ DEVELOPMENT AREAS AND IMPLEMENTATION MATRIX

- DAs underpinned by Strategic initiatives and Measures of Success, Key Performance Indicators (short, medium to long term nature)

Table 3: Enhancing the government bond market strategic initiatives

S#	Strategic initiative	A#	Action activities	Measure	KPI	Result/Target state
Primary market issuance						
1.1	Effect changes to BoZ auction process to ensure transparency in line with international best practice	1.1.1	Update bond process regulations to mandate immediate reporting of auction results and winning yields	Bond auction process relative to international best practice	Revised bond auction process and standards implemented	Result: Transparent BoZ auction process Target state: Fully transparent BoZ auction process, results and yields reported as soon as possible

QUESTIONS?



5.1

ENHANCING GOVERNMENT BOND MARKET [Page 17-23]

Introduction

- The improvement of the primary and secondary markets is a crucial facet of creating the adequate infrastructure required for a vibrant capital market.
- Establishing a strong government bond market is a precursor to the development of the broader capital markets.
- Since government bonds carry a relatively lower level of risk (being backed by the creditworthiness of the State) the government bond market serves as an important benchmark for establishing the riskiness of other long-term instruments - including, for example, private debt.
- Consequently, failing to establish a vibrant government bond market will render broader capital market development all but impossible.
- Therefore, establishing sound foundational principles of government bonds develops the platform for further capital market instruments which will ultimately broaden investor base for the benefit of the general Zambian population.



5.1: ENHANCING THE GOVERNMENT BOND MARKET

5.1 ENHANCING THE GOVERNMENT BOND MARKET

AREA	STRATEGIC INITIATIVE	ACTIVITIES	OWNERSHIP
Primary Market Issuance	1.1	Effect changes to BoZ auction process to ensure transparency in line with international best practice	MOF
	1.2	Creation of Benchmark Bonds	MOF
Secondary Market Trade	1.3	Create framework for appointing the banks as primary dealers	MOF
	1.4	Develop and implement electronic government bond trading mechanism	MOF
Secondary Market Post-Trade	1.5	Implementation of safe, efficient CSD including real DvP	BOZ
	1.6	Alter post-trade reporting requirements to enhance transparency	SEC/LUSE

5.1 ENHANCING GOVERNMENT BOND MARKET

Primary Market Issuance

The **efficient** and **transparent** issuance of government bonds is a crucial pillar underpinning the enhancement of the broader **government bond market**.

An efficient issuing system will aid in:

- greater **price discovery**
- result in greater **transparency**
- greater **confidence** in the market.

At present, the country's primary government bond markets **lack transparency**, with **auction results** and **yields** not being timeously conveyed to the market.

- Effect changes to BoZ auction process to ensure transparency in line with international best practice
- ✓ *Update **bond process regulations** to mandate **immediate reporting of auction results and winning yields***
- Creation of **benchmark bonds**
- ✓ *MoF to establish **issuance policy** to align with **benchmark bond building***

5.1 ENHANCING GOVERNMENT BOND MARKET

Primary Market Issuance

PRIMARY MARKET ISSUANCE

Strategic initiative

Effect changes to BoZ auction process to ensure transparency in line with international best practice

Activities

1. Update bond process regulations to mandate immediate reporting of auction results and winning yields

Measure/ KPI

M: Bond auction process relative to international best practice
KPI: Revised bond auction process and standards implemented

DESIRED RESULT: Transparent BoZ auction process

TARGET STATE: Fully transparent BoZ auction process, results and yields reported as soon as possible

5.1 ENHANCING GOVERNMENT BOND MARKET

Primary Market Issuance

PRIMARY MARKET ISSUANCE

Strategic initiative

Creation of
Benchmark Bonds

Activities

1. MoF to establish issuance policy to align with benchmark bond building

Measure/ KPI

M: MoF policy updated

KPI: Establish five benchmark bonds

DESIRED RESULT: MoF Policy updated

TARGET STATE: Benchmark bond established and completion of government bond yield curve

5.1 ENHANCING GOVERNMENT BOND MARKET

Secondary Market Trade

Once government bonds have been issued into the market, it is important that **efficient mechanisms exist** for them to be traded amongst institutional investors and the public as a whole. This in turn will encourage **greater trading activity** and hence **deeper, more liquid secondary markets**, which will in turn allow the bond market to **serve its role in creating a benchmark** for other capital market securities.

Two key interventions are required:

- create a **framework** for the country's commercial banks to be appointed as **primary dealers**.
- establish an **electronic bond trading platform** that allows for bond trading and for prices to be quoted to the market in a continuous and transparent manner, which will facilitate further trading activity in the market.

5.1 ENHANCING GOVERNMENT BOND MARKET

Secondary Market Trade

Create a framework for appointing banks as primary dealers

- The creation of a **primary dealership system** (with banks appointed as primary dealers) would mean that these banks are the **only entities** allowed to participate in the BoZ' government bond auctions. In return for this privilege, these banks would be **obligated** to **quote both buy and sell prices** for these securities at all times
- This is likely to facilitate **greater activity** and **liquidity** in the government bond market
- ✓ requirement for establishing a complete government **bond yield curve**
- ✓ associated **benefits** to the economy as a whole.
- **Pre-conditions** for a successful Primary Dealership system
 - ✓ a transparent and predictable issuance policy from the Ministry of Finance. The PDs need to know in advance what the needs of the country will be in terms of financing, as well as being provided with a precise calendar of issuance.
 - ✓ creation of benchmarks
 - ✓ a certain level of market making knowhow from the banks

5.1 ENHANCING GOVERNMENT BOND MARKET

Secondary Market Trade

Create framework for appointing the banks as primary dealers

- MoF to **identify suitable banks** to act as **market makers** in accordance with a **transparent framework**
- MoF to update **regulations** as necessary
- MoF to communicate **changes** in compliance standards to banks

Develop and implement electronic government bond trading mechanism

- will ensure, among others, that investors buy and sell these bonds in a **transparent environment**, as two-way prices will be quoted at all times. These transparency enhancements will likely result in **lower bid/offer spreads**, to the benefit of investors. At the same time, it is necessary to ensure that the trading landscape underlying trade in government bonds is efficient and transparent
- ✓ MoF to engage **consultant** to develop electronic bond trading platform
- ✓ MoF to **educate** market participants on new platform and implement the market

5.1 ENHANCING GOVERNMENT BOND MARKET

Secondary Market Trade

Strategic initiative

Create framework
for appointing the
banks as primary
dealers

Activities

1. MoF to identify
suitable banks to
act as market
makers
2. MoF to update
regulations as
necessary
3. MoF to
communicate
changes in
compliance
standards to banks

Measure/ KPI

- 1) **M:** Identification of
banks
KPI: Suitable banks
identified
- 2) **M:** Appoint of banks as
market makers
KPI: Regulations
updated and banks
appointed as market
makers
- 3) **M:** Communication of
changes to banks
KPI: Changes
communicated, banks
compliant

DESIRED RESULT: Banks appointed as market makers, no more
individual participation in bond auctions

TARGET STATE: Establishment of primary dealership system

5.1 ENHANCING GOVERNMENT BOND MARKET

Secondary Market Trade

Strategic initiative

Develop and implement electronic government bond trading mechanism

Activities

1. MoF to engage consultant to develop electronic bond trading platform

Measure/ KPI

1)M: Identify suitable consultants
KPI: Suitable consultants appointed

DESIRED RESULT: Development of electronic trading platform to support market making operations (primary dealer) obligations
TARGET STATE: Transparent and efficient bond trading landscape

5.1

ENHANCING GOVERNMENT BOND MARKET

Secondary Market Post- Trade

There must be a **secure** and **reconciled record of ownership**.

