



**Guide to listing of Depository  
Receipts on the Victoria Falls  
Stock Exchange**

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## **1.0 Introduction**

The VFEX listing rules define a Depository Receipt or “DR” as an instrument representing an issuer’s securities, where the instrument confers rights in respect of such securities. DRs are issued by a local depository to local investors either against the foreign issuer’s shares registered in the depository’s name or against the physical delivery of the foreign issuer’s shares registered in the issuer’s name to the depository.

## **2.0 Advantages of Depository Receipts**

### **2.1 Exposure to international securities**

Investors can diversify their investment portfolio by gaining exposure to international securities, in addition to locally issued securities.

### **2.2 Additional sources of capital**

DRs provide international companies a way of raising more capital by tapping into the global markets.

### **2.3 Less international regulation**

Since DRs are traded on a local stock exchange, investors do not need to worry about international trading policies and global laws.

Although investors will be investing in a company that is in a foreign country, they can still enjoy the same corporate rights, such as being able to vote for the board of directors.

## **3.0 Disadvantages of DRs**

### **3.1 Higher administrative and processing fees**

There may be higher administrative and processing fees because of the need to compensate for custodial services from the depository.

### **3.2 Greater risk from exchange rate fluctuations**

There is a higher risk due to volatility in foreign currency exchange rates. For example, if an investor purchases a depository receipt that represents shares in a British company, its value will be affected by the exchange rate between the British pound and the USD which is the trading currency on the VFEX.

## **4.0 DR listing process**

An Issuer or depository that wants to list a DR on the VFEX must follow the steps outlined below

#### **4.1 Discussions with the foreign issuer**

The local depository must engage the foreign issuer at an early stage when considering listing a DR. The engagement will enable the issuer to get the perception of the foreign issuer on the DR listing

#### **4.2 Discussions with the VFEX**

When an entity is considering listing a DR, it is advisable to engage the VFEX at an early stage. This engagement will enable the issuer and depository to get VFEX comments on the prospects for listing for the entity.

#### **4.3 DR agreement**

The VFEX issuer must enter into a formal agreement with a foreign issuer which permits the VFEX issuer to list Depository Receipts on the VFEX.

#### **4.4 Internal Approvals**

Once the engagements with the VFEX and the foreign issuer indicate that listing is possible, the next step is to secure internal approvals. Ultimately a board resolution will be required and depending on the memorandum and articles of the company, shareholder approval may also be required.

#### **4.5 Appointment of professional advisors**

After internal approvals, the entity seeking a listing is advised to engage professional advisors as follows:

##### **a) Sponsors**

An issuer must appoint a sponsor who will be responsible for

- i. All communication with the VFEX;
- ii. The lodging with the VFEX of all documents supporting the application; and
- iii. Seeking the VFEX's approval of listing particulars

A list of eligible sponsors is available on the VFEX website.

##### **b) Legal advisor**

Issuers are also advised to appoint a competent legal advisor. The legal advisor's main responsibilities include:

- i. Assisting with the drafting of the listing documentation to ensure that all legal requirements are complied with;
- ii. If there is an underwriting or a placing to be done, drafting the necessary agreements.

c) **Accountant**

The VFEX requires an accredited independent accountant (a registered accountant and auditor) to report in the prospectus or pre-listing statement, inter alia, on the profits of the company and the financial position of the company over the previous three years.

d) **Transfer secretary**

Transfer secretaries are responsible for setting up the company's register of members, the issuing of share certificates, the registration of transfers and the mailing of company circulars.

## **5.0 Obligations of the issuer**

An issuer must

- a) Demonstrate to the VFEX that it meets the listings requirements.
- b) Be in full compliance with all the requirements of the exchange on which it has its listings; and
- c) Make arrangements to the satisfaction of the VFEX to ensure that sufficient DRs are available on the Zimbabwean DR register.

## **6.0 Obligations of depository**

- a) The depository must satisfy the VFEX that it has the relevant expertise to arrange an issue of DRs or has access to such expertise.

