

Securities and Exchange (Zimbabwe Stock Exchange Listings Requirements) (Amended) Rules, 2019

IT is hereby notified that the Securities and Exchange Commission of Zimbabwe has, in terms of section 65 of the Securities and Exchange Act [Chapter 24:25], approved the following rules:—

Title

1. These rules may be cited as the Securities and Exchange (Zimbabwe Stock Exchange Listings Requirements) (Amendment) Rules, 2019.

Preamble

2. The Securities and Exchange (Zimbabwe Stock Exchange Listings Requirements) Rules, 2019 (hereinafter called the “Main Rules”) published in Statutory Instrument 134 of 2019, are amended by the insertion of a new PART XXII as follows-

PART XXII

Exchange Traded Products

Definitions

405. When referring to the listing of Exchange Traded Products (“ETPs”), unless otherwise stated or the context requires otherwise, the following terms will have the meanings set out below:

Term	Meaning
Authorised Directors	any two authorised directors of the issuer. Where the issuer is not a company, two duly authorised persons with corresponding duties and powers as a director in relation to the issuer shall be deemed the authorised directors for the purposes of this section;
Board	means the board of directors, or similar body with respect to a non-corporate entity, of the issuer;
CISA	means the Collective Investment Schemes Act [<i>Chapter 24:19</i>];
Company	an entity whose securities are listed on the ZSE, or on an exchange acceptable to the ZSE and in respect of which Exchange Traded Funds or Exchange Traded Notes are issued, and which entity complies with these listings requirements;
Exchange control	the Exchange Control Department of the Reserve Bank of Zimbabwe;

Exchange Traded Fund or “ETF”	a fully funded (unleveraged) security listed on the ZSE which tracks the performance of a specified security or other assets, which include, but are not limited to, indices, commodities, currencies or any other asset acceptable to the ZSE;
Exchange Traded Note or “ETN”	(1) a listed, senior, non-bespoke, unsubordinated, uncollateralised debt security which represents a contractual obligation made by an issuer to pay the holder a return which is linked to the performance of underlying securities or benchmarks, such as the performance of one or more shares or bonds, an index, an exchange rate or a commodity and are backed by the creditworthiness of the issuer. (2) is a long-term security and the maturity date must be a minimum of 5 years after the date of issue;
Exchange Traded Products or “ETP”	are types of securities that track an underlying security, commodity, index, or financial instrument;
Extraordinary resolution	a resolution passed at a meeting duly convened of the holders of securities, or in writing, by a majority consisting of not less than 75% (seventy five percent) of the holders of such securities present in person or by proxy entitled to vote or if a poll be duly demanded then by a majority consisting of not less than 75% (seventy five percent) of the votes given on such poll;
Guarantor	a third party that provides a guarantee in favour of the investors that the guarantor will honour the obligations of the issuer in the event that the issuer fails to fulfil its obligations in accordance with the terms of the issue of the securities;
IFRS	International Financial Reporting Standards;
Index	a statistical device which summarizes a collection of data, usually related to the price or quantity of a basket of securities in a single base figure;
Index calculator	the party responsible for calculating or administering a given index;

Index product securities	a security constructed to match or track the performance of an index;
Index sponsor	the party responsible for creating an index;
Investor	a person who has subscribed for, or who may potentially subscribe for securities, as well as a holder of securities;
Main Rules	Securities and Exchange (Zimbabwe Stock Exchange Listings Requirements) Rules, 2019;
Management company	an entity appointed to handle a certain pool of resources owned by a given fund, normally managed by a team of experts;
Market maker	is an entity authorised in terms of the Securities and Exchange (ZSE Market Making) Rules, 2019 to always be prepared to buy and sell securities for its own account, at prices it displays in the ZSE trading system, with the primary goal of profiting on the bid-ask spread;
Placing document	the circular which contains the terms and conditions of securities;
Pricing supplement	the final terms of each issue of securities under a programme memorandum;
SECZ	Securities and Exchange Commission of Zimbabwe;

