VICTORIA
FALLS
STOCK
EXCHANGE

RULES ON
CONTRACTS FOR DIFFERENCE (CFD)

First Issues	**11 November 2022**

LIST OF REVISION

Revision Series	Revision date	Effective date of revision	Series Number

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PART I

PRELIMINARY

Title

1. These Rules may be cited as the Securities and Exchange (Victoria Falls Stock Exchange Contract for Difference) Rules, 2022.

Interpretation

2. In these rules –

Broker	means a person or entity licensed as a securities dealer under the Securities and Exchange Act [Chapter 24:25];
business day	means any day except a Saturday, Sunday or any public holiday.
CFD or Contract for Difference	as defined in the Securities and Exchange Act (Chapter 24:25) Section 2, under the definition of security on paragraph (e)
disclosure document	means any document that is intended to induce a person to subscribe for or purchase Contract For Difference Securities.
initial margin	means the amount a client must deposit with their Broker to initiate a trading position.
Mark to Market	means the accounting process that measures the real-world value of trades. It shows whether a client has made a profit or a loss on a trade at a particular point in time
Open Position	means any established or entered trade that has yet to close with an opposing trade. An open position can exist following a buy, a long position, a sell, or a short position

PHS or Product Highlights Sheet	means a document that contains clear and concise information of the salient features of the CFD.
Rehypothecation	means the practice whereby brokers utilize assets that have been posted as collateral by their clients.
SECZim	means the Securities and Exchange Commission of Zimbabwe.
Stop Loss Measure	means a type of order used by Clients of the Broker to limit their loss or lock in a profit on an existing position.
trading halt	means the temporary stopping of trading in a particular security during a trading session other than by reason of suspension of that security with the objective of maintaining a fair, efficient and orderly securities trading environment.
underlying instrument	means instrument on which a CFD price is based on.
VFEX	means the Victoria Falls Stock Exchange Limited
White Label Agreement	means an agreement entered by a Broker to market another broker's trading platform as if it were their own

PART II

Authority of the VFEX

3. Subject to section 65 of the Securities and Exchange Act [Chapter 24:25], the VFEX has authority to carry out the following functions—

   3.1. Take appropriate action for any breach or non-compliance with these Rules

   3.2. Take into account the failure on the part of the Broker to observe these Rules in the annual assessment of the Broker.

   3.3. Where it deems appropriate, the VFEX may, upon application by the Broker, exempt or vary any requirements in these Rules.

PART III
PRODUCT PARAMETERS

4. Underlying instruments

4.1. A Broker is only allowed to offer CFD based on shares or indices that meet the criteria set out in paragraphs 4.2 to 4.4 below.

4.2. In the case where the underlying instrument is a share listed on the VFEX:

4.2.1. the share should be listed on the Equities Board

4.2.2. the underlying company should have an average daily market capitalisation, excluding treasury shares, of at least–

4.2.2.1. USD 3 million in the past three months ending on the last market day of the calendar month immediately preceding the date of offer; or

4.2.2.2. in the case of a newly listed company that does not meet the 3‐month market capitalisation track record, USD5 million; and

4.2.2.3. The underlying company must meet the public shareholding spread requirements in line with the VFEX Listing Rules at the date of offer.

4.3. In the case where the underlying instrument is a share that is not listed on the VFEX–

4.3.1. The underlying company should be listed on an exchange in a jurisdiction where the capital market regulator is a signatory of the International Organization of Securities Commissions multilateral memorandum of understanding (IOSCO MMoU) concerning consultation and co‐operation, and the exchange of information among securities regulators

4.3.2. The underlying company should have an average daily market capitalisation equivalent to at least–

4.3.2.1. USD 3 million in the past three months ending on the last market day of the calendar month immediately preceding the date of offer; or

4.3.2.2. In the case of a newly listed company that does not meet the 3‐month market capitalisation track record, USD5 million;

4.3.2.3. The underlying company must be in compliance with the listing rules and requirements of its primary exchange at the date of offer; and

4.3.2.4. Information on the share price, share volume, financial information and price‐sensitive information in relation to the underlying company must be available to investors.

4.4. In the case where the underlying instrument is an index –

4.4.1. The constituents of the index must be listed on a securities exchange in or outside Zimbabwe; and

4.4.2. The index must meet the following criteria:

4.4.2.1. is broad based;

4.4.2.2. has a transparent composition;

4.4.2.3. is a recognised benchmark; and

4.4.2.4. the information on composition and performance of the index must be conveniently accessible by investors.

4.5. In the case where the underlying instrument is a currency-

4.5.1. The currency pair should be quoted by major international banks

4.5.2. There should be no restriction on the trading of the currency pair.

5. Margin requirements

5.1. The minimum margin requirements for different types of CFD is dependent on the underlying instrument as follows:

Types of CFD	Minimum margin	Maximum Leverage
Single share CFD	• 10% for index shares • 20% for non index shares	• 1:10 • 1:5
Index CFD	• 5%	• 1:20
Currency	• 1%	• 1:100

6. Underlying instruments that are suspended, halted or delisted

6.1. When there is a trading halt on the underlying instrument, or when the trading in the underlying instrument has otherwise been suspended or delisted in accordance with the rules of the relevant securities exchange, the Broker is prohibited from creating new CFD positions in that instrument.

6.2. A Broker must provide its clients with clear and sufficient information on its procedure to address open positions on CFD where the underlying instrument is suspended, halted or delisted.

7. Stop loss measures

7.1. A Broker must make available stop loss measures for its clients.

7.2. In relation to a stop loss measures a Broker must set out clear information, including additional cost imposed, if any.

8. Mode of settlement

8.1. A CFD must only be settled in cash and not by delivery of the underlying instruments.

9. Voting Rights

9.1. A CFD (where the underlying is a share) offered shall neither carry any voting rights nor embedded options for the conversion into the underlying shares.

PART IV:

BROKER REQUIREMENTS

10. Licensing requirements

10.1. The offering of CFD shall only be done through a Stockbroking Firm which is a member of the VFEX and licensed by SECZim.

