

CSDs: LuSE CSD (Zambia)

Date: 06 May 2009

SMI Markets: Zambia

CMIRR Markets: Zambia

Settlement of Securities Transaction Related Payments via ZIPSS

The Lusaka Stock Exchange (LuSE), Stock Brokers, Bank of Zambia (BoZ) and the commercial banks have signed an agreement to settle payments of security trade transactions through the Zambia Inter-bank Payment and Settlement System (ZIPSS), a Real Time Gross Settlement System (RTGS). This initiative will be implemented by 2 June 2009.

CSD Risk Impact

LuSE CSD (Zambia)

CSD Rating: A-

CSD Flash Impact: Positive

Impacted Risk Type: Asset Commitment Risk

Current Rating = A+

Flash Impact = Positive

Impacted Risk Type: Counterparty Risk

Current Rating = A-

Flash Impact = Positive

Use of ZIPSS to settle payment of securities transactions will ensure a full delivery versus payment mechanism, and replace the concentration of credit risk exposure in the current single settlement bank (Stanbic) with exposure to sovereign risk by the use of central bank funds. Additionally, the RTGS functionality will provide for immediate, final and irrevocable settlement in same day funds, and hopefully reduce or eliminate the use of cheque payments.

Accordingly, the linkage of the LuSE to the RTGS will have a 'Positive' impact on the Asset Commitment and Counterparty risks.

Market Information Impact

Zambia

This information affects the data contained in the Settlement and Payment systems sections of the Securities Market Information Service.

Infrastructure Risk Ratings Impact

Zambia

Market Rating: BBB

Market Flash Impact: Positive

Impacted Risk Type: Asset Commitment Risk

Current Rating = A

Flash Impact = Positive

Impacted Risk Type: Counterparty Risk

Current Rating = BBB

Flash Impact = Positive

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Accordingly, the linkage of the LuSE to the RTGS will have a 'Positive' impact on the Asset Commitment and Counterparty risks.

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