General

406. (1) An issuer wishing to list ETPs must comply with the minimum criteria set out in section 408 and submit its placing document to the ZSE in accordance with the provisions of section 416;
- (2) An ETPs issuer is subject to the provisions of PART II of the Main Rules;
- (3) Once application has been made to and approval granted by the ZSE, the securities will be traded in the same manner as any other securities on the ZSE trading system;
- (4) Trades in ETPs will be settled through a Central Securities Depository “CSD” acceptable to the ZSE. Each issuer of ETP securities must appoint a CSD who will maintain an electronic record of ownership of the securities. Such securities must be freely transferable;
- (5) Subject to PART II of the Main Rules, ETPs may be suspended if the issuer of such securities fails to comply with these Rules;
- (6) ETPs issuers need not comply with PART VI (Methods and Procedures of Bringing Securities to Listing), PART IX (Financial Information), PART X

(Transactions Relating to Acquisitions and Disposals) and PART XI (Transactions with Related Parties) of the Main Rules;

Sponsor

407. The issuer of securities under this section must appoint a sponsor pursuant to PART III of the Main Rules. The sponsor must therefore execute its obligations under the Main Rules. After consultation with the issuer, the ZSE may, at its discretion, instruct an issuer to appoint an independent sponsor.

Criteria for the issuer

408. The ETPs issuer must meet the following criteria, unless specifically exempt by the ZSE in the case of specific securities:

- (a) Must prove to the ZSE that it has the relevant expertise to issue securities or has the access to such expertise;
- (b) The issuer must be in conformity with the applicable laws of its place of incorporation, having obtained all necessary statutory, or other, consents required to apply for and maintain a listing of securities; and
- (c) An issuer must comply with the following provisions of PART V of the Main Rules with respect to Conditions for Listing:
 - Paragraphs
 - 75 Introduction
 - 76 Discretion of the ZSE
 - 77 Conditions applicable to all securities markets
 - 78 Directors
 - 81 Status of the securities
 - 82 Transferability of securities
- (d) An issuer must comply with PART XIX of the Main Rules, in the case of a dual listed or external issuer.

Market Maker

409. The ETPs issuer must:

- (a) appoint a market maker and such duly appointed market maker must undertake to maintain a secondary market in the securities; and
- (b) confirm that it will always in normal market circumstances, endeavour to provide and maintain a reasonable bid and offer. Circumstances when the ZSE may relieve the issuer from its responsibility to maintain a reasonable bid and offer until the issue is resolved include, but are not limited to;
 - i. when there is no bid and offer in the underlying market,
 - ii. when in the opinion of the calculating agent an instrument can be reasonably shown to have no value,
 - iii. when an issuance is sold out and/or the issuer is experiencing technical difficulties.

The ZSE may, in its sole discretion, determine that an issuer be relieved of this responsibility for a specific period or issuance of securities.

Requirements for the placing document

410. The ZSE requires ETP issuers to make use of a placing document that must comply with the following:

- (a) that the placing document be updated by the issuer and approved by the ZSE where changes to the placing document are required; and
 - (b) that any supplementary documents submitted under the placing document must be approved by the ZSE.
411. The placing document must include the following -
- (a) in respect of the issuer:
 - (i) its full name;
 - (ii) its place and date of incorporation;
 - (iii) the full names and addresses of its directors (or in the event that the issuer is not a company, the persons with corresponding duties and powers as a director in relation to the issuer);
 - (iv) a description by the directors of any material changes in the financial or trading position of the issuer since the end of the last financial period for which annual financial statements have been published, or an appropriate negative statement. The board of directors must confirm that the aforementioned material change statement has been made after due and careful enquiry and that there has been no involvement by the auditors in making such statement. Where the auditors were involved, their exact involvement including their scope and conclusion must be clearly explained;
 - (v) information on any legal or arbitration proceedings, including any such proceedings that are pending or threatened of which the issuer is aware, that may have, or have had, a material effect on its financial position, or an appropriate negative statement;
 - (vi) if the issuer obtained a credit rating for the issuer itself or for the placing document, such fact must be disclosed in the placing document;
 - (vii) a description of the rights of the holders of securities in the event of the liquidation and business rescue proceedings of the issuer;
 - (viii) a description of how the proceeds generated from the issuing of the securities will be used by the issuer;
 - (ix) a statement that the ZSE's approval of the listing of the securities is not to be taken in any way as an indication of the merits of the issuer or of the securities, that the ZSE has not verified the accuracy and truth of the contents of the listing documentation and that to the extent permitted by law, the ZSE will not be liable for any claim whatsoever;
 - (x) a limitation of liability provision must be provided in the placing document, that the ZSE takes no responsibility for the contents of the placing document, pricing supplements, or the annual report (as amended or restated from time to time) or the amendments to the annual report, makes no representation as to the accuracy or completeness of any of the foregoing documents and expressly disclaims any liability for any loss arising from or in reliance upon the whole or any part of placing document, pricing supplements, or the annual report (as amended or restated from time to time); and
 - (b) the names and addresses of the advisors and transfer secretaries to the issuer;
 - (c) in respect of any guarantor, the matters listed in section 411(a)(i) to (vi);
 - (d) details of the underlying asset/s in respect of which the securities will be issued, including:
 - (i) any relevant recently published information relating to the underlying asset/s;
 and