11. Risk management practices

11.1. A Broker must practice the basic principles of prudence and ensure that it has–

- 11.1.1. adequate infrastructure for risk management including processes and contingency arrangements for business continuity and disaster recovery in the event the Broker is unable to carry out its operations;
- 11.1.2. adequate risk management processes that integrate prudent risk limits, continuous risk monitoring and regular management reporting; and
- 11.1.3. comprehensive internal control and audit procedures.

11.2. The board of directors and senior management of the Broker must ensure that adequate personnel are in place with the necessary skills and knowledge to perform the risk management function. Any resignation of staff must not leave a gap in the capability of the Broker to manage risks.

11.3. The board of directors and senior management of the Broker must approve written policies and procedures which describe the overall framework for managing risks including the following aspects:

- 11.3.1. Identification, measurement, management and reporting of risks involved. The Risk Identification, measurements and reporting methodologies should be in-line with the Broker's business strategies, size and complexity of its operations and risk profile of the product on an ongoing basis;
- 11.3.2. Clear lines of responsibility for managing product-related risks;
- 11.3.3. Provision of sufficient resources, which include competent staff, information technology system and infrastructure to support the risk management and daily operations;
- 11.3.4. Regular review of the product's risk exposures to ensure all material risks are identified and monitored when market condition changes;

11.3.5. Reviews of stress scenarios, prepared by the business line responsible for risk monitoring, that measure the impact of market conditions that may cause volatility swings or reduced liquidity; and

11.3.6. Comprehensive and regular reports to the board of directors and/or senior management that include the degree of compliance with policies and procedures for managing product risks, current assessment of product risks and any change in the direction of risks.

11.3.7. 10.4 Where the Risk Manager post has become vacant, a senior employee, who is not the CEO or a director, must immediately assume the responsibilities of the Risk Manager for a period not longer than three months or such other period as the VFEX may approve.

12. Managing conflict of interest

12.1. A Broker must put in place supervisory and internal control procedures and systems to ensure that–

12.1.1. any potential conflict of interest is addressed; and

12.1.2. there are adequate and effective Chinese walls between the various divisions of the Broker's business.

12.2. A Broker must take all reasonable measures to avoid situations that are likely to involve a conflict of interest. Where such a conflict exists, the Broker must–

12.2.1. take all possible steps to resolve or adequately mitigate the conflict and make full disclosure to its clients in the disclosure document and PHS, the nature of the conflict of interest and the steps taken to address the conflict; or

12.2.2. withdraw or decline from being a Broker for the contract concerned, where it is not possible to resolve or adequately mitigate the conflict.

13. Segregation of clients' assets

13.1. For a Broker who also offers other derivatives contracts, the clients' assets for CFD trades must be further segregated from the client's other assets.

13.2. Rehypothecation of clients' assets by a Broker is prohibited.

14. White label arrangements

14.1. A Broker who enters into any white label agreements for purposes of CFD offerings in Zimbabwe, must trade as principal to its client and adhere to the *VFEX membership rules*

14.2. The transaction entered into between the Broker and the entity that provides the white label arrangements must be separated and must not involve the client's transaction.

15. Margin requirements and payment

15.1. A Broker shall obtain from each client a minimum initial margin and maintain the amount of the minimum margin on all open positions. This margin shall be at least equivalent to the amount of margin required in Part III Section 5 of these Rules. The Broker may request from its clients, a margin above the minimum requirement stated in Part III Section 5.

15.2. A Broker shall not accept any new orders for CFD from a client unless the minimum initial margin for the contract has been deposited and that client's pre-existing open position complies with the margin requirements established by the Broker.

15.3. Each client's open position must be marked to market daily and additional calls for margin must be made, if necessary.

15.4. A Broker may close out all or any open positions of a client where the client fails to comply with a demand for margin within a reasonable time after a margin call has been made by the Broker.

16. Maintenance of records

16.1. A Broker must maintain separate records for trades with clients and proprietary trades.

16.2. For the purposes of paragraph 15.1., a Broker must maintain records that set out the particulars of–

16.2.1. in the case of trades with clients–

16.2.1.1. the instructions by a client to trade in CFD;

16.2.1.2. the date and time of receipt, sending and carrying out of those instructions; and

16.2.1.3. the person by whom those instructions are received, the person by whom they are sent and the person by whom they are carried out;

16.2.2. in the case of non-client trades–

16.2.2.1. the date of sending and carrying out trades on the Broker’s own account;

16.2.2.2. the KYC of each person who had given, received or carried out such instruction referred to in paragraph 15.2.2.1 above; and

16.2.2.3. the source of funds used for such other trade on the Broker’s own account.

16.3. A Broker must maintain proper accounting records, trade transactions and other records related to its business as necessary–

16.3.1. to enable a complete and accurate view of the CFD traded; and

16.3.2. to ensure that the Broker’s business is operated and managed in compliance with these Rules, securities laws and any other relevant laws.

16.4. Such records must be produced for the VFEX’s inspection on demand.

16.5. A broker shall maintain within Zimbabwe, all records pertaining to proprietary trades and

trades undertaken for clients which may be in electronic form in a safe place for a period of not less than ten years as from the date of the last trade.

17. Reporting requirements

17.1. A Broker must submit to the VFEX a monthly report of transaction information in the manner provided in Form 1 of Appendix 5, within 10 business days after the end of the reporting period.

17.2. The Broker is required to submit to the VFEX the following financial information on a monthly basis within 10 business days after the end of the reporting period or as specified by the VFEX -

17.2.1. a statement of financial position;

17.2.2. a statement of income or loss; and

17.2.3. a statement of adjusted net capital.

17.2.4. computation of liquid capital in the manner as provided in Form 2 of Appendix 5.

18. Continuous obligations

18.1. The Board of Directors has the responsibility of ensuring compliance with all applicable laws, regulations and guidelines.

18.2. A Broker must–

18.2.1. ensure compliance of all the requirements under these Rules including any directive issued or any term or condition imposed by VFEX;

18.2.2. ensure proper procedures are in place for its electronic facilities for trading of CFD and make satisfactory provisions to–

18.2.2.1. promote fairness and transparency;

18.2.2.2. maintain a secure environment taking into account the Broker's cyber security resilience and preparedness including confidentiality, integrity and availability of data and services .