- Implement a CSD system with real DvP.
- ✓ establishing **finality**
- ✓ enhancing **investor confidence** in the system.
- Post-trading **reporting requirements** should be developed in line with **best-practice**
- ✓ **bolster** the confidence and transparency in the market.

Implementation of safe, efficient CSD including real DvP

- BoZ to develop process for CSD enhancements, including DvP settlement
- BoZ to appoint consulting team to provide **technical assistance** on implementation of enhancements with a view to eventual **consolidation**

Alter post-trade reporting requirements to enhance transparency

- SEC and LuSE to **review current reporting requirements** and compare **to international best practices** on reporting
- SEC and LuSE to **identify gaps** in current reporting requirements and **implement changes** in reporting requirements

5.1 ENHANCING GOVERNMENT BOND MARKET

Secondary Market Post- Trade

Strategic initiative

Implementation of
safe, efficient CSD
including real DvP

Activities

1. Based on MAR findings, BoZ to develop process for CSD enhancements, including DvP settlement
2. BoZ to appoint consulting team to provide technical assistance on implementation of enhancements with a view to eventual consolidation

Measure/ KPI

- 1) **M:** Review CSD enhancements
KPI: CSD enhancements reviewed
- 2) **M:** Implementation of enhancements
KPI: Technical assistance and enhances implemented

DESIRED RESULT: Creation of a reliable record of ownership and removal of risk and inefficiency of settlement process

TARGET STATE: Single, consolidated CSD with real DvP created

5.1 ENHANCING GOVERNMENT BOND MARKET

Secondary Market Post- Trade

Strategic initiative

Alter post-trade reporting requirements to enhance transparency

Activities

1. SEC and LuSE to review current reporting requirements and compare to international best practices on reporting
2. SEC and LuSE to identify gaps in current reporting requirements and implement changes in reporting requirements

Measure/ KPI

- 1) **M:** Review of reporting requirements
KPI: Reporting requirements have been reviewed
- 2) **M:** Implement revised post trade reporting requirements
KPI: Efficient post-trade requirements consistent with international-best practice

DESIRED RESULT: Updated post-trade reporting requirements and guidelines

TARGET STATE: Better information flow as a result of improved transparency of trading landscape

IMPLEMENTATION TIMELINES

QUESTIONS?



5.2 ENHANCING OTHER TRADITIONAL SECURITY MARKETS [Page 24-29]

5.2: ENHANCING OTHER TRADITIONAL SECURITY MARKETS

AREA	STRATEGIC INITIATIVE	ACTIVITIES	OWNERSHIP
Corporate Bond Markets	2.1	Develop and implement study on corporate bond dealing landscape	SEC
Equity Markets	2.2	Making the market more attractive for issuers	ZDA
	2.3	Develop a pipeline of companies with long term equity and debt financing needs	ZDA/ IDC
	2.4	Adjust LuSE listing requirements	LuSE
Collective Investment Schemes	2.5	Enhance investor awareness of collective investment schemes to bolster uptake	SEC

5.2 ENHANCING OTHER TRADITIONAL SECURITY MARKETS

Salient points from pages 24 - 29 of CMMP

❖ Link to the 7NDP

- **7NDP goals to ensure more diversified economic growth and reduce development inequalities:** Its necessary to enhance the private sector's ability to raise funds (both through equity and debt) on public markets.
- This will create a more dynamic private sector, increase job creation and human development, reduce poverty - also the 7NDP's stated aims.

❖ Current challenges

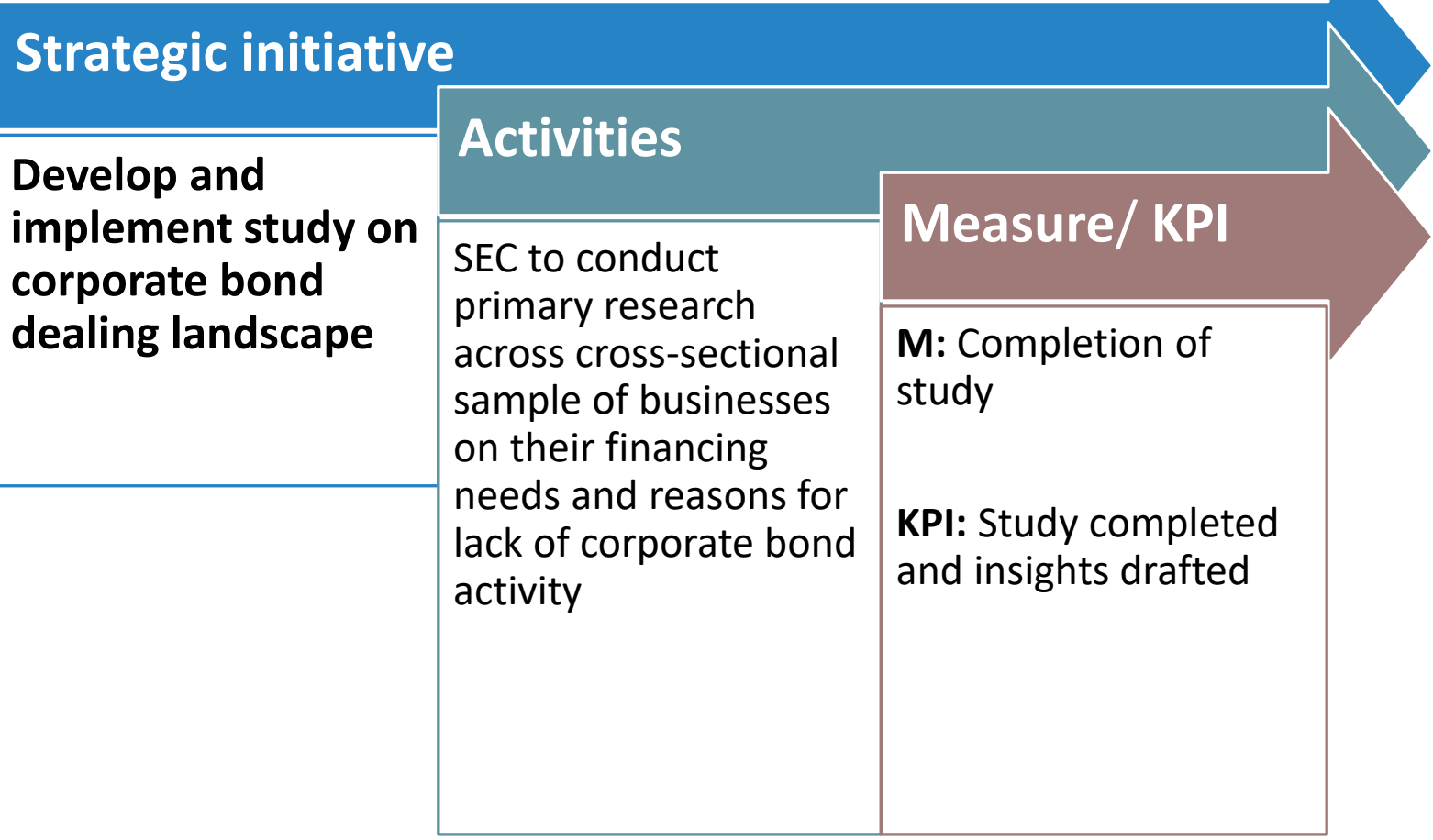
- **Corporate Bonds:** Underdeveloped corporate bond market due to illiquid secondary market for GRZ bonds and non availability if yield curve of GRZ Bonds & High Interest Rates;
- **Equities:** Low listing activity, lack of attractiveness of the market due to listing requirements and associated costs
- **Collective Investment Schemes:** Little awareness among the Investing public