- (ii) any other information the ZSE may deem appropriate.
- (e) a statement that the placing document and pricing supplement are available on the issuer's website;
- (f) a statement detailing the risks of investing in securities. This should include details of the trading risk as well as the risk of the issuer not being able to fulfil its obligations, notwithstanding the fact that the issuer will have been obliged to comply with the Main Rules;
- (g) if applicable, the nature of the guarantee, security, and credit enhancement of the issuer;
- (h) disclosure to investors of all possible material risks and uncertainties facing the issuer, the industry in which it operates and the securities themselves;
- (i) the issuer must accept full responsibility for the accuracy of the information contained in the placing document. The placing document must include the following statement:
“The issuer certifies that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading and that all reasonable enquiries to ascertain such facts have been made as well as that the placing document contains all information required by law and the ZSE Main Rules. The issuer shall accept full responsibility for the accuracy of the information contained in the placing document, pricing supplements and the annual financial report, the amendments to the annual financial report or any supplements from time to time, except as otherwise stated therein”;
- (j) any other information that the ZSE may deem appropriate.

Financial information

412. An ETP issuer making application for the registration of a placing document must comply with the following:

- (a) the financial information shall either be included in the placing document or incorporated by reference in the placing document at the time of the listing of the security or registration of the placing document. Where information is incorporated by reference and is made available in electronic form:
 - (i) the documents shall be made easily accessible when accessing the issuer's website;
 - (ii) the documents cannot be modified;
 - (iii) the website shall not contain hyper-links, with the exception of links to electronic addresses where information incorporated by reference is available; and
 - (iv) the investor shall have access to downloading and printing of the documents.
- (b) an issuer making application for the registration of a placing document must have published and submitted financial statements to the ZSE which:
 - (i) have been prepared in respect of at least the last three financial years and the latest audited financial statements of such issuer must be in respect of a period ended not more than 12 months before the date of the placing document;
 - (ii) have been prepared for the interim financial period where the audited financial statements of such issuer are older than 9 months. A review opinion by an external auditor is required on the interim financial information;

- (iii) have been prepared in accordance with Public Auditors and Accountants Board Guidelines and other internationally recognised reporting frameworks;
- (c) notwithstanding the provisions of subsection 412(b)(i), financial statements of an issuer relating to a period shorter than three years may be accepted provided the ZSE is satisfied that:
 - (i) the acceptance of financial statements of the issuer for such shorter period will not prejudice the interests of investors and that investors have sufficient information available to arrive at an informed assessment concerning the financial position and affairs of the issuer and the securities for which the listing is sought; or
 - (ii) the securities for which the listing is sought are guaranteed, provided that the guarantor has complied with section 412.
- (d) where the placing document or issuance of securities is guaranteed, the financial information of the guarantor must be prepared in accordance with subsection 412(b). Such financial information must be made available for inspection at the registered office of the issuer for as long as securities are issued and outstanding under the placing document. The applicant issuer and the guarantor must publish a notice of availability announcement in any national newspaper stating when and where such financial information will be available for inspection; and
- (e) financial information referred to in subsections 412 (b) and 412(c) must be prepared in accordance with IFRS and any other internationally recognised reporting frameworks.