18.2.2.3. manage any conflict of interest that may arise; and

18.2.2.4. promote fair treatment of its users or any person who subscribes for its services.

18.2.3. establish and maintain policies and procedures to–

18.2.3.1. monitor trading and other market activity to detect non-compliance with the securities laws or its own rules; and

18.2.3.2. comply with -money laundering and terrorism requirements.

18.2.4. immediately notify the VFEX–

18.2.4.1. of any irregularity or breach of any provision of the securities laws, these Rules, including any alleged or suspected violations of any law or guidelines in relation to money laundering and terrorism financing by its participants or clients;

18.2.4.2. of any material change in the information submitted to the VFEX; and

18.2.4.3. if it becomes aware of any matter which adversely affects or is likely to adversely affect its ability to meet its obligation or to carry out its functions under these Rules.

18.3. The Broker's failure to comply with section 18 will result in suspension of the Broker's membership on the VFEX until the Broker is compliant.

19. Submission of periodic reports

19.1. All periodic reports required in paragraphs 16.1 and 16.2 above shall be submitted electronically to the VFEX via the reporting system as prescribed by the VFEX.

PART V

ACCOUNT OPENING REQUIREMENTS

20. Account Opening Requirements

20.1. A Broker is required to conduct an assessment on an investor who wishes to invest in CFD.

20.2. Where a Broker allows the opening of a trading account online, an online questionnaire must be part of the process of account opening, to assess the client's risk profile, experience and suitability.

20.3. A Broker must record all information gathered during the assessment exercise and updates thereto, including any recommendation made.

PART VI

MARKETING AND EDUCATION REQUIREMENTS

21. Sales and marketing practices

21.1. A Broker must have a set of policies and procedures on product marketing and sales activities for its CFD.

21.2. The Broker must ensure that clients are fully informed through the appropriate disclosures on the key features and risks associated with the product, prior to client's account being approved.

21.3. A Broker must highlight on its website that CFD are leveraged products and the risks of trading CFD.

21.4. A Broker must put in place a system for handling customer complaints.

22. Advertisement and marketing materials

22.1. A Broker must ensure that any advertising and marketing material is consistent with the information provided in the disclosure document and PHS.

22.2. A Broker is required to have a written warning in each advertising and marketing material for CFD, explaining the risk of losing the initial investment and that the investors do not own or have any rights over the underlying instruments.

22.3. Advertising and marketing materials must be clear and not contain any hedge clause or disclaimer that is confusing, or attempts to disclaim responsibility.

23. Education requirements

23.1. A Broker must have in place continuous educational programmes, which may include seminars or workshops, media briefings and interviews to educate investors on CFD. The seminars or workshops must be carried out at least on an annual basis. Such training should be held in partnership with the VFEX.

23.2. The educational programmes must include, at a minimum, the following:

- 23.2.1. Product features;
- 23.2.2. Type of underlying instruments available and the different characteristics, when based on different underlying instruments;
- 23.2.3. Risks associated with CFD, especially–
  - 23.2.3.1. Counterparty risk;
  - 23.2.3.2. Financial risk as a result of high leverage or gearing of the product; and
  - 23.2.3.3. Liquidity risk from the possibility of additional margin call and unlimited losses;
- 23.2.4. Methods investors can use to trade CFD;
- 23.2.5. Margin requirements and implications of having different underlying instruments;
- 23.2.6. Numerical scenarios highlighting potential profits and losses;
- 23.2.7. Effects of corporate activities of the underlying instruments on the CFD; and
- 23.2.8. Fee structure.

PART VII

DISCLOSURE REQUIREMENTS

24. Disclosure Document and Product Highlights Sheet

24.1. A Broker must, prior to opening an account for a client–

24.1.1. furnish the client with a disclosure document and a PHS, either in hardcopy or an electronic version; and

24.1.2. receive a signed acknowledgement by the client stating that he has received the disclosure document and PHS, and understood the nature of the risks attached to the CFD. As guidance, a sample template is provided in Appendix 3 of these Rules.

24.2. The minimum information to include in a disclosure document and PHS is set out in Schedules 1 and 2 of these Rules. A Broker must also disclose additional relevant information, as may be necessary to enable investors to make an informed decision.

24.3. The disclosure document and PHS should not contain any hedge clause or disclaimer that is confusing, or attempts to disclaim responsibility for the material or opinion expressed therein.

24.4. Any revision to the documents originally deposited with the VFEX must be updated and furnished to the VFEX in the manner described in paragraphs 6.11.

24.5. Full accountability for the accuracy of all information in the disclosure document and PHS and the responsibility to ensure there is no omission of facts, which would make any of the statements therein misleading, remains with the Broker.

24.6. The VFEX may suspend any person who fails to comply with any of the provisions in these Rules.

25. Registration of disclosure document

25.1. The Broker must deposit the disclosure document and PHS with the VFEX at least five (5) business days prior to the offer of the CFD. A disclosure document is considered to be registered when the document is submitted with the VFEX as prescribed in the *Rules on Disclosure Document*.

25.2. The disclosure document and PHS must be prepared in English language and may be translated to other languages.

25.3. Where the Broker proposes to issue the disclosure document and PHS in various languages, the disclosure document and PHS in each language must be deposited with the VFEX.

26. Supplementary or replacement disclosure document and PHS

26.1. A supplementary or replacement disclosure document or PHS is required where the Broker becomes aware –

26.1.1. Of new and material information that would have been required to be disclosed in the disclosure document or PHS if the matter had arisen when the disclosure document or PHS was prepared;

26.1.2. That there had been a significant change affecting a matter disclosed in the disclosure document or PHS;

26.1.3. That the disclosure document or PHS contains material statement or information that is false or misleading; or

26.1.4. That the disclosure document or PHS contains a statement or information from which there is a material omission.

26.2. The Broker must, within 10 business days after becoming aware of any changes in the disclosure document or PHS, deposit a supplementary or replacement disclosure document or replacement PHS.

26.3. Once the supplementary or replacement disclosure document or PHS is deposited with the VFEX, the Broker must –

26.3.1. in the case of an existing client, provide a written notice accompanied by a copy of the supplementary or replacement disclosure document or PHS to person or other notices as may be specified by the VFEX, advising the person that a supplementary or replacement disclosure document or replacement PHS has been deposited with the VFEX; and

26.3.2. publish a notice on the website of the Broker and VFEX on the availability of supplementary or replacement disclosure documents or replacement PHS.