❖ Proposed solutions

- **Corporate Bonds:** Corporate bond dealing landscape study & **Task Force** to implement the recommendations from the study (Supply side)
- **Equities:** Strategy for attracting issuers, Develop pipeline, Adjust listing requirements (Supply side)
- **Collective Investment Schemes:** Targeted investor awareness programmes (Demand side)

ENHANCING OTHER
TRADITIONAL
SECURITY MARKETS

Corporate Bond
Markets



DESIRED RESULTS & STATE
RESULT: Completed study on corporate bond dealing landscape
TARGET STATE: Publish study and commission task force to implement recommendations

EQUITY MARKETS

Strategic initiative

Making the market more attractive for issuers

Activities

1. Conduct roadshow with strategic sectors to gather views and identify potential developments to improve issuing activity
2. ZDA to develop strategy based on views gathered in roadshow

Measure/ KPI

M: Completion of study

KPI: Study completed and insights drafted

DESIRED RESULTS & STATE

RESULT: Developed a coherent strategy to attract more issuers

TARGET STATE: Implement strategy and grow issuer base

ENHANCING OTHER
TRADITIONAL
SECURITY MARKETS

Equity Markets

ENHANCING OTHER TRADITIONAL SECURITY MARKETS

Equity Markets

Strategic initiative

**Develop a pipeline
of companies with
long term equity
and debt financing
needs**

Activities

ZDA and IDC to

1. Assemble task force (TF) to identify potential equity & debt listings and private placement opportunities.
2. Determine conditions/ incentives for pipeline inclusion and incentives
3. Identify and engage initial businesses for inclusion and launch of pipeline

Measure/ KPI

- 1) **M:** Assembly of TF
KPI: TF Assembled
- 2) **M:** Conditions for pipeline developed
KPI: Number of firms in pipeline/ 5 firms in pipeline by 2024
- 3) **M:** Number of firms in pipeline
KPI: 5 firms in pipeline by 2024

DESIRED RESULTS & STATE

RESULT: Developed a coherent strategy to attract more issuers

TARGET STATE: Implement strategy and grow issuer base

ENHANCING OTHER TRADITIONAL SECURITY MARKETS

Equity Markets

Strategic initiative

Adjust LuSE listing requirements

Activities

1. LuSE to review current listing requirements compared to peer markets to identify gaps
2. Develop adjustments/ updates to regulations as necessary to effect implementation of new listing requirements in order to attract more listings

Measure/ KPI

- 1) **M:** Review of current listing requirements
KPI: Current listing requirements reviewed and gaps identified
- 2) **M:** Number of firms listed on LuSE
KPI: 33 firms listed on LuSE

DESIRED RESULTS & STATE

RESULT: Updated listing requirements

TARGET STATE: Larger number of issuers on LuSE

ENHANCING OTHER TRADITIONAL SECURITY MARKETS

Collective Investment Schemes

Strategic initiative

Enhance investor awareness of collective investment schemes to bolster uptake

Activities

1. SEC to conduct demand assessment to determine additional demand for CIS from investor base
2. SEC to conduct roadshow in order to promote uptake for CIS from pools of investor base where demand was gauged to be the strongest

Measure/ KPI

- 1) **M:** Completion of demand assessment
KPI: Demand assessment completed
- 2) **M:** Completion of CIS promotion roadshow
KPI: CIS promotion roadshow completed

DESIRED RESULTS & STATE

RESULT: Greater promotion of CIS across investor base.

TARGET STATE: Increase in size of CIS/ mutual fund industry to USD 100 million by end 2023

[illegible]

QUESTIONS?



3.0

Development of new and innovative products/markets

[Page 29-38]

3.0: DEVELOPMENT OF NEW AND INNOVATIVE PRODUCTS/MARKETS

AREA	STRATEGIC INITIATIVE	ACTIVITIES	OWNERSHIP
ENHANCE PRIVATE EQUITY,DEBT AND VENTURE CAPITAL	3.1	Adjust regulatory for equity and debt	MOF
	3.2	Explore the nascent space of establishing SME debt, equity and technical assistance funds	ZDA
TRACKING AND SUPPORTING OF CAPITAL MARKETS DEVELOPMENT	3.3	Convene committee to track capital markets developments	SEC
ETF's REITS AND RETAIL BONDS	3.4	Expand market product offering to expand number of assets available for investments	SEC

3.0: DEVELOPMENT OF NEW AND INNOVATIVE PRODUCTS/MARKETS

AREA	STRATEGIC INITIATIVE	ACTIVITIES	OWNERSHIP
SECURITISATION& MORTGAGE REFINANCING	3.5	Develop framework for securitization and mortgage refinancing to improve liquidity	SEC
GREEN BONDS	3.6	Develop framework for issuance of securities to finance specific green projects	SEC,MOF,CMA Z

3.0 Development of new and innovate products/markets

Development of new
and innovative
products/markets

Salient points from pages 30 - 37 of CMMP

❖ Enhance private equity , debt and venture capital:

- Scope for furthering role of PE/VC within capital markets
- Lessons from Other African countries
- Roles of SME funds

❖ Tracking and supporting of capital markets development:

- On going tracking of capital markets innovation that and identify those ideal for Zambian context e.g crowdfunding
- Need for regulations to accommodated new innovations e.g sandbox

❖ Proposed new products for the Zambian market

- ETF's, REIT's ,Retail bonds

❖ Securitization and mortgage refinancing

- Scope for development of securitization and mortgage refinancing
- Benefits of securitization

❖ Green bonds

- Opportunity to tap into pools of climate conscious capital
- Additional financing for Zambia to aid fight against climate change

PE AND VC

Strategic initiative

Adjust regulatory provision for private equity

Activities

1. MOF to Adjust current regulation on PE/VC for private and public pension fund

Measure/ KPI

M: Annual size of PE/VC activity

KPI : PE/VC of USD 80 million for current USD 46 million :

DESIRED RESULTS & STATE

RESULT: Updated private equity regulation

TARGET STATE: Greater number of firms with PE/VC Investment exit into public markets

