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**Definition of Terms**

“Broker”: Securities Broker

“Dealer”: Securities Trader

“Institute” The Proposed Financial Services Institute of Zimbabwe

“Derivative” A financial contract (instrument) deriving value from an underlying asset or arrangement

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**Abbreviations**

BAZ:	Bankers Association of Zimbabwe
CISNA:	Committee of Insurance, Securities and Non-Banking Financial Authorities
FSIZ:	Financial Services Institute of Zimbabwe
IOSCO	International Organisation of Securities Commissions
NUST:	National University of Science and Technology
RBZ:	Reserve Bank of Zimbabwe
SA:	South Africa
SADC:	Southern Africa Development Community
SECZ:	Securities Commission of Zimbabwe
UK:	United Kingdom
USD:	United States Dollar
UZ:	University of Zimbabwe
ZIM:	Zimbabwe
ZSE:	Zimbabwe Stock Exchange

## 1.0 Introduction

Zimbabwe has always be regarded as one of the most vibrant and developed financial markets in southern Africa outside South Africa. The development in the financial markets, however, has not been guided from a regulatory perspective. Market participants have been making their own concerted efforts to be innovative and dynamic, consequently there have been episodes (limited though) of financial failure by some players in the financial markets. The episodes of failure can be partially attributed to limited regulation (which to a large extent is being addressed) and the professional calibre of personnel who participate in the financial markets. Most players (i.e. brokers and dealers, custodians, back office personnel etc) have not been formally trained. For those who have been formally trained there is no locally set standard that is acceptable as the minimum qualification for them to participate as players in the markets. Most traders have been sitting for basic foundational examinations set by some external institutes particularly the South African Institute of Financial Markets. Some of the qualifications are basic and in most instances would not equip an individual to run complex operations in competitive securities markets. This limitation also hampers the development of markets as players will either resist the introduction of new and complex products or would not be able to develop them. Moreover there are other critical areas that have always remained un-addressed which include risk management and corporate governance, compliance and adherence to internationally acceptable codes of practice. It is in this context that the Securities Commission of Zimbabwe proposes to spearhead the establishment of the Financial Services Institute of Zimbabwe (FSIZ) with the primary purpose of human resources development to buttress other efforts that are directed towards the growth, development and stability of financial markets in Zimbabwe. The proposed institute will address the professional gap that exists between academic training from universities and polytechnic colleges and then skills requirements of the capital markets industry. This institute is not meant to compete with academic institutions but to compliment their efforts by coming up with sector specific human resource development that builds from the foundation of the academia.

## 2.0 Proposed Institute

The Securities Commission of Zimbabwe proposes the setting up of a financial services institute (Financial Services Institute of Zimbabwe) that will act as a standard setter in terms of minimum qualifications that will be required in order for an individual to participate in Zimbabwe's financial markets as a broker, dealer, compliance officer, back office manager, custody officer, transfer secretary, investment analyst, corporate finance analyst etc. The institute shall also undertake short term programmes and workshops to expose market participants to current development in the international financial markets and the regulatory environment. The knowledge and expertise requirements of ordinary investors shall also be addressed. At the core of the institute's activities shall be the provision of learning material through its library facilities (both physical and virtual). The proposed institute shall be a voluntary, *not for profit* organisation which will endeavour to be self sufficient in terms of financial requirements. The organisation shall operate as an independent institution with a separate board of trustees whose composition will be made up of representatives of various organisations that have an interest in the development of financial markets. The institute shall work hand in hand with regulatory organisations in order to coordinate the setting of the minimum qualifications that are relevant in ensuring professionalism and integrity in securities and capital markets.

### 2.1 Other Proposed Names of the Institute

The following are alternative names for the proposed institute:

- i. Institute of Financial Markets of Zimbabwe
- ii. Financial Markets Institute (Zimbabwe)
- iii. Financial Services Institute (Zimbabwe)
- iv. Institute of Securities Traders and Managers
- v. Institute of Investments Markets
- vi. Investment Markets Institute (Zimbabwe)
- vii. Institute of Financial Innovation
- viii. Capital Markets Institute of Zimbabwe
- ix. Securities Markets Institute

### 2.2 Legal Status and Registration Requirements

The institute will be registered with the Ministry of Higher and Tertiary Education in Zimbabwe.

### 3.0 Aims and Objectives

The vision of the proposed institute is:

To be the leading institution in setting standards for personnel in the financial services industry and to play a significant role in the development of financial markets in Zimbabwe and beyond.