27. Documents to be submitted for registration

27.1. For the deposit of a disclosure document and PHS, the Broker must submit to the VFEX the following:

27.1.1. Cover letter signed by at least one of the directors of the Broker,

27.1.2. Declaration by the Broker as per Appendix 4;

27.1.3. Two copies of the disclosure document and PHS;

27.1.4. The prescribed fees for the deposit of disclosure document and PHS.

27.2. An electronic file containing electronic images of the disclosure document and PHS in text searchable Portable Document Format

(PDF). The electronic file must be labeled with a description of what the contents relate to and the date of deposit.

27.3. Confirmation that the electronic copy of disclosure document and PHS in PDF contained in the electronic file is identical to the documents deposited with the VFEX.

27.4. For deposit of a supplementary or replacement disclosure document or a replacement PHS, the documents under paragraph 26.4, where applicable, and a list highlighting the original statements from the previously deposited documents and the amended statements must be submitted to the VFEX.

28. Fees payable to the VFEX

28.1. Payment of the prescribed fees must be made in USD and in a manner prescribed by the VFEX from time to time.

29. Submission for registration of disclosure document and lodgment of PHS

29.1. Submission to the VFEX for the registration of disclosure document and lodgement of PHS for offering of CFD may only be made by the Directors.

29.2. The VFEX may, at its full discretion, request any further information or documents other than those specified in these Rules.

PART VIII

SCHEDULES

SCHEDULE 1

MINIMUM CONTENT OF A DISCLOSURE DOCUMENT

1. The purpose of a disclosure document is to provide information to enable investors to make informed investment decisions in CFD's. Emphasis should be given to provide relevant and accurate information that is material to understand the management and operation of each type of CFD.

2. Where possible, the disclosure document must avoid using technical terms. Terms used must be easily understood by the investors. Should technical terms be used, there must be a glossary explaining the technical terms in plain English.

3. The disclosure document must be legible and appear in type size of not less than nine point Arial. All pages in the disclosure document must be numbered.

4. The following statements must be disclosed on either the front or inside cover of the disclosure document:

"Responsibility Statements"

The directors of the Broker have approved this disclosure document. They collectively and individually accept full responsibility for the accuracy of the information. Having made all reasonable inquiries, they confirm to the best of their knowledge and belief, there are no false or misleading statements, or omission of other facts which would make any statement in the disclosure document false or misleading."

"Statements of Disclaimer

A copy of this disclosure document has been registered with the VFEX. The registration of this disclosure document should not be taken to indicate that the VFEX recommends the CFD or assumes responsibility for the correctness of any statement made or opinion or report expressed in this disclosure document. The VFEX has not, in any way, considered the merits of the CFD being offered for investment.

The VFEX is not liable for any non-disclosure on the part of the Broker and takes no responsibility for the contents in this disclosure document, makes no representation as to the accuracy or completeness of this disclosure document, and expressly disclaims any liability for any loss you may suffer arising from or in reliance upon the whole or any part of the contents in this disclosure document.

Investors should rely on their own evaluation to assess the merits and risks of the investment. Investors who are in any doubt as to the action to be taken should consult their professional advisers immediately".

5. Broker and Product Information.

5.1. Background information on the Broker

5.1.1. Brief background of the Broker;

5.1.2. Director and/or key personnel in-charge of CFD;

5.1.3. Financial Statements

5.1.4. Related party transaction and/or conflicts of interest.

5.2. Product features

5.2.1. Explain the product features of the CFD and highlight that it is a leveraged derivatives product and the settlement currency.

5.3. Fees and commission

5.3.1. Clearly disclose and itemise all fees and costs such as fees relating to the opening and operating of the CFD account, fees to trade CFD and administration charges; and

5.3.2. State whether fees are variable and when it varies.

5.4. Treatment of client's monies

5.4.1. The Broker shall describe its client's money policy (how the Broker deals with its client's money and when it makes a withdrawal);

5.4.2. The client money policy should provide for clear segregation of the client moneys from the funds of the Broker

5.4.3. The Broker should purchase insurance policies to protect

5.5. Hedging activity

5.5.1. To provide an overview of any hedging activity the Broker may undertake to mitigate counterparty risk and other risks related to the CFD business.

5.6. Operations and system

5.6.1. The type of model adopted (e.g., direct market access or market maker);

5.6.2. Risk management features in place, including the terms and conditions for stop loss facility.;

5.6.3. Trading procedures including margin call practices and to provide brief examples, where necessary;

5.6.4. Procedures and risk management when introducing new CFD; and The Broker's practices or procedures when the underlying instrument is suspended, halted, or delisted.]

5.7. Corporate Actions by underlying instruments

5.7.1.

5.7.2. Explain the impact on the CFD that the corporate action will have; andstate that a client's benefit does not extend to any voting rights from the corporate exercise.

5.8. Risks associated with trading in CFD

5.9. Describe the type of risks associated with trading in CFD and provide brief examples, where necessary. This may include the following:

5.9.1. Effect of leverage or gearing;
5.9.2. Effect of risk□reducing orders or strategies (e.g., stop loss);
5.9.3. Risk of inadequate margin;
5.9.4. Suspension or restriction of trading;
5.9.5. Deposited cash and property;
5.9.6. Loss caused by spread (commission and other charges);
5.9.7. Transaction in other jurisdictions;
5.9.8. Currency risk;
5.9.9. Liquidity and market risk;
5.9.10. Trading facilities;
5.9.11. Electronic trading; and
5.9.12. Over□the□counter transactions.
5.9.13. Account opening/closing
5.9.14. State the procedures and criteria in opening/closing of an account

including any implications if the account becomes dormant.

SCHEDULE 2

MINIMUM CONTENT OF A PRODUCT HIGHLIGHTS SHEET

1. The information required by the VFEX under this schedule is the minimum that must be included in a PHS, which is a summary of key information pertaining to CFD.

2. A PHS must highlight information to potential investors in a clear, concise and effective manner. It must be prepared in clear and simple language. Where necessary, a PHS can use simple examples and diagrams for illustrative purposes.