Development of new innovative products/markets

Enhance private equity, Debt and venture capital

Development of new and innovative products/markets

Enhance private equity, debt and venture capital

Strategic initiative

Explore the nascent space of establishing SME debt, equity and technical assistance funds

Activities

- ZDA to
1. Task force to commit study on feasibility of SME, debt, equity and technical assistance

Measure/ KPI

1. M: Completion and implementation of task force finding
2. KPI: SME assistance funds operational

DESIRED RESULTS & STATE

RESULT: Operationalization of SME assistance funds

TARGET STATE: Successful implementation of debt, equity and technical assistance funds

Development of new and innovative products/markets

Tracking and supporting of capital market Developments

Strategic initiative

Convene committee to track capital market developments (Crowdfunding, sandboxing)

Activities

1. SEC to set up committee to review global capital market trends
2. SEC to identify appropriate trends and implement trends into Zambia market

Measure/ KPI

- 1) **M:** Committee convened
KPI: Committee to meet and report to MOF, SEC
- 2) **M:** Identification of trends
KPI: Trends identified and implemented

DESIRED RESULTS & STATE

RESULT: identified and implemented trends as appropriate

TARGET STATE: Capital markets up to date with appropriate trends

Development of new and innovative products/markets

ETF's, REIT's & Retail bonds

Strategic initiative

Expand market product offering to expand number of assets available for investment

Activities

1. SEC to assess demand for expanded number of asset classes
2. SEC to expand product landscape and required guidelines based on demand and in line with MAR findings
3. SEC to expand product landscape and required guidelines based on demand and in line with MAR findings

Measure/ KPI

- 1) **M:** Assessment of demand for expanded asset classes
KPI: Completed survey in order to gauge demand
- 2) **M:** Review of current provisions and identify required changes
KPI: Completed assessment of current guidelines and identified areas for adjustment

DESIRED RESULTS & STATE

RESULT: Revised product landscape.

TARGET STATE: Improved product landscape

Development of new and innovative products/markets

ETF's REITS's & Retail

Strategic initiative

Expand market product offering to expand number of assets available for investment

Activities

1. SEC to assess demand for expanded number of asset classes
2. SEC to expand product landscape and required guidelines based on demand and in line with MAR findings
3. SEC to expand product landscape and required guidelines based on demand and in line with MAR findings

Measure/ KPI

- 1) **M:** Assessment of demand for expanded asset classes
KPI: Completed survey in order to gauge demand
- 2) **M:** Review of current provisions and identify required changes
KPI: Completed assessment of current guidelines and identified areas for adjustment

DESIRED RESULTS & STATE

RESULT: Revised product landscape.

TARGET STATE: Improved product landscape

Development of new
and innovative
products/markets

securitization & mortgage refinancing

Strategic initiative

**Develop
framework for
securitization
and mortgage
refinancing to
improve
liquidity**

Activities

1. SEC and MoF to conduct market assessment to gauge demand for securitization and mortgage refinancing in private market in line with best practices
2. SEC and MoF to develop framework and requisite capabilities for securitization and mortgage refinancing.

Measure/ KPI

- 1) **M:** Completion of assessment
KPI: Assessment completed
- 2) **M:** Development of framework
KPI: Framework completed

Development of new and innovative products/markets

Securitization & mortgage refinancing

Strategic initiative

Develop framework for securitization and mortgage refinancing to improve liquidity

Activities

3.SEC and MoF to conduct market sensitization to raise profile and usage of securitization and mortgage refinancing and implementation

Measure/ KPI

1) M: Completion of market sensitization and framework implementation
KPI: Market sensitization and framework completed and implemented

DESIRED RESULTS & STATE

RESULT: Completed market assessment & implemented framework around securitization& mortgage refinancing.

TARGET STATE: Raise the profile of securitization & mortgage refinancing to expand financing landscape

Development of new
and innovative
products/markets

Green bonds

Strategic initiative

**Develop
framework for
issuance of
securities to
finance green
bonds**

Activities

1. MoF, SEC and CMAZ to develop conditions & incentives for these securities in line with International body standards and environmental, social & governance(ESG) and international Capital Markets Association(ICMA) principles

Measure/ KPI

- 1) **M:** Development of appropriate conditions and incentives
KPI: Conditions and incentives for green bonds developed

Development of new
and innovative
products/markets

Green bonds

Strategic initiative

**Develop
framework for
issuance of
securities to
finance green
bonds**

Activities

2. SEC to update regulations to provide a comprehensive framework for these instruments
3. SEC and CMAZ to conduct roadshows and /or workshops with stakeholders to introduce these instruments to the market

Measure/ KPI

- 1) **M:** Implementation of framework
KPI: Regulations updated and framework formally implemented.
- 2) **M:** Launch of green bonds
KPI: Zambia to launch first green bond by end 2022

DESIRED RESULTS & STATE

RESULT: Developed green framework.

TARGET STATE: Launch green bonds

Implementation timelines

QUESTIONS?



5.4 ENHANCEMENT OF CAPACITY ACROSS THE CAPITAL MARKETS

Salient points
from pages 38 -
45 of CMMP

5.4: ENHANCEMENT OF CAPACITY ACROSS THE CAPITAL MARKETS

AREA	STRATEGIC INITIATIVE	STRATEGIC INITIATIVE	OWNERSHIP
Regulators	4.1	Develop ongoing capacity building for regulators based on international best practice	MoF, BoZ & SEC
	4.2	Strengthening the Securities and Exchange Commission	MoF & SEC
LuSE	4.3	Develop new funding model for LuSE	SEC & LuSE
Other Practitioners	4.4	Develop broad-based capacity building initiatives	SEC & CMAZ
Businesses	4.5	Develop guidelines for companies seeking long-term financing to prepare audited accounts	SEC & MoF
Investors	4.6	Develop and implement targeted investor education programme	SEC

ENHANCEMENT OF CAPACITY ACROSS THE CAPITAL MARKETS

Salient points
from pages 38 -
45 of CMMP

❖ Important to build capacity for all key stakeholders:

- Regulators – properly supervise and oversee
- Practitioners – conduct themselves at level of international best practice [Incl auditors, advocates, accountants, brokers, bankers, corporate financiers and financial journalists]
- Businesses – properly equipped to take full advantage of the benefits of capital markets

❖ Adequate funding models for regulators & practitioners:

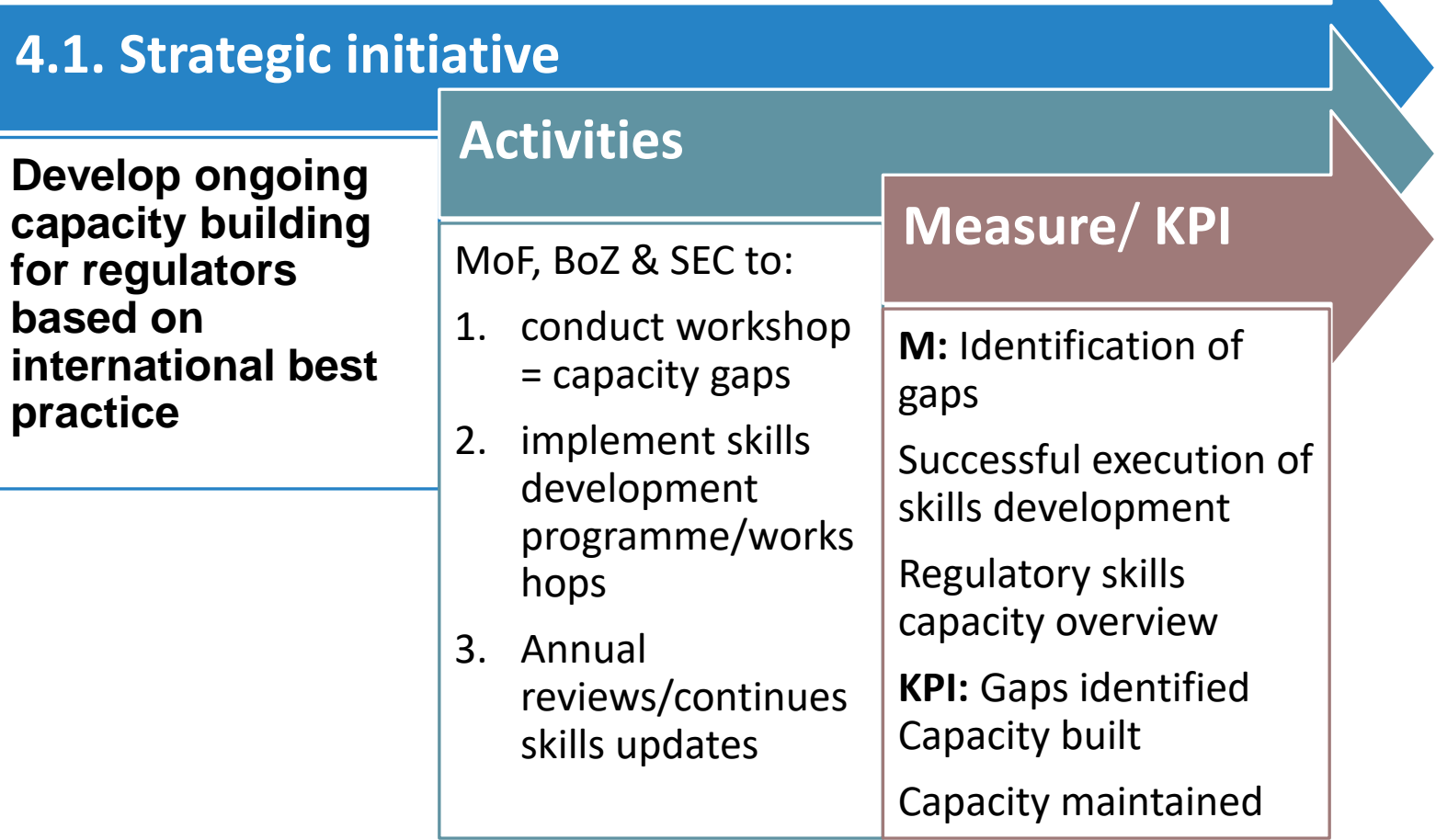
- “Securities regulators should have adequate powers, proper resources and the capacity to perform their functions and exercise their powers”. IOSCO
- SEC needs to be fully equipped to perform its functions in an independent manner
 - Reliance of trading fees and Government grants – not ideal
- LuSE funding model relooked
 - Move to value addition services e.g. market research publications [Not sure this is best practice]