In the context of the vision, the key objectives will be:

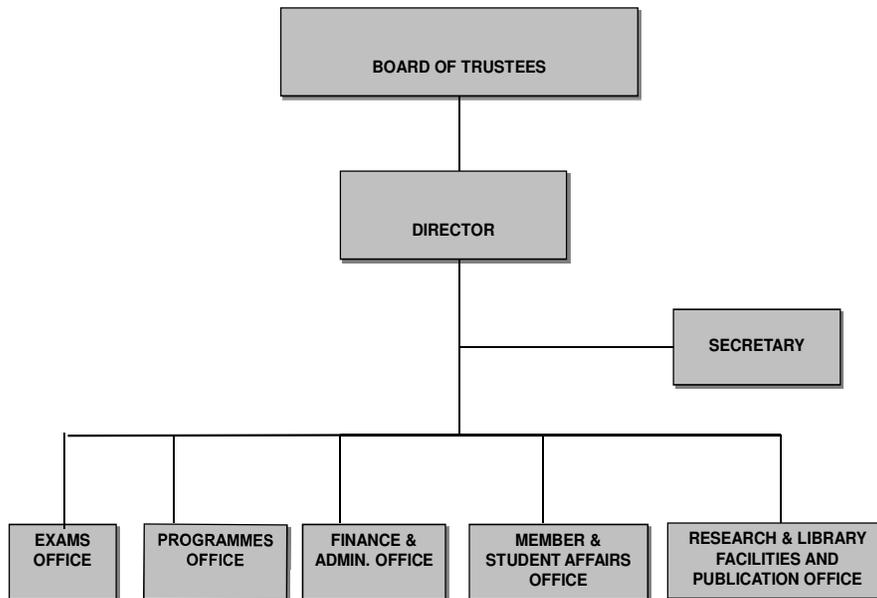
- a) To create internationally recognised qualifications for individuals (personnel) in the financial markets.
- b) Setting minimum standards for players in the financial markets in terms of professional qualifications.
- c) Work together with regulatory institutions in the adoption of internationally acceptable codes of conduct and practice in the financial markets.
- d) Play a significant role in the development of financial markets in Zimbabwe.
- e) Make Zimbabwe a hub of financial innovation and excellence.

### 3.1 Guiding Principles

The following will be the key guiding principles as the institute discharges its mandate:

- a) Professionalism and integrity
- b) Transparency
- c) Fairness
- d) Innovation and dynamism
- e) Synergy and collaboration

## 4.0 Proposed Organisational Structure



***NB:** This proposed structure is a formative structure (at initial stages) which is expected to change over time in line with developments in the local and international markets. There is room for more specialised divisions as the requirements of the financial services industry grow both in size and complexity.*

### 4.1 Board Representation

An appropriate board should be composed of individuals with respectable academic qualifications and related professional experience. The following organisations may need to be represented in the board:

- a) Securities Commission of Zimbabwe
- b) Leading Universities
- c) Banking Sector (BAZ)
- d) Securities Markets (ZSE)
- e) Securities Traders (Stock Brokers)
- f) Central Bank (Financial Markets Division)

It is proposed that a member of the Securities Commission of Zimbabwe chairs the board whilst the deputy is drawn from the academia.

## 5.0 Targeted Audience (Market)

The following groups will be the target market for the institute:

- Securities (Stock) Brokers and Dealers (Traders)
- Investments Analysts
- Commodity Traders
- Investment (Fund and Portfolio) Managers
- Compliance Managers
- Risk Analysts and Managers
- Corporate Finance Analysts and Managers
- Custody Managers and Transfer Secretaries

It is anticipated that at inception, the institute will predominantly be servicing the Zimbabwean market, however interest is likely to be ignited in other regional countries which traditionally have regarded Zimbabwe as an educational and professional hub. The quality of the programmes and the calibre of the facilitators together with aggressive marketing initiatives will see the programmes gaining regional and international recognition.

## 5.1 Membership

Broadly, the institute will have two categories of membership i.e.

- i. Associate members
- ii. Students (Candidates)

Students are those who will be sitting for examinations and associate members are those who will have finished and continue to associate with the institute or others who can qualify against the set criteria (eg good standing in the field and a combination of good related qualifications)

## 6.0 Proposed Marketing Initiatives

### *a) Website*

A comprehensive website will be developed which will act as a marketing tool and a communication tool with various stakeholders both locally and internationally.

### *b) Marketing Brochures*

Tailor made brochures will be developed, targeted at potential and current students and associate members.

### *c) Adverts*

Appropriate adverts will be placed in financial journals, investments and economic journals (or magazines) and newspapers to market the institute and its programmes

### *d) Presentations and contributions to Journals and also the release of the institute's journal.*

## **7.0 Proposed Programmes**

The proposed programmes have been crafted in the context of IOSCO, CISNA (proposed) and local requirements and standards.