3. There must be a warning in bold in a prominent position advising potential members that this PHS is only a summary of the salient information about CFD and that potential investors must not invest in the CFD based on the PHS alone.

4. The PHS must be legible and appear in type size of not less than nine point Arial. All pages in the PHS must be numbered.

5. The PHS must include, but is not limited to, brief information on the following:

   5.1. Date of the issuance of a PHS on the first page of the PHS;

   5.2. Product description and key features of the CFD;

   5.3. Key risks associated with trading in CFD;

   5.4. Information explaining the approach when an underlying instrument is suspended, halted or delisted including additional risk of opening new CFD positions;

   5.5. All relevant fees, charges and commission including financing charges, stop loss charges, and whether fees are variable and when they are varied;

   5.6. Description of the type of model or strategy used by the Broker and accepted by the VFEX); and

5.7. Contact information to facilitate enquiries or complaints.

6. The first page of every PHS must contain the following:

6.1. **Responsibility Statement** – this statement states that the PHS has been reviewed by the Board, authorised committee or persons authorised by the Board of the Broker;

6.2. **Statement of Disclaimer** – this statement states that the VFEX shall not be held responsible for the offering of the product or the PHS although a copy of the PHS has been lodged with the VFEX; and

6.3. **Statement of Risk** – this statement states that the investor may lose more than their initial investment and is entering into a contractual agreement with the Broker.

7. The PHS should also prominently display the following statement:

"This Product Highlights Sheet only highlights the key features and risks of this CFD. Investors are advised to request, read and understand the disclosure documents before deciding to invest."

8. Appendix 1 to these Rules provides guidance as to the information that should be contained in a PHS.

9. Appendix 2 to these Rules provide guidance in respect of the form that may be used for the purpose of preparing a PHS.

SCHEDULE 3

FEES AND CAPITAL REQUIREMENTS

CAPITAL REQUIREMENTS

1. These requirements shall apply to all members of the VFEX who offer trading products and services on Contract for Differences (CFDs)

2. These requirements are in addition to the VFEX Membership requirements and the SECZ requirements.

OFFENSES AND PENALTIES

3. A CFD Broker shall not engage in foreign exchange transactions that are prohibited by applicable trading laws, rules and regulations.

4. A CFD Broker or an associate of a CFD Broker that is engaging in any foreign exchange transaction shall not─

4.1. cheat, defraud or deceive, or attempt to cheat, defraud or deceive any person;
4.2. willfully make or cause to be made a false report, or willfully enter or cause to be entered a false record in or connection with any CFD transaction;
4.3. disseminate, or cause to be disseminated, false or misleading information, or acknowledge inaccurate report, that affects or tends to affect the price of any CFD product;
4.4. engage in manipulative acts or practices regarding the price of any CFD or CFD transaction;
4.5. willfully submit materially false or misleading information to the Authority or its agents with respect to CFD transactions; or
4.6. embezzle, steal or knowingly convert any money, securities or other property received or accruing to any person or in connection with CFD transactions.

5. A person who engages in any conduct that is prohibited under paragraphs (4) or (5) commits an offense.

5.1. A person who is convicted of an offense under these Regulations shall be liable to such penalty as specified in schedule 3 of the VFEX Membership Rules.

FEES

Brokers shall pay the following fees

7. Non refundable Application Fees - USD 3,000
8. VFEX Membership Fees (1st Year) - USD 40,000
9. Annual Membership Renewal* - USD 20,000

COLLATERAL

10. Brokers shall lodge collateral security which shall be calculated based on the risk exposure introduced to the securities settlement system
11. Collateral security shall be maintained in the form of cash denominated in United States Dollars (USD). Consideration shall be given to collateral being held in other acceptable forms based on the Broker's requirements and subject to the agreement and approval of VFEX.
12. As a risk control measure, a discount shall be applied to non-cash assets held as collateral in order to protect the market from losses resulting from declines in the market value of a security in the event that it needs to be liquidated.
13. Where the collateral is held in the form of cash denominated in USD, haircuts shall not be considered necessary.
14. All Brokers shall maintain a minimum collateral deposit of USD100,000 (Hundred thousand United States Dollars) in their collateral sub-account at a financial institution domiciled in Zimbabwe specifically to cover securities settlement obligations on a normal trading day.
15. The collateral amount for each Broker shall be recalculated at the end of each month depending on the Broker's exposure to the market. The collateral amount shall be determined by figures from the previous month, which shall be calculated as follows: The sum of the five (5) highest daily

net positions (i.e sum of total realised and unrealised profits/losses on the clients accounts at the end of each business day) figures for the month

16. In the event that the collateral amount calculated for a subsequent month exceeds the previous month's collateral amount, VFEX shall request the Broker to increase or top-up its collateral security to the new level.
17. Collateral should be adequate to cover the highest exposures by Participants that have been observed in the market. Therefore a Broker cannot withdraw from their collateral sub-account even when the previous month's collateral calculation falls below the subsequent month's calculation.
18. VFEX shall monitor the exposure of Brokers on an on-going basis. Should a particular Broker's exposure reach the level of the collateral lodged, VFEX shall immediately request the Broker to top up the collateral by an agreed amount within 48 hours.

PART VIII
APPENDICES

APPENDIX 1

RESPONSIBILITY STATEMENT, STATEMENT OF DISCLAIMER AND STATEMENT OF RISK

PRODUCT HIGHLIGHTS SHEET

Date of Issuance:

RESPONSIBILITY STATEMENT

This Product Highlights Sheet has been reviewed and approved by the directors and/or authorised committee and/or persons approved by the Board of (name of Broker) and they have collectively and individually accepted full responsibility for the accuracy of the information. Having made all reasonable inquiries, they confirm to the best of their knowledge and belief, that there are no false or misleading statements, or omissions of other facts, which would make any statement in the Product Highlights Sheet false or misleading.

STATEMENT OF DISCLAIMER

The relevant information and document in relation to the (name of CFD), including a copy of this Product Highlights Sheet has been lodged with the VFEX. The lodgement of the relevant information and document in relation to the (name of CFD), including this Product Highlights Sheet, should not be taken to indicate that the VFEX recommends the (name of CFD) or assumes responsibility for the correctness of any statement made or opinion or report expressed in this Product Highlights Sheet.