Ancillary documents

413. The placing document must be accompanied by:

- (a) a formal application substantially in form and in accordance with the First Schedule of the Main Rules;
- (b) the pricing supplement (if applicable);
- (c) certified copies of the guarantee and/or the credit enhancement agreement (if applicable);
- (d) the general undertaking by the applicant issuer in the form of a resolution of the Board, certified by the chairman complying with the Seventh Schedule of the Main Rules (or the relevant authorised governing body of the applicant issuer);
- (e) the memorandum of incorporation of the issuer (if applicable);
- (f) the annual financial report of the issuer and guarantor (if applicable) in respect of the periods referred to in subsections 412(b) and 412(c);
- (g) the experts' consent letters (if applicable);
- (h) exchange control approval (if applicable);
- (i) regulatory approval: where regulatory approval for the issue and/or listing of securities is required from other regulators, the ZSE will not grant approval for the issue and/or listing until such time as it receives a copy of the related approval/ruling;
- (j) a draft of the announcement referred to in section 422;
- (k) index licence agreement (if applicable); and
- (l) such other information as may be required by the ZSE.

Requirements for Pricing Supplement

414. The pricing supplement must include the following terms of the issue:

- (a) the initial price level and issued amount (if applicable);
 - (b) in the event of the issuer providing for a cash payment where any one or more holders of securities fail to exercise their rights under the securities prior to the expiry date, a statement on the alternative payment method to be used on the payment date;
 - (c) how corporate actions in the underlying asset or assets and or affecting the underlying asset or assets will influence the rights of the holders of securities;
 - (d) any tax implications;
 - (e) whether or not the holders of securities will receive any distributions receivable on the underlying asset/s and the frequency thereof;
 - (f) the effect of any corporate actions or restructuring by the issuer;
 - (g) a statement that any change in the terms of the securities must be approved by extraordinary resolution, excluding the votes of the issuer, any guarantor and their associates; and
 - (h) a directors' responsibility statement in compliance with subsection 411(i).
415. The contents of the pricing supplement relating to an index and index product securities must include:
- (a) a description of the index, including the name of the publisher of the index, its date of establishment and how it is compiled;
 - (b) the identity of the party that sponsors and/or calculates the index;
 - (c) an explanation of the computation of the index;
 - (d) the frequency with which the index is updated and published;
 - (e) the provisions in the event of modification and discontinuance of the index;
 - (f) the historic highs and lows of the index for the last five years;
 - (g) the closing spot level or closing price at the last practicable date; and
 - (h) authority to use the index from the party that sponsors and/or calculates the index.

Submission process

416. (1) An ETP issuer must comply with sections 354 to 357 of the Main Rules which set out the procedure for approval of documentation;
- (2) The issuer is required to prepare its timetable on the basis that formal ZSE approval shall be obtained not less than ten business days prior to the proposed listing date of the relevant securities.
- (3) An issuer may make use of marketing material to assist with the book building exercise and or auctioning, prior to the ZSE granting its final approval provided that it is not misleading and it is clearly stated in the document that the ZSE's approval has not yet been granted.

Continuing obligations

417. An ETP issuer is required to comply with the following continuing obligations once its securities have been listed:
- (a) in the event that the issuer makes any changes to the placing document or pricing supplement that affect the terms and conditions of the securities or the guarantee, other than minor changes or changes made to correct a manifest error or to comply with mandatory provisions of the law, the applicant issuer must

- obtain approval from holders of securities, holding not less than 75% of the value of a specific class of securities;
- (b) within 3 months after the issuer's year end, update the placing document in the event of a material change and if there have been no changes it must publish a statement on its website that there has been no material changes;
 - (c) submit for publication on the ZSE website, within 24 hours of the issuance of new securities (and, if applicable, guarantees, security or credit enhancements relating thereto), as well as within 24 hours of any amendments to the terms and conditions attaching to existing listed securities;
 - (d) publish on its website, within 3 months after the issuer's financial year end, the annual financial statements for the relevant financial year, which financial statements are required to have been reported on by the issuer's external auditors;
 - (e) submit an announcement to be published on the ZSE website confirming that the information in terms of subsections 417(a) to 417(d) is available on its website;
 - (f) publish a net asset value (NAV) of its listed securities daily on its website;
 - (g) if the issuer obtained a credit rating for the issuer itself or for the placing document, any changes in such rating must be disclosed on the ZSE website;
 - (h) if the issuer fails to comply with subsection 417(d) relating to the publication of annual financial statements, the procedures in terms of sections 40 to 41 of the Main Rules will apply; and
 - (i) the applicant issuer is required to comply with PART IV of the Main Rules, subject to the following exclusions:
 - Section
 - 32(2) – (32)(8) Trading Statements
 - 35 to 39 Interim and preliminary reports and annual financial statements
 - 43 Cash Companies
 - 44 (2) Voting rights
 - 45 Pre-emptive rights
 - 46 Waiver of pre-emptive rights
 - 47 Profit warranties
 - 48 Issues by major subsidiary other than on listing
 - 49 Options for cash
 - 50 Shareholder spread
 - 51 Notification
 - 53 ZSE data portal
 - 54 Press announcements
 - 69 Change in auditor
 - 73 Corporate Governance