### ***7.1 Traders (equity, bond and derivative dealers)***

#### ***7.1.1 Foundational Certificate (to be allowed to trade)***

- i. Financial Markets (Introduction)
- ii. Securities Trading
- iii. Valuation of Securities
- iv. Fundamentals of Accounting (Accounting 1)
- v. Financial Integrity and Ethics

#### ***7.1.2 Advanced Certificate (to be registered as a broker)***

- i. Market Regulation and Corporate Governance
- ii. Technical and Fundamental Analysis
- iii. Electronic Trading and Settlement
- iv. Fundamentals of Risk Management
- v. Private Equity Markets
- vi. Accounting II

#### ***7.1.3 Professional Diploma (to be an executive director in broking firm)***

- i. Derivative Markets
- ii. Global Commodity and Financial Markets
- iii. Market and Liquidity Risk Management
- iv. Portfolio Modelling and Management
- v. Financial Reporting and IFRS
- vi. Corporate Governance and Market Integrity
- vii. Research Project

It is proposed that the certificate stage offers opportunities for exemptions for those who would have covered certain subjects in programmes that are approved by the institute. The

exemptions will be on a subject by subject basis and not on a whole sale basis (i.e. exempting the whole certificate).

The diploma stage will not offer any exemptions and should form the basis upon which graduates can hold certain senior positions in the regulated capital markets industry (e.g. director of a stock broking firm).

## **7.2 Investments and Corporate Finance Analysts**

### ***7.2.1 Foundational Certificate***

- i. Financial Markets
- ii. Financial Integrity and Ethics
- iii. Securities Trading
- iv. Valuation of Securities
- v. Accounting 1

### ***7.2.2 Advanced Certificate***

- i. Accounting II
- ii. Creative Accounting
- iii. Financial Statements Analysis and IFRS
- iv. Financial Risk Modelling
- v. Corporate Finance I
- vi. Financial Due Diligence

### ***7.2.3 Professional Diploma***

- i. Derivative Pricing
- ii. Corporate Restructuring
- iii. Global Markets Analysis
- iv. Financial Engineering
- v. Advanced Corporate Finance
- vi. Market Intelligence
- vii. Research Project

A minimum qualification for entry into these programmes should be an academic or professional qualification that will encompass accounting subjects, particularly accounting 1 and 2 levels. These programmes will be targeted at people who want to be engaged as analysts in the stock broking environment and investment management firms. Analysts who also wish to be involved in capital markets should undertake such programmes.

### **7.3 Back Officers, Custodians and Transfer Secretaries**

#### ***7.3.1 Foundational certificate***

- i. Financial Markets
- ii. Back Office Procedures
- iii. Share Register Management
- iv. Financial Accounting 1
- v. Financial Integrity and Ethics

#### ***7.3.2 Advanced Certificate***

- i. Electronic Trading and Settlement
- ii. Derivative Markets and Instruments
- iii. Financial Law
- iv. Financial Accounting 2
- v. Corporate Governance and Ethics
- vi. Financial Services Regulation

### **7.4 Investment Managers (Fund and Portfolio Managers)**

#### **7.4.1 Foundational Certificate**

- i. Financial Markets
- ii. Valuation of Securities
- iii. Financial Accounting I
- iv. Portfolio Administration
- v. Financial Ethics and Integrity

**7.4.2 Advanced Certificate**

- i. Investment Analysis
- ii. Institutional Investment
- iii. Management of Collective Investments
- iv. Financial Risk Management
- v. Collective Investments Regulation

**7.4.3 Professional Diploma**

- i. Portfolio Risk Modelling
- ii. Global Portfolio Management
- iii. Hedge Funds and Sovereign Funds Management
- iv. Financial Statements Analysis and IFRS
- v. Corporate Governance and Financial Integrity
- vi. Global Commodity Markets
- vii. Research Project

**7.5 Compliance Managers (Officers)****7.5.1 Foundational Certificate**

- i. Financial Markets
- ii. Accounting I
- iii. Financial Integrity and Ethics
- iv. Financial Regulation
- v. Introduction to Financial Risk Management

**7.5.2 Advanced Certificate**

- i. Compliance Risk Management
- ii. Operational Risk Management
- iii. Securities Trading and Settlement
- iv. Corporate Governance and Ethics
- v. Capital Markets Regulation

## **8.0 Other Short Term Programmes**

### **8.1 Refresher Courses**

The Institute shall periodically hold refresher courses for both professional and non professionals on topical issues pertaining to:

- a) Risk Management
- b) Regulation and Compliance
- c) Financial innovation
- d) Market integrity
- e) Investments (portfolio) management
- f) Financial literacy

### **8.2 Investors Education**

The institute shall also undertake programmes that are targeted at the investing public with the aim of increasing awareness of the capital and securities markets and also enhancing the investment knowledge of the general investor. The proposed programmes include the following:

- Financial literacy training
- “Getting started” in Securities markets: Programmes
- Investment awareness campaigns (social responsibility)
- Shareholder activism programmes

Some of the programmes will be undertaken in association with organisations that are interested in investor protection and education.