The VFEX is not liable for any non-disclosure on the part of the (name of Broker) responsible for the (name of CFD) and takes no responsibility for the contents of this Product Highlights Sheet. The VFEX makes no representation on the accuracy or completeness of this Product Highlights Sheet, and expressly disclaims any liability whatsoever arising from, or in reliance upon, the whole or any part of its contents.

STATEMENT OF RISK

Investors are warned that the price/level of the underlying instruments and contracts for difference (CFD) may fall in value as rapidly as it may rise and holders may sustain a total loss of their investment. Prospective purchasers should therefore make sure they understand the terms and conditions of the CFD offered, the risk factors involved, and where necessary seek professional advice before investing in the CFD.

The CFD constitutes general unsecured contractual obligations of the Broker and of no other person. Therefore, if you purchase the CFD, you are relying on the creditworthiness of the Broker and have no recourse/rights against the underlying corporation/index provider.

APPENDIX 2

GUIDE ON PRODUCT HIGHLIGHTS SHEET

This Product Highlights Sheet only highlights the key features and risks of this unlisted capital market product. Investors are advised to request, read and understand the disclosure documents before deciding to invest.

PRODUCT NAME

BRIEF INFORMATION ON THE CFD PROVIDER

1. Description of the provider

- *Broker and place of business.*
- *VFEX Broker Membership*
- *Its experience in offering CFD.*
- *Broker business model (Direct Market Access/Market Making).*
- *Related-party transaction and/or conflict of interest.*

INFORMATION ON THE PRODUCT

2. What am I investing in?

- *Explain the type of CFDs available and where an investor can obtain details on the list of underlying offered.*
- *Maximum loss/gain. Highlight that* ***it is a leveraged derivatives product****.*
- *Tenor of issue.*
- *Representations and warranties.*
- *Selling restriction/tradability.*
- *Type of margins, brief explanation on how these margins are calculated and when these margins are collected. State where an investor can obtain more details on the actual margin requirements.*
- *Treatment for single share CFD during corporate exercises or suspension or halt of underlying instruments.*
- *Risk management features in place (e.g., stop loss feature).*
- *Trading platform.*
- *Settlement method and currency*

Note: To describe these features with relevant tables, diagrams or illustrations where applicable.

3. Is the product tradable?

- *The market agent [may/will] provide [limited] market making arrangements [Please state frequency and who the investors should contact to obtain indicative bid prices].*
- *The sell-back price of your [product name] will be determined by [whom] and may be substantially less than your initial investment.*

4. Pricing mechanism

- *How does the Broker determine the prices of CFDs they offer?*

  For example, some OTC Brokers' prices mirror the price of the underlying instrument (direct market access providers). Other OTC Brokers (market makers) may add an extra amount *(‘spread’) to the underlying market price. The spread may be fixed or may vary.*

5. Does the CFD provider enter into a corresponding position in the market for the underlying instrument?

- *Direct market access Brokers usually ‘hedge’ all client trades in the underlying market.*

6. What are the possible outcomes of my investment?

- *Briefly describe the nature of the product (product mechanism- in particular the situations under which investors will make gains / incur losses (with reference to the scenario analysis).* ***Examples should also demonstrate margin call, overnight financing, gross profit/loss, net profit/loss.***

  Scenario analysis:
  - Worst case scenario
  - Base case scenario
  - Best case scenario
- *Adjustments to the terms and conditions of the product upon the occurrence of extraordinary events*

7. Who is this product suitable for?

Briefly state the types of investors this product is suitable for. Information provided could include:

- *Return objectives e.g., income/capital growth/hedging*
- *Whether their principal investment will be at risk*
- *How long they’re prepared to hold their investment for*
- *Risk appetite/can you afford to lose all your money*
- *Trading experience/ tolerance toward volatile market conditions*
- *Any other key information peculiar to the product which would help investors to determine if the product is suitable for them*

8. What are the key risks associated with this product?

- *List the different types of risks involved and this should include specific risks particular to the product or may cause significant losses if they occur, or both. Risks peculiar to the product should also be stated. Give appropriate formatting emphasis (e.g., italic, bold, underline) where investors might lose all of their initial investment.*
- *No first priority to collateral realisation proceeds – [Please elaborate as appropriate].*
- *[No liquid secondary market - CFD has no liquid secondary market. If you try to sell your (product name), you may not be able to find a buyer, or the sale price could be much lower than the amount you invested.]*
- *Counterparty risk - When you buy (product name), you will be relying on (Broker)’s creditworthiness. If (Broker) becomes insolvent or defaults on its obligations under (product name) [you can only claim as an unsecured creditor].*
- *Trading CFD is not the same as reference asset - Investing in CFD is not the same as investing in the underlying assets. [Please elaborate as appropriate].*
- *Client money risk- the risk of losing some or all of your money held by the Broker.*
- *Risk of stop loss features – can the Broker guarantee a stop loss for a CFD trade.*

FEES & CHARGES

9. What are the fees and charges involved?

- *To list all relevant fees and charges payable (e.g., commission, overnight financing, account management and administration charges).*
- *Indicate how and when fees and charges are payable.*
- *If fees may be increased later, please state so.*
- *To state if charges are negotiable.*

10. How can I exit from this investment and what are the risks and costs involved?

- *Explain how investor can exit investment.*
- *Close/roll over positions.*
- *Cost involved in exiting the investment.*

CONTACT INFORMATION

11. Who should I contact for further information or to lodge a complaint?

* *Contact details of the Broker for investors to contact if they have queries.*
* *Website address and email address.*

1. *For internal dispute resolution, you may contact:*
   (Contact details for the product Broker's internal dispute resolution)

2. *If you are dissatisfied with the outcome of the internal dispute resolution process, please refer your dispute to the VFEX*
   (a) via phone to : xxxxxxxx
   3. via email to : info@vfex.exchange

   via letter to : Victoria Falls Stock Exchange Limited
   Shop 1, stand 305. Victoria Falls Township
   Victoria Falls

3. *You can also direct your complaint to SECZim even if you have initiated a dispute resolution process with the broker .*

APPENDIX: GLOSSARY

- *Explain terms used in the Product Highlights Sheet that investors may not understand.*
- *Words may include special terms (i.e. legal jargon/ finance jargon).*
- *Brokers are encouraged to use simple terms and then explain them in the glossary.*

APPENDIX 3

CLIENT'S ACKNOWLEDGEMENT

NOTE: *The contents and type of information below may be expanded, where relevant.*

I/We hereby acknowledge that I/we have received a copy of the **disclosure document** and the

Product Highlights Sheet.