Application for additional listing

418. All applications for the listing of additional securities shall be:

- (a) in the case of a subsequent issue of securities under a placing document, made by submitting a draft pricing supplement prior to the issue date (if material amendments are made to the terms of the placing document, a revised placing document must be submitted to the ZSE);
- (b) in the case of a further issue of securities made under an existing issue (tap issue), the issuer will advise the ZSE in writing of the terms of such further issue;

- (c) supported by a duly executed resolution of the board, or legal authority, specifically authorising the subsequent issue and further issue and listing; and
- (d) announced on the ZSE website prior to the issue date of securities.

Changes to existing securities or placing document

419. (1) In the event that the ETPs issuer makes any changes to the placing document or pricing supplement that affects the terms and conditions of the securities or the guarantee, other than changes which are of a formal, minor or technical nature or are made to correct a manifest error or to comply with mandatory provisions of the law, the applicant issuer must obtain approval from securities holders, holding not less than 75% of the value of a specific class of securities.

(2) In the event that the applicant issuer makes any changes to the placing document or pricing supplement:

(a) the ZSE must be notified of the following:

(i) an increase in the authorised amount of the placing document in respect of the original listing. The issuer's written notice to the ZSE must be accompanied by a resolution of the board of the issuer or an appropriate legal authority;

(ii) a change in company information or to provide additional company information, the issuer's written notice to the ZSE must be accompanied by a certified copy of the certificate reflecting this amended or additional information; and

(b) the issuer must request the ZSE's approval for the following:

(i) any changes to the terms and conditions of securities;

(ii) to extend the maturity date of any security, subject to the terms and conditions of the placing document and by extraordinary resolution;

(iii) to increase the amount of issued security, the issuer must provide the ZSE with details of the increase amount, the remaining balance and the proposed effective date of such increase; and

(iv) to reduce the amount of issued securities, the issuer must provide the ZSE with details of the reduction amount, the remaining balance and the proposed date of reduction.

(3) Any corporate action proposed by an ETPs issuer is to be undertaken in accordance with the Main Rules, read with the corporate action timetables contained in the Nineteenth Schedule unless otherwise agreed to by the ZSE.

Circulars

420. An ETPs issuer must comply with the following provisions of PART XII of the Main Rules with regard to circulars:

Sections

274 Contents of all circulars

275 Formal approval

303 Embargo placed on company announcements or circulars

304 Name or logo of broking firm on advertisements and documents

Signing and Dating

421. The placing document and pricing supplements (if applicable) must be signed by the authorised directors or an appropriate legal authority. The signatories shall be deemed to have authorised the publication of the placing document. Every signature to the placing document shall be dated, and the latest of such dates shall be deemed to be the date of the placing document.