### **8.3 The Financial Journal**

The proposed institute shall produce a financial journal that will target the audience identified in 5.0 above and other interested professionals. The journal will cover critical issues which include:

- a) Development of financial markets
- b) Investor education
- c) Financial stability
- d) Risk Management

- e) Regulation of Financial markets
- f) Financial innovation
- g) Investments Management etc

### 9.0 Delivery Strategies

In order to produce graduates who are knowledgeable, various approaches will be adopted in the delivery of leaning material and these will include:

- a) Lectures
- b) Presentations
- c) Group discussions
- d) Observation Tours (learning by observing)
- e) Videos and CDs
- f) Library Facilities
- g) Learning modules

For certain programmes, lectures and presentation may be delivered in several countries (including observation tours).

### 10.0 Library Facilities

The institute shall endeavour to create its own library facilities for both hard copy and soft copy reading material. Initially the institute will partner with institutions that already have existing library facilities for the benefit if its members. The institute shall also create reading material in the form of modules which will be distributed in soft copy or hard copy form.

### 11.0 Indicative Material Requirements

Item	Description	Quantity
Vehicles	Utility	4
Laptops		5
Desktops	P5s	5
Printers	Heavy Duty	1
Printers	Office Colour	4
Photocopier	Heavy Duty	1
LCD projector		2
Server		1
Website	Interactive	1
Desks & Chairs	Set (A desk and 3 chairs)	10
Telephone lines		10
Switchboard		1

*NB: This is an indicative position which will be further developed further upon adoption of the proposal*

## **12.0 Staffing Requirements**

At formative stages the following personnel will be key:

- i. \*Director
- ii. Secretary
- iii. \*Examinations Coordinator (plus two other officers)
- iv. \*Programmes Coordinators (plus two other officers)
- v. Members and Student Affairs Coordinator
- vi. \*Finance and Administration officer
- vii. Research and Publications Coordinator

At least five key (\*) people will need to be in place to kick start operations of the Institute. The institute is not expected to take on more than 20 permanent staff members when fully functional.

## **13.0 Funding**

It is anticipated that the institute will be financially self sufficient in the medium to long run. Revenue will be generated from the following:

- Membership (subscription) fees
- Registration fees
- Examination fees
- Sales of reading material
- Revenue from short courses and workshops and
- Consultancy fees

Because the Institute is not expected to be self sufficient in the short term (at least the first 12 months) it is proposed that various interested institutions (organisations) be approached for initial capital injection. The funding is estimated at USD 250 000 to kick start operations and put in place the requisite infrastructure. Other interested parties will be courted to invest in

the project both materially and financially if their objectives are in line with the objectives of the institute.

#### **14.0 Proposed Premises**

It is proposed that the Institute initially be housed at the Securities Commission Offices (on a lease basis) for administration and formation, with lectures and workshops being held at outside venues such as the University of Zimbabwe, Harare Institute of Technology, ST Lucia Park or other private places depending on the nature of each programme.

#### **15.0 Proposed Key Alliances & Recognition of Qualifications**

It is *proposed* that the institute forges alliances with the following institutions

- a) The Securities Commission of Zimbabwe
- b) Investor Protection Board (Fund)
- c) Zimbabwe Stock Exchange
- d) A Local University
- e) Reserve Bank of Zimbabwe
- f) South Africa Institute of Financial Markets (SA IFM)
- g) Institute of Securities Markets (UK)

The institute will endeavour to produce qualifications that will be recognised in Zimbabwe, regionally and internationally. It will therefore be critical for the institute to have regional and international alliances so that the qualification is either endorsed by other organisations or candidates will be given exceptions if they decide to sit for examinations with other institutes. Such recognition will however be achieved over time as other institutes gain confidence in the quality of the output from our proposed institute.

#### **16.0 Proposed Key Facilitators**

The institute will endeavour to engage professional facilitators, examiners, tutors and lectures who possess the following attributes:

- At least a masters degree (plus a first degree) in a related field.
- Be a member of a professional body in finance, banking or accounting fields
- Have a lecturing, tutoring or examining background with reputable institutions
- Possess professional experience with reputable organisations

- Have made contributions to journals, newspapers or magazines
- Have international experience or exposure of the working of capital markets.

### 17.0 Implementation Draft Plan

Activity	Target Completion Date	Responsible Person
Draft Plan	15 May 2010	
Draft Plan Circulation	31 May 2010	
Adoption of Plan	15 June 2010	
Office setup	30 July 2010	
Engagement of Director	30 August 2010	
Launch	30 September 2010	
Programmes	30 October 2010	
Intake	31 December 2010	
First Exams	March 2011	