I/We also hereby acknowledge that I/we understand the risks associated with trading in contracts for difference (CFD), as detailed in the **Risk Statement** below and disclosed in the disclosure document and Product Highlights Sheet.

Risk Statement

This statement does not disclose all the risks and other significant aspects of trading in CFDs. In light of the risks, you should undertake such transactions only if you understand the nature of the contracts (and contractual relationships) into which you are entering and the extent of your exposure to the risks. Trading in CFDs may not be suitable for many members of the public. You should carefully consider whether such trading is appropriate for you in light of your experience, objectives, financial resources and other relevant circumstances.

You should be aware of the following when considering whether to trade in leveraged products:

(1) Effect of leverage or gearing

Transactions in CFD carry a high degree of risk. The amount of initial margin is small relative to the value of the CFD so that the transaction is leveraged or geared. A relatively small market movement will have a proportionately larger impact on the funds you have deposited or will have to deposit; this may work against you as well as for you. You may sustain a total loss of the initial margin funds and any additional funds deposited with the Broker to maintain your position. If the market moves against your position or margin levels are increased you may be called upon to pay substantial additional funds on short notice in order to maintain your position. If you fail to comply with a request for additional funds within the time prescribed, your position may be liquidated at a loss as you will be liable for any resulting deficit in your account.

(2) Risk□reducing orders or strategies

The placing of certain orders (e.g., stop□loss orders, or stop□ limit orders) which are intended to limit losses to certain amounts may not be effective because market conditions may make it impossible to execute such orders. At times, it is also difficult or impossible to liquidate a position without incurring substantial losses. Strategies using combinations of positions, such as spread and straddle positions may be as risky as taking simple long (buy) or short (sell) positions.

Risk of inadequate margin

Positions are marked□to□market on a daily basis with payment being settled daily to account for the underlying market movements. You must maintain the minimum margin requirement on your open positions at all times. You will be responsible to monitor your margin account balance and may be called upon at short notice to make additional margin deposits. If required margin is not made within the prescribed time, the Broker may liquidate any or all of your CFDs positions. This may result in a loss for you, which may be substantial.

(3) Suspension or restriction of trading and pricing relationship

Market conditions (e.g., illiquidity) or the operation of the rules of certain markets (e.g., the suspension of trading in any contract or contract month because of price limits or circuit breakers) may increase the risk of loss by making it difficult or impossible to effect transactions or liquidate or offset positions.

Further, normal pricing relationships between the underlying that is the subject of a CFD transaction and the CFD transaction may not exist. This can occur when, for example, the absence of an underlying reference price may make it difficult to judge fair value.

(4) Deposited cash and property

You should familiarize yourself with the protections accorded to money or other property you deposit for domestic and foreign transactions, particularly in the event of a Broker's insolvency or bankruptcy. The extent to which you may recover your money or property may be governed by specific legislation. In some jurisdictions, property which has been specifically identifiable as your own will be pro□rated in the same manner as cash for purposes of distribution in the event of a shortfall.

(5) Commission and other charges

Before you begin to trade, you should obtain a clear explanation of all commission, fees and other charges for which you will be liable. These charges will affect your net profit (if any) or increase your loss.

(6) Currency risks

The profit or loss in transactions in foreign currency□denominated contracts will be affected by fluctuations in currency rates where there is a need to convert from the currency denomination of the contract to another currency.

(7) Liquidity and market risks

Adverse market conditions may result in you not being able to effect CFD liquidation (all or part of your CFD), assess a value or your exposure or determine a fair price, as and when you require. The pricing relationships between a derivative and the underlying instrument may not exist in certain circumstances. The absence of an underlying reference price may make it difficult to judge fair value.

It is also important to understand that the fluctuation of the underlying instrument may influence the value of the derivative product and affect your profitability. Sudden market movements, known as gapping may occur, causing a dramatic shift in the price of an underlying instrument. This gapping event can result in a significant profit or loss on your account. Gapping can occur when the underlying instrument/market is open and when it is closed.

(8) Trading facilities

Electronic trading facilities are supported by computer-based component systems for order- routing, execution or registration of trades. As with all facilities and systems, they are vulnerable to temporary disruption or failure. Your ability to recover certain losses may be subject to limits on liability imposed by the system provider or Brokers. Such limits may vary. You should ask the Broker with which you deal for details in this respect.

(9) Electronic trading

Trading on an electronic trading system may differ not only from trading on other electronic trading systems. If you undertake transactions on an electronic trading system, you will be exposed to risks associated with the system including the failure of hardware and software. The result of any system failure may be that your order is either not executed according to your instructions or is not executed at all.

(10) Over-the-counter transactions

CFD is an over-the counter (OTC) transaction or off-exchange transaction. The Broker with which you conduct your transaction is acting as your counterparty to the transaction. It may be difficult or impossible to liquidate an existing position, to assess the value, to determine a fair price or to assess the exposure to risk. Thus, these transactions may involve increased risks. OTC transactions may be less regulated or subject to a separate regulatory regime. Before you undertake such transactions, you should familiarise yourself with the applicable rules and attendant risks.

Signature of client Or client's Authorised Signatory: ______________________________

Name of client: ______________________________

*Designation of Authorised Signatory ______________________________

*Company name: ______________________________

Date: ______________________________

*Note: * For companies only*

APPENDIX 4

DECLARATION BY THE BROKER

Date: (Date of Application)

The Chief Executive Officer
Victoria Falls Stock Exchange Limited
Shop 1, stand 305,
Victoria Falls Township
Victoria Falls

Dear Sirs,

Broker: [Name of Broker]

Declaration and Undertaking Pursuant to the Rules on Contracts for Difference ("CFD")

We, [Name of Broker] propose to undertake to issue, offer, or make available, CFD.