Announcements

422. An ETPs issuer must publish the following:
- (1) an announcement, through the ZSE website, which is to be made immediately after the ZSE has approved an application for listing, containing:
 - (a) the full name and place and date of incorporation in respect of the issuer and any guarantor;
 - (b) the period of marketing (if applicable) and the expected listing date;
 - (c) the salient terms of the issue;
 - (d) a statement that ZSE approval for the listing has been granted;
 - (e) the short code under which the securities will trade and the International Securities Identification Number;
 - (f) confirmation that the placing document is available on the issuer's website;
 - (2) an announcement through the ZSE website, which is to be made at least ten business days prior to the expiry date containing:
 - (a) the expiry/maturity date (if any);
 - (b) the date of payment for, and delivery of, the underlying security;
 - (c) any special arrangements (e.g. cash payment or non-election); and
 - (d) such other information as the ZSE may deem appropriate.
 - (3) Any declaration of dividends, interest and other similar payments (distribution payments and cash disbursements to shareholders) by an applicant issuer should immediately be announced as per subsections 287(3)(a) to (c) of the Main Rules.
423. The issuer will also be required to make an announcement should there be any changes in the constituents of the asset pool relating to a corporate action or otherwise (if applicable). Such announcement must be made through the ZSE website and posted on the issuer's website.
424. An ETPs issuer must announce any corporate action or restructuring in the underlying asset/s, provided it affects the listed security. The announcement is to be made at least ten business days prior to the record date of the relevant corporate action or such other date acceptable to the ZSE. The final terms of the amendment must be announced by no later than 10 am on the day prior to the effective date of such amendment.

Basic parameters for securities that track or reference an index

425. If the securities to be listed will track or reference an index it must be issued over an index or index product acceptable to the ZSE in accordance with section 426 and 427 relating to index disclosures and acceptable index calculators.

Index disclosures and acceptable index calculators

General

426. (1) Issuers wishing to list any instruments where an index is referenced must ensure that the ground rules comply with section 427 and ensure that their appointed index calculators must comply with sections 428 to 431.
- (2) Issuers must submit an application to the ZSE illustrating full compliance with sections 427 to 431 prior to the listing of any instrument with an index as underlying.
- (3) Issuers will not be permitted to make use of an index without a valid index license agreement obtained from the index sponsor.

Transparency

427. The construction of the index, including the treatment of various corporate actions (where applicable), must be clearly documented in a ground rule summary document and this document must be publicly available on the issuer's website to ensure full transparency. The ZSE will consider the following principles in determining whether the comprehensive ground rules document is acceptable:
- (a) it must contain the basic constitution of the index and the treatment of all known corporate actions (where applicable) must be clearly disclosed to ensure that such corporate actions are dealt with timeously, objectively and consistently;
 - (b) details of index reviews and their intervals must be clearly disclosed;
 - (c) the ground rules must ensure that the index is free of any type of manipulation by the index calculator or the issuer;
 - (d) it must include details of the process involved when there are changes to the index, including but not limited to any corporate action (where applicable) and how these changes will be communicated to investors;
 - (e) index methodology must be clear and give details of the calculation method, constitution, index rules, index review, changes to the index and the consequences of any changes in the index methodology. This must be in plain English so that it is easily understandable;
 - (f) the use of sole discretion by the index calculator should be limited to avoid any unnecessary movement in the market. Advance communication by the index calculator with the market is imperative;
 - (g) the mathematics applied in the index must match the written description of the index;
 - (h) the index must be replicable as far as practically possible, i.e. investors must achieve the same returns as the index in the open market;
 - (i) any changes pertaining to the index must be published publicly on the issuer's website and in a timely manner, via a notice, for index users to be able to replicate the index as far as practically possible, as must corrected index data in the event of erroneous distribution of data;
 - (j) a clear policy should exist in terms of corrections e.g. how will these be published and how will these be corrected;
 - (k) all instruments in the index must have a reliable and discoverable price that is published;
 - (l) material changes to the index methodology must be communicated to the ZSE, and communication to the market via the issuers' and ZSE websites must be made at least 21 days before implementation;

- (m) a brief explanation, sufficient for an investor to understand how an index was developed, including, at a minimum, the size and liquidity of the market being assessed namely the number and volume of transactions submitted, the range and average volume and range and average of price, and indicative percentages of each type of market data that have been considered in a benchmark determination. Terms referring to the pricing methodology must be included “transaction-based”, “spread-based” or “interpolated/extrapolated”; and
- (n) a brief explanation of the extent to which and the basis upon which expert judgment if any, was used in establishing an index.

Experience

428. The issuer must satisfy the ZSE that its index calculator has adequate experience in calculating indices. The ZSE shall consider the following in considering whether an index calculator has the required experience:
- (a) the index calculator will be expected to have sufficient staff with considerable relevant experience. Experience could include the calculation of in-house benchmarks, custom indices or having worked with or been employed by an acceptable index calculator for a considerable period; and
 - (b) the issuer must prove that its index calculator has enough knowledge and experience in dealing with the impact of corporate actions (where applicable) on indices. This will be achieved by displaying a track record of handling corporate actions (where applicable) that the selected index calculator has dealt with.

