FUNGIBILITY OF SHARES FREQUENTLY ASKED QUESTIONS

Question: What is Fungibility?

Answer: Fungibility is the ability of a good or asset to be interchanged with other individual goods or assets of the same type.In trading a financial instrument (stock or bond) is considered fungible if it can be exchanged (bought/sold) on one market/exchange and then sold/bought on another market/exchange.
Full fungibility is when a financial instrument (stock/bond) can be sold/bought from one market/exchange into the other and vice versa.Partial fungibility is when shares can only move in one direction.

Question: Which counters are fungible on the ZSE?

Answer: Currently there are three counters which are fully fungible on the ZSE which are Old Mutual Limited (OMU.zw) , PPC Limited (PPC.zw) and Seedco International Limited (SCIL.zw). There is at least a 51% limit of the listed shares that shall remain on the Zimbabwean Register.

Question:Of the counters that are fully fungible on the ZSE, which other stock exchanges are they listed on?

Answer:
- OMU.zw; (JSE, London Stock Exchange, Malawi Stock Exchange and Namibia Stock Exchange)
- PPC.zw; (JSE)
- SCIL.zw; (Botswana Stock Exchange)

Question:Of the counters that are fully fungible on the ZSE,which is the most liquid counter

Answer: Old Mutual Limited is the most liquid company because it is listed on many stock exchanges.

Question: What is Old Mutual Implied Rate (OMIR)

Answer: OMIR is an unofficial rate which is used by investors to compare share price movement of Old Mutual shares on ZSE,JSE and London Stock Exchange. This rate has no official connection with Old Mutual and is informally derived.

Question:How is Fungiblity Regulated on the ZSE

Answer: Fungibility on the ZSE is regulated by RBZ Exchange Control Guidelines and the current directive is Exchange Control Directive GR 699 of June 2016.

Question:What is the Zimbabwe Stock Exchange (‘ZSE’) fungibility approval process

Answer: Before shares are moved out of Zimbabwe, the ZSE first establishes whether the underlying investor is a local or foreign investor. For local investors shares can be sold offshore if there is no local buyer and the price offshore is higher.For foreign investors shares can be moved out of Zimbabwe if it can be established that these shares have been bought by funds which came in through normal banking channels and proof of receipt of funds supported by documentary evidence in the form of copies of inward Telegraphic Transfer.

Investors wishing to transfer shares outside Zimbabwe must approach ZSE through a stockbroker. The broker must submit the following documentation to the exchange before approval is granted:

- Application letter from the broker
- Removal receipt Form
- Transfer Form
- Original share certificates

- Letter from the bank confirming that shares have bought using offshore funds through normal banking channels.

Question: What is the role of the following stakeholders in the Fungibility approval process;

The Reserve Bank of Zimbabwe: approves initial application by the issuer for their shares to be fully fungible and provides procedures and guidelines for trading in dual listed shares on the ZSE.

Zimbabwe Stock Exchange: Assesses and approves any application related to fungibility in line with RBZ Exchange Control Guidelines.

The ZSE monitors the limits on a daily basis to ensure that limits are within the 51% prescribed by the Exchange Control guidelines. The ZSE provides returns to the RBZ on removals that are in and out of Zimbabwe.

Stockbrokers: They advise investors the process of uplifting shares on behalf of the investor in line with ZSE approval processes.

Transfer Secretaries: Responsible for producing share certificates, issuing out transfer securities forms and removal request forms and advising the ZSE the shares that are being removed inwards and agree the running totals with the ZSE.

Listed Companies: Responsible for the initial application to the RBZ for the shares to be fungible up to 51% of the Exchange Control guidelines.