## **7.0 The listing requirements of DRs**

- a) The DRs must be sponsored. A sponsored DR is established at the direction of an issuer and in accordance with a deposit agreement between the issuer and the depository.
- b) The DRs must be issued by a depository that is independent of the issuer;
- c) The securities of the issuer must be held by a trust administered by independent trustees representing the interests of the holders of the DRs.
- d) The depository must hold in trust, for the sole benefit of the holders of DRs, the securities to which the DRs relate, all rights relating to the securities and all the money and benefits that it may receive in respect of them.
- e) The DRs must be fully covered at all times. A fully covered DR means at all times the issued DRs represent the issuer's underlying securities held by the depository or its custodian, or any collateral held in terms of any pre-release arrangement;
- f) The DRs must be fully paid up and freely transferable;
- g) The securities which the DRs represent must be free from all liens and any restrictions on the right of transfer to the depository;

- h) There must be a duly signed deposit agreement in place between the issuer, the depository and the custodian, if applicable; and
- i) **20 per centum** of the DRs must be held by the public and the DR holders must be **at least 50**

## **8.0 Depository agreement**

The deposit agreement must provide for

- a) the appointment of the depository by the issuer with authorisation to act on behalf of the issuer in accordance with the deposit agreement;
- b) The role of the depository to issue DRs as agent of the issuer and to arrange for the deposit of the securities which the DRs represent;
- c) The duties of the depository, which must include the duty to keep in Zimbabwe and make available for inspection a register of holders of DRs;
- d) The role and duties of the custodian, if applicable;
- e) The right of DR holders to surrender DRs to be cancelled in exchange for the delivery of the shares which the DRs represent;
- f) The right of DR holders to corporate action entitlements;
- g) To the extent applicable, the right of DR holders to exercise the voting rights attached to the securities represented by the DRs;
- h) The conditions and processes for the issue of new DRs if any DR instrument is lost, destroyed, stolen or mutilated;
- i) The obligations of holders of DRs, including any liabilities for taxes and other charges;
- j) The obligation to inform DR holders in advance of, and to seek their prior consent to, any material changes to their existing rights and obligations under the deposit agreement by achieving a *75 per centum* majority of the votes;
- k) Procedures for the amendment of the deposit agreement; and
- l) The governing law of the deposit agreement. If that law is not Zimbabwean law, it must be one that is generally used in accordance with international practice and is acceptable to the VFEX.

## **9.0 Pre-listing statements**

An issuer must produce a pre-listing statement or prospectus and, in addition to the requirements of a pre listing statement in part VII of the VFEX listing rules, include the following

- a) In respect of the issuer and the depository
  - i. Their full names;
  - ii. The place and date of their incorporation;

- iii. The full names and addresses of their directors or, if the issuer is not a company, the persons with corresponding duties and powers in relation to the issuer of the DRs;
- b) a statement that
  - i. The VFEX’s approval of the listing of the DR is not to be taken in any way as an indication of the merits of the issuer or of the DR;
  - ii. The directors verified and are responsible for the accuracy and truth of the contents of the documentation; and
- c) the names and addresses of the advisers and transfer secretaries of the issuer, if any;
- d) an explanation of the tax implications to the DR holder; and
- e) a risk statement on the front of the pre-listing statement substantially to the effect that—

*“Prospective purchasers of any DRs must ensure that they understand fully the nature of the product and the extent of their exposure to risks and that they consider the suitability of DRs as an investment in light of their own circumstances and financial position”;*

- f) full details of the deposit agreement as required by section 394 of the VFEX listing rules; and
- g) Any other details that the VFEX may consider appropriate.

## **10.0 Continuing obligations**

The issuer must ensure

- a) the continued suitability of the DR for listing;
- b) that prior notification, in accordance with the procedures outlined in the deposit agreement, is given to holders of DRs of any material change to the deposit agreement;
- c) that application is made for the additional listing or withdrawal of listings of DRs in compliance with these rules;
- d) that the pre-listing statement or prospectus and the deposit agreement is made available on the issuer’s and depository’s websites;
- e) that a quarterly report is made to the VFEX giving a reconciliation of the amount of DRs outstanding at that time, the amount of underlying securities that such DRs represent and confirmation that the amount of DRs in issue did not exceed the authorised amount at any point in time during the quarter, in terms of the DR listing documentation;
- f) compliance with the provisions set out in section 383 of the VFEX Rules; and
- g) Where the DRs must be held in dematerialised form, that the issuer or the depository are approved by and comply with the central securities depository rules and directives.