Independence

429. The ZSE will have regard to the following principles in considering whether to allow an issuer to appoint an index calculator from which it is not deemed to be independent:
- (a) the department that is responsible for calculating the index must operate separately from the issuer of the instrument;
 - (b) the department responsible for calculating the index must not have any reporting lines into the department responsible for issuing the instrument;
 - (d) a policy must be in place stipulating how matters will be dealt with that are not covered in the ground rules and this policy must ensure that decisions are taken without any consideration to the issuer of the instrument and at all times in the best interest of investors; and
 - (e) disclosure about the relationship must be disclosed in the listing documentation together with details on the index calculator’s ability to act independently.

Technology

430. The issuer must demonstrate to the ZSE that the index calculator has a robust system in place. The ZSE will have regard to the following principles in considering whether the system is acceptable:
- (a) a process must be in place to prevent manipulation of the index system. Confirmation of this must be provided by the issuer to the ZSE;
 - (b) the system must have regularly tested back-ups; and
 - (c) the technology being used must ensure continuity with proper automation and data feeds.

Continuing Obligations

431. (1) The index calculator is approved based on the information presented to the ZSE with the initial application.

(2) In order to maintain standards on a continuing basis the issuer of any securities after due and careful inquiry must notify the ZSE within seven business days of any significant changes including:

- (a) any changes to its key staff responsible for calculating the index;
- (b) any changes to its technology; and
- (c) any changes to its relationship between the index calculator and the issuer of securities and any of its associates.

(3) The issuer of any securities must submit annually in February documentation to the ZSE, illustrating that after due and careful inquiry, the index calculator has had continuous compliance with the guidelines. In the event of a material change to the index methodology or index calculator, it may be necessary to reassess the initial application for approval.

Fees

432. An ETP issuer will be required to pay the relevant fees as determined by the ZSE.

Specific requirements for Exchange traded notes (ETNs)

General

433. (1) ETNs track the performance of a specified security or other assets, which include, but are not limited to, indices, commodities, currencies or any other asset acceptable to the ZSE. The underlying asset or security referred to above must:

- (a) be sufficiently liquid to satisfy the ZSE that there will be proper price formation in the ETN; and
- (b) if the underlying asset or security constitutes an index, such index must be acceptable to the ZSE in accordance with section 425.

(2) ETNs must be open-ended in nature unless otherwise determined by the ZSE.

Criteria for listing

434. (1) The mechanics of the ETN must be satisfactory to the ZSE and must be issued over an asset referred to in section 433;

(2) In the case of ETNs that make provision for distributions to note holders, such distributions must be announced in accordance with the requirements stipulated in the Twenty Fourth Schedule of the Main Rules;

(3) An issuer with or seeking a listing of an ETN on the ZSE is required to comply with and satisfy all applicable Main Rules and as modified by the provisions set out below:

- (a) details of all parties involved in the ETN structure and must give an indication of the cost ratio applicable to the ETN;
- (b) a description of the index, including the name of the publisher of the index, its date of establishment and how it is compiled;
- (c) a description of the constituent stocks (if applicable);

- (d) ETNs must have a net asset value that is calculated in a transparent manner;
- (e) The pricing supplement and marketing material must include a warning statement regarding the credit risk of the issuer and specify the characteristic differences between ETFs and ETNs; and
- (f) every placing document for an ETN issuer must contain a risk statement to the following on the front of the document and may be amended as applicable:

“Prospective purchasers of any securities should ensure that they fully understand the nature of the securities and the extent of their exposure to risks, and that they consider the suitability of the securities as an investment in the light of their own circumstances and financial position. Exchange Traded Notes involve a high degree of risk, including the risk of losing some or a significant part of their initial investment. Potential investors should be prepared to sustain a total loss of their investment in such securities. The securities represent general, unsecured, unsubordinated, contractual obligations of the issuer and rank pari passu in all respects with each other. Purchasers are reminded that the securities constitute obligations of the issuer only and of no other person. Therefore, potential purchasers should understand that they are relying on the credit worthiness of the issuer.”

