

"Capital Markets Investment Basics- SECZ"

Presented By

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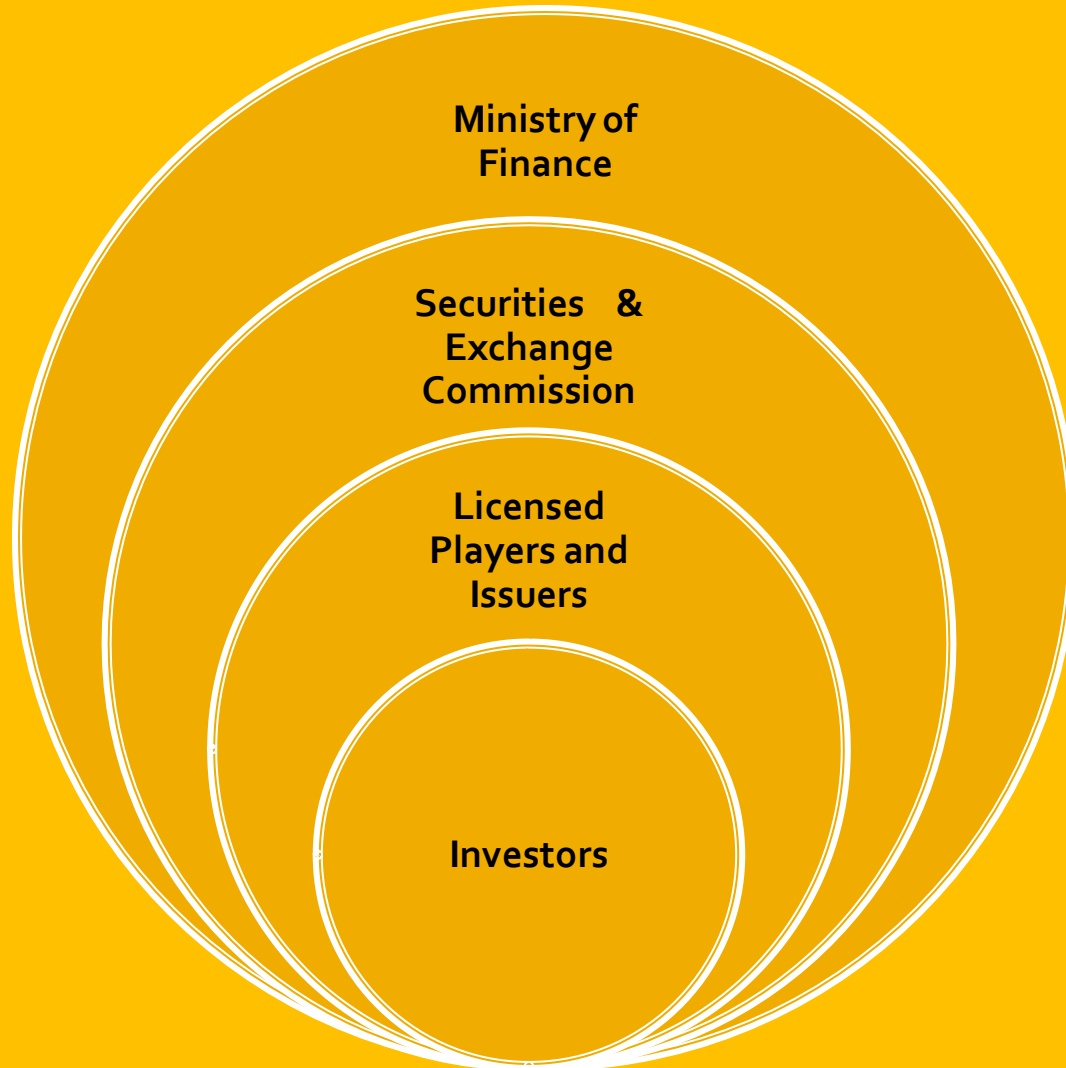
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Outline of Presentation

- **Capital Market Framework**
- **Buying of shares**
- **Benefits and Risks of Investing**
- **Shareholder's Rights and Responsibilities**
- **Conclusion**

Capital Market STRUCTURE



Importance of Capital markets

- Source of long term capital for companies -raise cheaper finance by offering its securities to the public
- An Alternative Way of Investing for the public – through buying and selling of capital market products e.g shares, mutual funds etc

Buying of shares

- Shares represent a unit of ownership in a company
- By buying shares, you become a shareholder with ownership rights to that company
- Shares are traded on the ZSE and to trade in shares, investors should engage the services of securities dealers.
- Ensure that you deal with licensed securities dealers only

Role of Securities Dealers

- Provide a link between the investor and the ZSE,
- Buy and sell shares on behalf of investors
- Advise clients on which shares to buy and sell
- Provide sponsoring brokerage services to companies wishing to list

Investment Process

- Engage licensed securities dealers and complete the account opening process required
- **Broker's note** - After execution of trades, ensure you receive a broker's note
- **Share Certificate** - You will be entitled to a share certificate

Benefits of Investing in shares

- **Ownership rights**- As a shareholder you can influence the company's operations
- **Capital gains** - You make a profit if you Buy shares at low prices and Sell them at high prices
- **Dividends** - When a company makes a profit, the Board of Directors (at their discretion) give a % of the profit to its shareholders.
- **Collateral**- shares can be used as collateral for a loan (Approach your bank for guidance).

Investment Risks

- **No guaranteed returns as share prices fluctuate-** If the share price goes down and you decide to sell ,you make a loss
- **Dividends in their nature are not guaranteed-** depends on management's decisions
- **Delisting of securities** - Due to certain reasons, listed securities can be removed from the ZSE list hence such a share will not be tradable
- **Liquidation-** Upon liquidation, the shareholders would have the last right to claim on company assets after all company's obligation are paid. The worst is if there are no assets left, the shareholders would lose

Investors' Rights

Once you buy shares, it is your right to:

- Adequate, equitable and timely disclosure of accurate material information for informed decision making purposes
- Participate or vote in general meetings, appoint a proxy
- Approve fundamental business decision changes & Question Management
- Receive copies of audited financial statements

Investors' Responsibilities

- **Always deal with licensed players**
- **Be Specific** – when giving instructions on your investments, be clear, and avoid ambiguity.
- **Be informed and vigilant** -. Know capital market rules and regulations governing your investments and seek clarification from SECZ on grey areas. .
- **Keep track of your investments** –Make an effort to understand and follow your investments closely.

Investor Protection Mechanisms

- Regulation of all capital market players and activities through continuous licensing, supervision, surveillance and enforcement
- Investor Protection Fund
- Existence of a Guarantee Fund – to guard against settlement failures
- Capital Adequacy Requirements through SI 100/2010
- Investor Education and Awareness Initiatives

Thank You