1. We confirm that after having made all reasonable enquiries, and to the best of our knowledge and belief, there is no false or misleading statement contained in, or material omission from, the information that is provided to the VFEX in relation to the CFD offered by us.

2. We declare that we are satisfied after having made all reasonable enquiries that the CFDs offered are in full compliance with the following:

   (i) *Rules on Contracts for Difference*; and
   (ii) Other requirements under the *Securities and Exchange Act [Chapter 24:25] and the VFEX Membership requirements* as may be applicable.

3. We declare that we have not committed a breach of these Rules under a previous deposit to the VFEX. We declare that any breach under these Rules in relation to a previous deposit has been remedied to the satisfaction of the VFEX.

4. We undertake to ensure continuous compliance with the requirements and the conditions imposed by the VFEX in relation to the CFD offered. We further undertake that in the event of any breach of the same, we will suspend any further issuance or offering of, or invitation for, or making available, the CFD. We shall notify the VFEX of such breach and remedy the same to the VFEX's satisfaction.

5. We undertake to provide to the VFEX all such information as the VFEX may require in relation to the CFD offered.

Yours faithfully,

………………………	…………………………………………………
[Name of Authorised Signatory]	[Name of Authorised Signatory]
[Designation of Authorised Signatory]	[Designation of Authorised Signatory]

APPENDIX 5
REPORTING TEMPLATE

FORM 1 - TRANSACTION REPORTING BY THE BROKER

Name of Broker: ____________________
Reporting start date: ____________________
Reporting end date: ____________________

Table 1: List of CFDs Offered

No.	Name of CFD (product name)	Type of CFD	Underlying instrument (index / stock name)	Stock code (if applicable)	Country of the underlying instrument (where applicable)	Trade currency	Type of CFD offered		Minimum trade size	Initial margin requirement (%)	Initial margin requirement (USD)
							Long	Short			
1											
2											
3											

Table 2: CFD Transaction Information

No.	Name of CFD (product name)	Total volume traded for the reporting period (no. of contracts)		Total notional value traded for the reporting period (USD)		Total open position as at the reporting date (notional value) (USD)	
		Long	Short	Long	Short	Long	Short
1							
2							
3							

Table 3: Counterparty Exposure (Client positions)

No.	Name of client	Type of ID	Client ID	Country of incorporation/ citizenship	Total margin requirements (USD)	Outstanding margin calls (USD)	CFD volume traded for the reporting period (no. of contract)		Total notional value traded for the reporting period (USD)		Total open position as at reporting date (notional value) (USD)		Net marked-to-market gains / (losses) from Broker's point (USD)
							Long	Short	Long	Short	Long	Short	
1													
2													
3													
4													
5													
6													
7													
8													
9													
10													
Remaining clients (aggregated)													

Table 4: Counterparty Exposure (Other positions)

No.	Name of counterparty	Type of ID	Client ID	Country of incorporation/ citizenship	Underlying instrument	Country of the underlying instrument (where applicable)	Total margin requirements (USD)	Outstanding margin calls (USD)	Total volume (no. of contract)	Total notional value (USD)	Total open position (notional value) (USD)	Net marked to market gains / (losses) from the Broker's point of view (USD)
1												
2												
3												

Notes:

(1) Please denote date by dd/mm/yyyy.

(2) Please convert amounts that are in foreign currency to USD using the prevailing exchange rate at reporting date, where applicable.

(3) For Table 3 rows 1 to 10 are for the top 20 individual clients. Row 21 should be populated with an aggregated number for all other clients of the Broker. The top 20 individual clients are to be ranked according to their open positions.

(4) Please insert rows for Table 1, 2 and 4 to complete the list, where necessary.

(5) To compute notional value for Table 2, 3 and 4: Multiply price of CFD with the quantity traded

FORM 2 – LIQUID CAPITAL COMPUTATION TEMPLATE

Name of Broker: ______________________________

Position as at: ______________________________

	Total	Liquid assets[1]	Non liquid assets
	USD	USD	USD
Assets		(1)	(2)
Property, plant and equipment			
Intangible assets			
Investment properties			
Goodwill			
Investment in subsidiaries			
Investment in associate			
Amount due from related companies/associate person Investment			
Listed equities			
Fixed income securities			
Unit trusts			
Others			
Derivative financial instruments Deferred tax assets			
Receivables[2] owing by clients and brokers (net of impairment/expected credit loss)			
collaterised			
noncollaterised			
Receivables[2] from business other than CFD (net of impairment/expected credit loss)			
collaterised			
noncollaterised			
Other receivables, prepayment and advances (net of impairment/expected credit loss)			
Deposits with approved licensed banks and financial institutions			
Deposits with nonapproved licensed banks and financial institutions			
Cash and cash equivalents			

	Total
	USD
Liabilities	**(3)**
Long□term liabilities (including subordinated loans) Balance due to clients and brokers Derivative financial liabilities Other creditors and accruals Borrowings Provision for taxation Provision for dividend Amount due to related companies/associate person Other liabilities	
Shareholders' Funds	(4)
Share capital Subordinated loan Reserves □ Capital reserve □ Share premium □ Statutory reserve □ Regulatory reserve □ Available□for□sale reserve □ Other reserves Retained profits/accumulated loss	
Other information	
Liquid assets charged to third party[3] Guarantee issued by the company[4]	(5) (6)
% of Liquid Capital to Shareholders' fund	(7) = [(4)□(2)□(5)□(6)] / (4)

Notes:

(1) The computation of liquid capital should reflect the Broker position as at end of the reportable month.

(2) Liquid assets means –

- securities or other current assets that have a ready market, or that are capable of realisation within 30 days; and
- in relation to an asset, "ready market" means a market where the asset can be realised without materially and adversely affecting that asset's value.

(3) The amount of receivables that have been outstanding (unpaid) by clients, brokers or other debtors for more than 30 days from the transaction date will not qualify as liquid capital.

(4) Charged assets means liquid assets charged to third parties.

(5) A Broker must exclude guarantees issued by the Broker from the computation of liquid capital.

(6) A Broker must exclude trust money received from client in the liquid capital computation.