Daily Publication

435. The ETNs issuer must publish the following details on its website each day:
- (a) the NAV, showing the fair value based on the index level for the preceding day, and the accrued costs incurred in the ETN;
 - (b) the accrued distributions that are distributable to ETN holders, if applicable; and
 - (c) the index level for the preceding day.

Removal of Listing

436. An ETN issuer may make written application to the ZSE for the removal of the listing of any of its securities from the list and/or the deregistration of the placing document stating the time and date it wishes the removal of listing to be effective. The ZSE, subject to the Securities and Exchange Act [*Chapter 24:25*], may grant the request for removal subject to complying with the following, except where all securities are owned by the applicant issuer:

The ETNs issuer must send a circular to the holders of securities stating:

- (a) that the approval must be obtained from holders of securities by way of an extraordinary resolution in a general meeting for the removal of the listing prior to the issuer making written application to the ZSE for such removal. The issuer will be precluded from voting; and
- (b) the reasons for removal.

Specific requirements for Exchange traded funds (ETFs)

General

437. The underlying asset or security tracked by the ETF must be sufficiently liquid to satisfy the ZSE that there will be proper price formation in the ETF.

Criteria for ETF's

438. (1) ETFs must:
- (a) be open ended in nature unless otherwise determined by the ZSE;
 - (b) have a NAV that is calculated in a transparent manner and published on the issuer's website; and
 - (c) be issued over an asset as referred to in section 437.
- (2) The management company of the ETF must prove to the ZSE that it has the relevant expertise to issue securities or has the access to such expertise;
- (3) The legal structure and mechanics of the ETF must be satisfactory to the ZSE. The ZSE must be consulted at an early stage before formal application for listing is made. An ETF structured as a Collective Investment Scheme must also obtain registration as a Collective Investment Scheme in terms of the CISA before formal application for listing is made;
- (4) In the case of ETFs that make provision for distributions to security holders, such distributions must be made on at least an annual basis. Such distributions must be announced in accordance with the requirements stipulated in PART IV of the Main Rules relating to dividends and in accordance with the requirements stipulated in the Nineteenth Schedule of the Main Rules.
- (5) The ETF must be fully covered by the underlying asset or assets that the ETF references at all times.

Removal of Listing

439. (1) An ETF issuer may make written application to the ZSE for the removal of the listing of any of its securities from the list and/or the de-registration of the placing document stating the time and date it wishes the removal of listing to be effective. The ZSE, subject to approval by SECZ, may grant the request for removal, provided that the following procedures have properly been applied and perfected:
- (a) the assets underlying the ETF have been liquidated for the benefit of investors; or
 - (b) an in-specie pro rata distribution of the assets underlying the ETF is made to investors.

Placing documents

440. In addition to the disclosure requirements set out in section 411, an applicant issuer of ETFs must include the following in a placing document:
- (a) a statement to the effect that investors must seek their own independent tax advice;
 - (b) details of all parties involved in the ETF structure and an indication of the cost ratio applicable to the ETF;
 - (c) if applicable, a description of the index, including the name of the publisher of the index, its date of establishment and how it is compiled;
 - (d) a description of the constituent stocks/assets (if applicable);
 - (e) the identity of the party that sponsors and/or calculates the index;
 - (f) an explanation of the computation of the index;
 - (g) the frequency with which the index is updated and published;
 - (h) the provisions in the event of modification and discontinuance of the index; and
 - (i) the authority to use the index from the party that sponsors and/or calculates the index.

Daily publication

441. The ETFs issuer must publish the following details on its website each day:

- (a) the NAV of the security, showing the fair value based on the index level for the preceding day;
- (b) the accrued reserves distributable to ETF holders (if applicable);
- (c) the index level (if applicable) for the preceding day;
- (d) the accrued costs incurred in the ETF (if applicable);
- (e) the index constituents (if applicable); and
- (f) constituent shares applicable to index for creation and redemption purposes.

Creations and redemptions of existing ETF securities

442. Applicant issuers may increase or decrease the issue size of existing ETFs, subject to the submission of a memorandum detailing the specific terms of the increase or decrease in issue size.