## 11.0 Listing fees

The following are inspection and listing fees (*excluding taxes*):

### 11.1 Document review fees

The issuer will be required to pay applicable document review fees when they submit their documents for review to the VFEX. The table below shows the document review fees

<b>Review of Listing Particulars</b>	
<b>Articles of association</b>	
per new listed company	USD500
per subsidiary of a listed company	USD500
re-examination fee, per company	USD200
minor amendments	USD100
<b>Trust deed</b>	
per new trust deed	USD500
re-examination fee of existing deed requiring securities holders approval	USD200
minor amendments of existing deed not requiring securities holders approval	USD100
<b>New listing</b>	
Includes pre-listing statement, excludes articles of association and trust deeds	5,000
<b>Other fees</b>	
Change of name	USD200
Share Capital- cancellation or withdrawal of securities	USD100
Termination of listing	USD1,000

## 11.2 Initial Listing Fees (USD)\*

In order for the issuer's securities to be admitted on the VFEX board, they will be required to pay initial listing fees

### a. Initial Listing Fees (Excluding VAT)

The initial listing fees are calculated based on the market capitalisation of the DR. The table below shows how the listing fees will be calculated.

Tier	Market Capitalization - USD		Fee USD
	From	To	
1	-	2,500,000	2,000
2	2,500,001	10,000,000	3,500
3	10,000,001	15,000,000	5,000
4	15,000,001	25,000,000	6,500
5	25,000,001	50,000,000	8,000
6	50,000,001	130,000,000	9,000
7	130,000,001	250,000,000	11,000
8	250,000,001	500,000,000	12,000
9	500,000,001	700,000,000	13,000
10	700,000,001	1,000,000,000	14,000
11	1,000,000,001		15,000

### b. Annual Listing Fees (excluding VAT)

The listed DRs are subject to annual listing fees that are calculated based on the market capitalisation. The table below shows the detailed annual listing fees on the VFEX

Tier	Market Capitalization - USD		Fee USD
	From	To	
1	-	2,500,000	2,500
2	2,500,001	10,000,000	3,500
3	10,000,001	15,000,000	5,000
4	15,000,001	25,000,000	6,500
5	25,000,001	50,000,000	8,000
6	50,000,001	130,000,000	9,000
7	130,000,001	250,000,000	11,000
8	250,000,001	500,000,000	12,000



<b>9</b>	500,000,001	700,000,000	13,000
<b>10</b>	700,000,001	1,000,000,000	14,000
<b>11</b>	1,000,000,001		15,000

**c. Additional Listing Fees\***

- 0.001% of the value of securities subject to a maximum fee of USD15,000 prorated from the date of listing to the next billing date.

\* Notes

The monetary value of securities for which application for listing is made will be determined as follows:

- i. the number of securities for which application for listing is made multiplied by the price per security;
- ii. in respect of capitalisation issue, where no market related price is attributable to the securities to be listed, they will be deemed to have a value calculated by multiplying the number of securities listed by the closing price on the declaration date; and
- iii. in respect of introductions, where no price is attributable to the securities, they will be deemed to have a value calculated by multiplying the number of securities listed by the closing price on the first day of trading.
- iv. In respect of each class of security listed, an annual listing fee shall be payable (except during the calendar year in which the first listing of securities is granted) based on the market capitalization value as at 30 November of the preceding year.

**Contact details**

Website: [www.vfex.exchange](http://www.vfex.exchange)

Email: [info@vfex.exchange](mailto:info@vfex.exchange)

Phone: +263 832840630/1

Facebook: Victoria Falls Stock Exchange

Twitter: @VFEX\_ZW

LinkedIn: Victoria Falls Stock Exchange

Address: Shop 1, Stand No 305, Victoria Falls Township  
Victoria Falls