❖ Guidelines for entities to prepare audited financials

❖ Develop and implement targeted investor education programmes

ENHANCEMENT OF CAPACITY ACROSS THE CAPITAL MARKETS

4.1 Develop ongoing capacity building for regulators based on international best practice



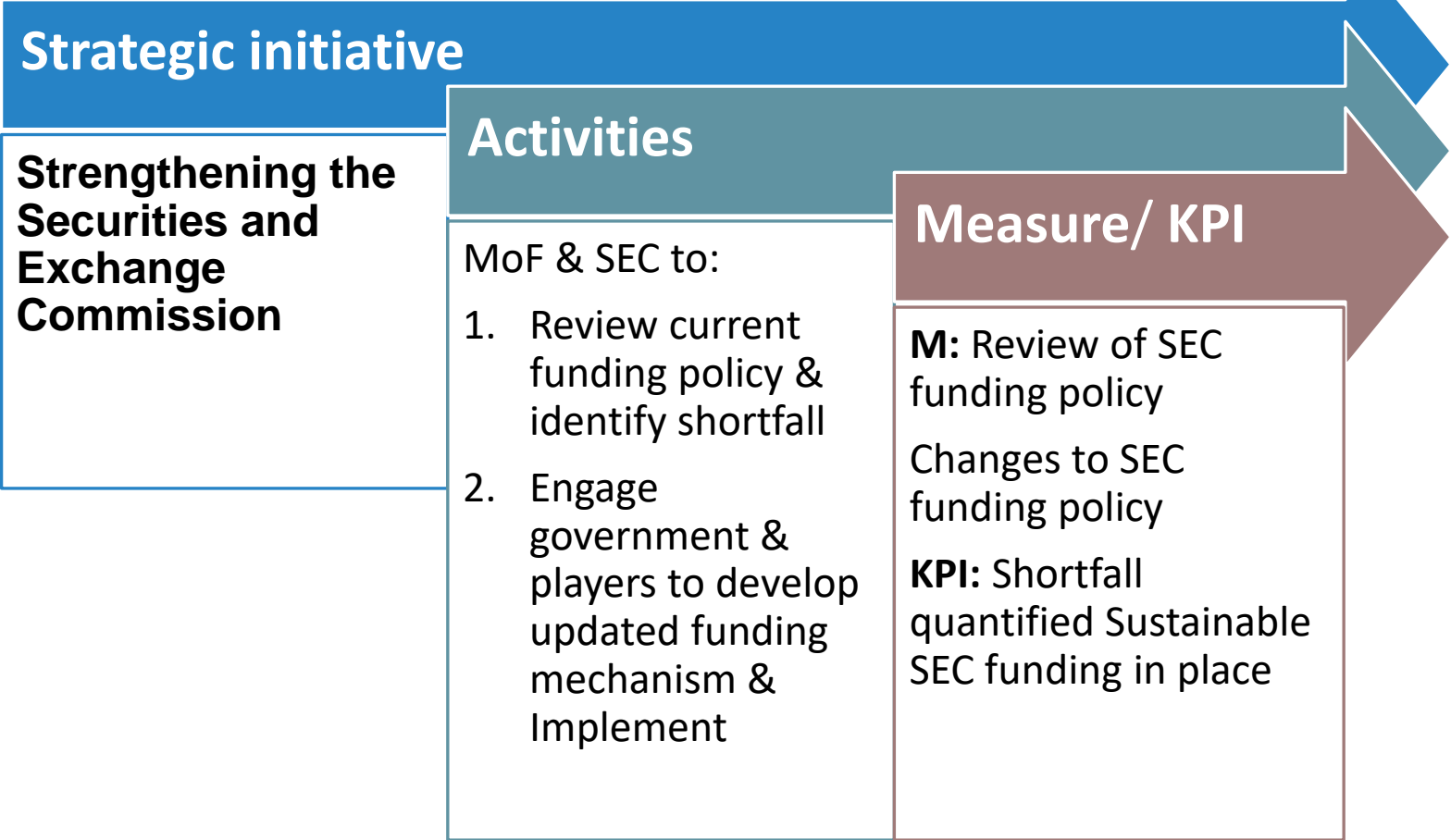
DESIRED RESULTS & STATE

RESULT: Greater capacity at regulatory level

TARGET STATE: More effective regulatory oversight

ENHANCEMENT OF CAPACITY ACROSS THE CAPITAL MARKETS

4.2 Strengthening the Securities and Exchange Commission



DESIRED RESULTS & STATE

RESULT: Alternative funding model for SEC developed

TARGET STATE: SEC has sustainable funding operations

ENHANCEMENT OF CAPACITY ACROSS THE CAPITAL MARKETS

4.3 Develop new funding model for LuSE

Strategic initiative		
Develop new funding model for LuSE	Activities	Measure/ KPI
	<p>SEC & LuSE to:</p> <ol style="list-style-type: none"> 1. Identify shortfall in LuSE funding model 2. Determine scope for value addition services e.g. market research publications, info dissemination 3. Develop capacity 4. Implement value add services & revise fees 	<p>M: Identification of shortfall Identification of value addition Development of capacity Changes to LuSE fees, value add services</p> <p>KPI: Size of Shortfall quantified New value add identified New capacity developed Sustainable LuSE funding policy in place with lower listing fees</p>
<p>DESIRED RESULTS & STATE</p> <p>RESULT: Alternative funding model for LuSE developed</p> <p>TARGET STATE: LuSE has sustainable funding operation</p>		

ENHANCEMENT OF CAPACITY ACROSS THE CAPITAL MARKETS

4.4 Develop broad based capacity building initiatives

Strategic initiative		
Develop broad based capacity building initiatives	Activities	Measure/ KPI
	<p>SEC & CMAZ to:</p> <ol style="list-style-type: none"> Commission study on best practice for capacity building Identify skills gaps across wide practitioners Identify skills dev. Programmes & partners Execute programmes 	<p>M: Complete study Identify skills gaps Development of capacity building schedule Broad based competency@ international standards KPI: Study completed Appropriate programmes & partner identified Capacity building scheduled & executed Ongoing scheduling</p>
DESIRED RESULTS & STATE RESULT: Capacity gaps addressed, capacity build & maintained TARGET STATE: competency in line with international standards		

ENHANCEMENT OF CAPACITY ACROSS THE CAPITAL MARKETS

4.5

Develop guidelines for companies seeking long-term financing to prepare audited accounts

Strategic initiative		
Develop guidelines for companies seeking long-term financing to prepare audited accounts	Activities	Measure/ KPI
	<p>SEC & MOF to:</p> <ol style="list-style-type: none"> 1. Provide guidelines on preparing audited accounts to assist limited companies with financing compliance needs 2. Host workshops to inform companies about auditing guidelines 	<p>M: Completion of guidelines Implementation of guidelines</p> <p>KPI: Guidelines completed & best practices identified</p> <p>Guidelines implemented</p>

DESIRED RESULTS & STATE

RESULT: Completed guidelines for companies seeking long-term financing to prepare audited accounts

TARGET STATE: Increase # of firms preparing audited accounts

ENHANCEMENT OF CAPACITY ACROSS THE CAPITAL MARKETS

4.6 Develop & implement targeted investor education programme

Strategic initiative		
	Activities	Measure/ KPI
Develop & implement targeted investor education programme	<p>SEC to:</p> <ol style="list-style-type: none"> 1. Conduct study on public literacy and capital markets views to identify gaps in knowledge and develop educational materials 2. Schedule & execute public workshops to deliver training materials 	<p>M: Completion of study and development of materials Execution of workshops and education programmes</p> <p>KPI: Study completed gaps identified materials developed Execution of w/shops programmes investor education programmes</p>

DESIRED RESULTS & STATE

RESULT: Investor education programme developed

TARGET STATE: Improved knowledge of capital markets

ENHANCEMENT OF CAPACITY ACROSS THE CAPITAL MARKETS

Implementation Timelines

IMPLEMENTATION TIMELINE FOR INITIATIVES TO ENHANCE TRADITIONAL SECURITIES MARKETS														
				SHORT TERM			MEDIUM TERM			LONG TERM				
AREA	INITIATIVE #	ACTITIVIES	OWNERSHIP	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Corporate Bond Markets	2.1	Develop and implement study on corporate bond dealing landscape	SEC											
Corporate Bond Markets	2.2	Making the market more attractive for issuers	ZDA											
Equity Markets	2.3	Develop a pipeline of companies with long term equity and debt financing needs	ZDA/ IDC											
Formation	2.4	Adjust LuSE listing requirements	LuSE											
Formation	2.5	Enhance investor awareness of collective investment schemes to bolster uptake	SEC											

“There is a need to develop broad-based capacity building initiatives which serves to uplift all stakeholders within the capital markets”

QUESTIONS?



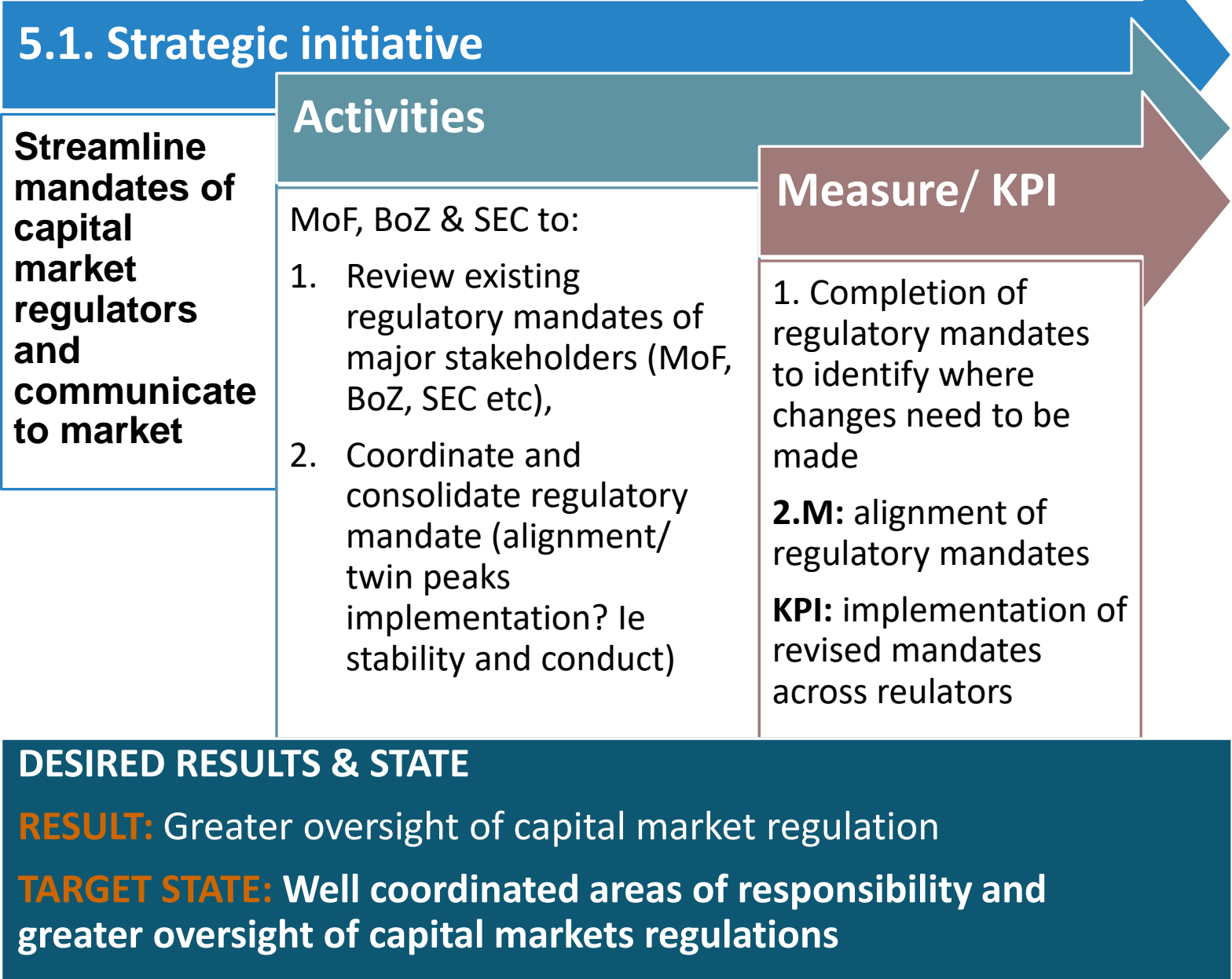
Enhancing the Capital Market Regulatory Environment

- [CMMP Pages 46 – 54]
- Capital markets – a driver to Zambia's development and inclusive economy
- Sound capital market
 - Market confidence
 - Predictable outcomes for issuance and trading

No.	Strategic initiative	Ownership
5.1	<i>Capital markets regulator to have streamlined mandates</i>	<i>MoF, BoZ & SEC</i>
5.2	<i>NAPSA's investment guidelines to be adjusted</i>	<i>MoF</i>
5.3	<i>Strengthen regulatory protection of minority shareholders</i>	<i>SEC</i>
5.4	<i>Explicit protection of foreign investments</i>	<i>MoF & ZDA</i>
5.5	<i>Adjust tax regime to incentivize businesses especially in SOPS</i>	<i>MoF, ZDA & ZRA</i>
5.6	<i>Review DTAs with key trading partners</i>	<i>ZDA</i>
5.7	<i>Develop guidelines on disclosures by unlisted firms seeking long term financing</i>	<i>SEC & MoF</i>

Enhancing the Capital Market Regulatory Environment

5.1 Streamline mandates of capital market regulators and communicate to market



Enhancing the Capital Market Regulatory Environment

5.2 Establish and update investment guidelines for NAPSA

5.2. Strategic initiative

Establish and update investment guidelines for NAPSA

Activities

MoF to:

1. Review products most appropriate for outsourcing to private sector
2. Aid in developing new investment guidelines and update guidelines
3. Implement framework for outsourcing fund management to private sector

Measure/ KPI

M1: Product review completion
KPI1: completed review + products identified

M2: state of development of new investment guidelines
KPI2: completion of investment guidelines

M1: State of development of guidelines for outsourcing
KPI1: implementation of outsourcing guidelines

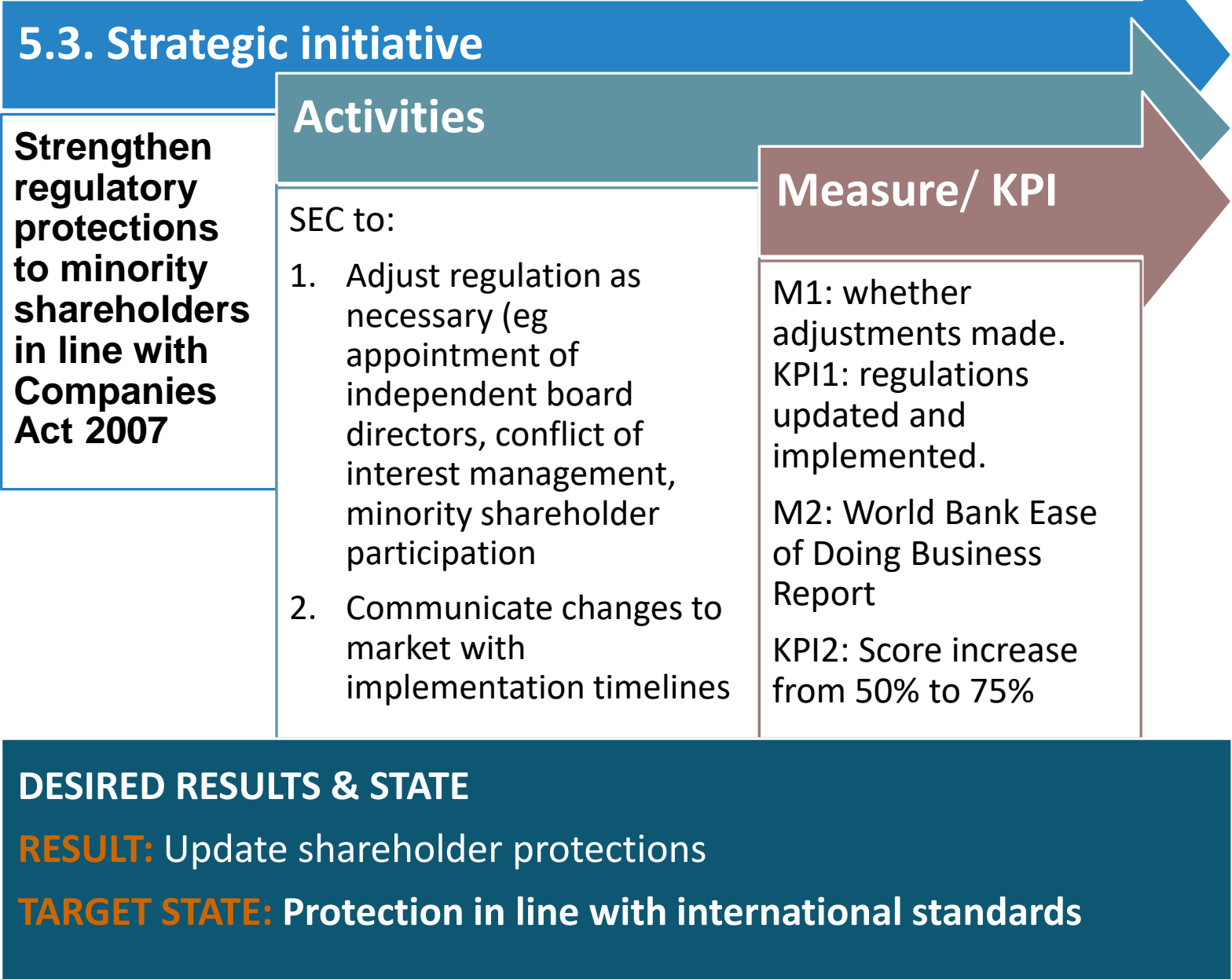
DESIRED RESULTS & STATE

RESULT: Updated legislation that is formally implemented

TARGET STATE: NAPSA funds flowing to a larger range of assets

Enhancing the Capital Market Regulatory Environment

5.3 Strengthen regulatory protections to minority shareholders in line with Companies Act 2007



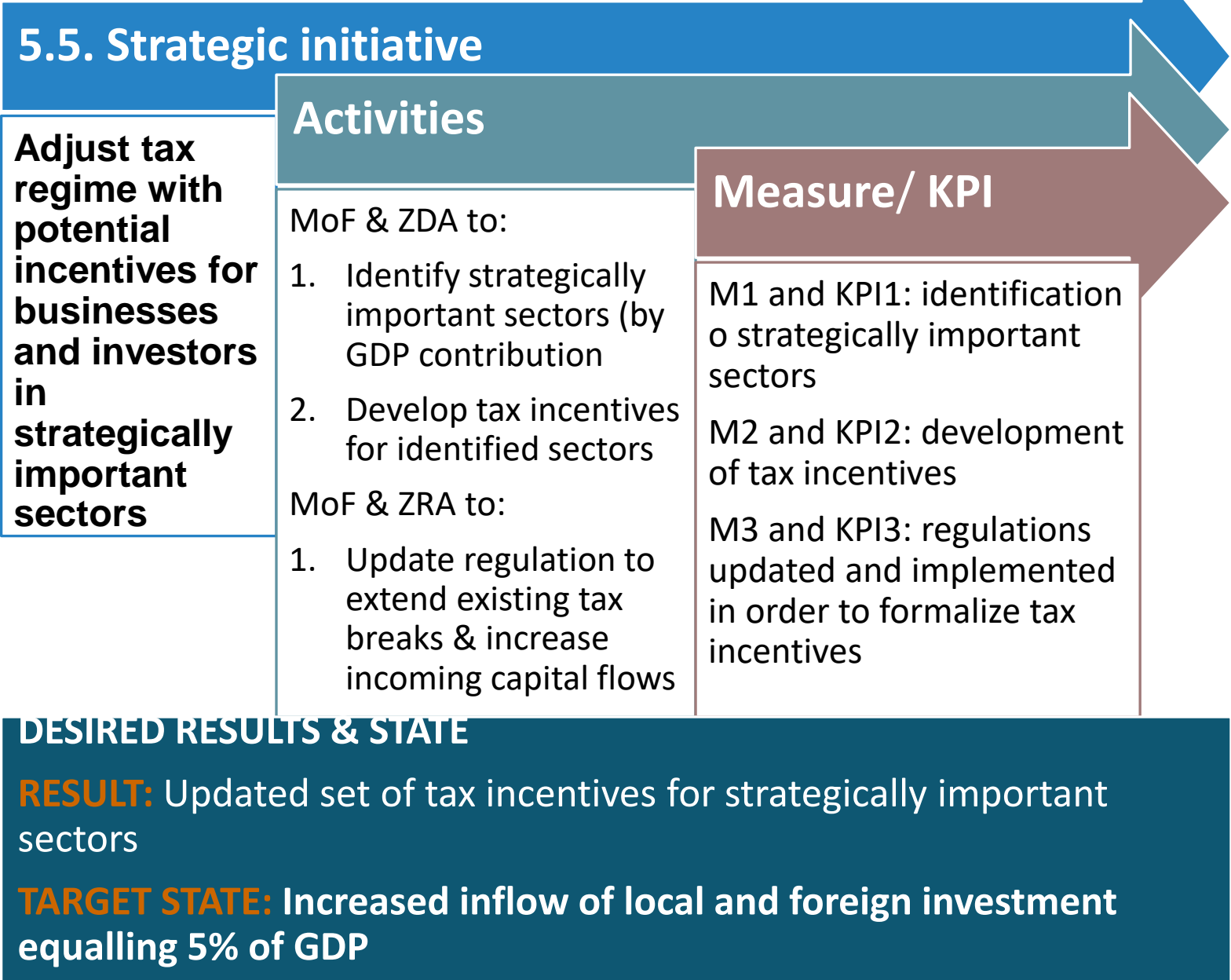
Enhancing the Capital Market Regulatory Environment

5.4 Make protection of foreign investments explicit

5.4. Strategic initiative		
	Activities	Measure/ KPI
Make protection of foreign investments explicit	<p>MoF & ZDA to:</p> <ol style="list-style-type: none"> 1. Develop broad-based foreign investment policy based on int'l best practice 2. Drive updated regulation to remove potential for nationalization eg through stronger property rights 	<p>M1: Completion of policy</p> <p>KPI1: development and implementation of the policy</p> <p>M2: World Economic Forum Competitive rating for property rights</p> <p>KPI2: target of 5 out of 7 on the WEF competitiveness rating</p>
DESIRED RESULTS & STATE RESULT: Explicit protection of foreign investment TARGET STATE: Strong property rights		

Enhancing the Capital Market Regulatory Environment

5.4 Adjust tax regime with potential incentives for businesses and investors in strategically important sectors



Enhancing the Capital Market Regulatory Environment

5.6 Review and develop DTA with key trading partners and opportunities for regional integration

5.6. Strategic initiative		
	Activities	Measure/ KPI
Review and develop DTA with key trading partners and opportunities for regional integration	<p>ZDA to:</p> <ol style="list-style-type: none"> 1. Review existing DTA agreements 2. Identify gaps in current DTA agreements, giving precedence to developing (new) DTAs with key trade partners 	<p>M1: Completion of review</p> <p>KPI1: completed review and identification of expansion opportunities</p> <p>M2: Number of DTAs with major trading partners</p> <p>KPI2: development of DTAs with all major trading partners</p>
DESIRED RESULTS & STATE RESULT: More favourable taxation relationships with Zambia’s key trading partners TARGET STATE: Extension of favourable taxation relationships across all major trading partners		

Enhancing the Capital Market Regulatory Environment

5.7 Develop guidelines for companies seeking long-term financing to prepare audited accounts

5.7. Strategic initiative		
	Activities	Measure/ KPI
Develop guidelines for companies seeking long-term financing to prepare audited accounts	<p>SEC & MoF to:</p> <ol style="list-style-type: none"> 1. Provide guidelines on preparing audited accounts to assist companies with long-term financing compliance needs 2. Host workshops to inform companies about auditing guidelines 	<p>M1: Completion of guidelines</p> <p>KPI1: guidelines completed, best practices identified</p> <p>M2: implementation of guidelines</p> <p>KPI2: guidelines completed and implemented</p>

DESIRED RESULTS & STATE

RESULT: completed guidelines for companies seeking long-term financing to prepare audited accounts

TARGET STATE: Increased number of firms preparing audited accounts

Implementation Timelines

QUESTIONS?

