

THE REVISED RULES OF THE ETHIOPIA COMMODITY EXCHANGE

This version replaces all previous versions

Rev. No. 549/2021

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1. PREAMBLE

- 1.1 It is found necessary to amend the Revised Rules of the Ethiopia Commodity Exchange No.543/2021.
- 1.2 This Amendment of the Rules is issued by the Ethiopia Commodity Exchange (the "Exchange") pursuant to Article 12(10) of the Ethiopia Commodity Exchange Proclamation No. 550/2007.
- 1.3 These Rules shall come into force with effect on such date as determined by the Board of Directors of the Ethiopia Commodity Exchange (hereinafter referred to as "the Exchange") after the approval of the Ethiopian Commodity Exchange Authority (hereinafter referred to as "the Authority") as per its powers under Article 6(3) of the Commodity Exchange Authority Proclamation No. 551/2007.
- 1.4 These Rules shall govern trading on spot contracts on the Exchange. The Rules shall also govern trading on futures contracts when introduced by the Exchange.
- 1.5 This Rule may be cited as the "Ethiopia Commodity Exchange Rules Amendment No.549/2021" or "Rule"
- 1.6 These Rules shall be in addition to the provisions of the Commodity Exchange Proclamation No. 550/2007 and the Commodity Exchange Authority Proclamation No. 551/2007.
- 1.7 In case of difference between the provision of any of these Rules and the provisions of the Commodity Exchange Proclamation or of the Commodity Exchange Authority Proclamation, the provision of either Proclamation shall prevail, except where the Proclamations allow the application/enforcement of the Rules of the Exchange.
- 1.8 In these Rules, "his" or "he" shall refer to "his/hers/its" or "he/she/it".

2. DEFINITIONS

2.1 In these Rules, the words standing in the first column below shall, except where inconsistent with the subject or context, bear the meanings set opposite to them in the second column.

Words

Meaning

2.1.1 Accommodation Trade	Pre-arranged, non-competitive trading entered into for the purpose of assisting another with illegal trades.
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2.1.2 Arbitrator	An Exchange designated neutral third party to whom disputes between parties are submitted for resolution.
2.1.3 Applicant	The person who makes the application for initiating arbitral proceedings.
2.1.4 Associate Member	A Member sponsored by an Intermediary Member to trade for and manage Clients through such Intermediary Member.
2.1.5 Authority Proclamation	The Ethiopia Commodity Exchange Authority Proclamation No.551/2007.
2.1.6 Authorized Representative	A person who represents a Member in respect of his business and who is recognized as an Exchange Actor by the Authority.
2.1.7 Best Buy Order	Buy order with the highest price.
2.1.8 Best Sell Order	Sell order with the lowest price
2.1.9 Board	The Board of Directors of the Ethiopia Commodity change established under Proclamation No 550/2007.
2.1.10 Bucketing	Directly or indirectly taking the opposite side of a Client's order into a Member's own account or into an account in which a Member has an interest, without open and competitive execution of the order on the Trading Floor of the Exchange.
2.1.11 Central Depository	The division of the Exchange providing that function as depository to hold Electronic Warehouse Receipts in trust for Depositors, pending transactions on the Exchange and effecting settlement through transfer of Electronic Warehouse Receipts.

2.1.12 Clearing House	The division of the Exchange recognized as a Clearing Institution, providing the services of clearing and settlement of transactions and guaranteeing settlement by delivery to Members, on behalf of the Exchange.
2.1.13 Clearing Institution	The Exchange or Clearing House or domestic bank or Settlement Bank or similar financial institution recognized by the Authority.
2.1.14 Commodity	Product, which is interchangeable with another product of the same kind.
2.1.15 Contract	Standardized agreement to buy or sell a specified commodity, detailing the amount, grade and price of the commodity and the date on which the contract will mature and become deliverable for purposes of trading on an Exchange.
2.1.16 Corner a Commodity	buy up a large percentage of the available commodity offered for sale at the Exchange to manipulate the availability of the commodity and/or to sell it at a profit after inappropriately inflating the price.
2.1.17 Cross trade	Offsetting or noncompetitive match of the buy order of one Client against the sell order of another, without open and competitive execution of the order on the Trading Floor of the Exchange. This practice is permissible only when executed in accordance with Article 5.5.19.4 of these Rules.
2.1.18 Delivery	Transfer of legal title through the Central Depository and physical delivery of the commodity to the buyer in the manner prescribed in these Rules.
2.1.19 Designated Exchange Warehouse Operator	A third party certified by the Exchange to carry out weighing, grading and inventory management of commodities and to issue Exchange Goods Received Notes for the purposes of Exchange trading and registered with the Ministry of Agriculture and Rural Development or with a regulatory organ delegated for this purpose by the Ministry.

2.1.20 Designated Exchange Warehouse	A third party owned or operated building and adjacent area or other protected enclosure in the lawful possession and exclusive control of a warehouse manager and certified by the Exchange, in which commodities are stored in accordance with these rules.
2.1.21 Direct Specialty Trade	A modality for facilitating direct exports by producers of specialty commodity to international buyers.
2.1.22 Electronic Goods Received Note	A document that is issued at the warehouse by the warehouse manager purporting receipt of commodities
2.1.23 Electronic Trade	A trade executed on the Exchange's Electronic Trade Platform.
2.1.24 Electronic Trading Platform	An automated screen based trading system of the Exchange where Authorized Representatives make bids and offers.
2.1.25 Electronic Trading Representative	An Authorized Representative of a Member who is allowed to access the Exchange's Electronic Trade Platform for trading purposes.
2.1.26 Electronic Warehouse Receipt	An authorized transferable warehouse receipt issued at the Central Depository of the Exchange conferring legal title to the depositor to commodities received in warehouse.
2.1.27 Exchange Actor	Any person recognized by the Authority who engages in the business of buying and selling Exchange traded contracts for others or for himself.
2.1.28 Exchange Proclamation	The Ethiopian Commodity Exchange Proclamation No. 550/2007.

2.1.29 Export Service Provider	An Exchange Member that provides services of export preparation and facilitation on behalf of a producer engaged in direct specialty trade.
2.1.30 Fungibles	Commodities of which any unit is, by nature or usage of trade, treated as the equivalent of any other unit.
2.1.31 Futures Contract	Exchange traded contract to buy or sell a commodity for delivery of a commodity at specified future date.
2.1.32 Floor Representative	A Member or an Authorized Representative of a Member that is allowed to execute trading orders on the Trading Floor.
2.1.33 Grading	The inspection and assignment of certain quality parameters as specified by the Exchange for each commodity class.
2.1.34 Grading Certificate	Document that contains the quality of the commodity accepted for deposit as per the grading specifications of the Exchange and is issued by warehouse manager to the depositor.
2.1.35 Instruction	A buy or sell instruction of a client placed with an Intermediary Member to buy or sell any Exchange traded contracts.
2.1.36 Member	Any person recognized as an Exchange Actor by the Authority that fulfills the requirements of the Exchange.
2.1.37 Membership Seat	A permanent, freely transferable, and exclusive right to trade on the Exchange.
2.1.38 Ministry	The Ministry of Trade of the Federal Democratic Republic of Ethiopia.
2.1.39 Order	A buy or sell order placed by a trading representative at the Exchange's Trading Platform to buy or sell any Exchange traded contracts.

2.1.40 Order Ticket	Pre-printed sequentially numbered cards provided by the Exchange and used to record details of orders and trades.
2.1.41 Outstanding Obligation	Where the obligations under a contract held by a party have not been fulfilled.
2.1.42 Person	Any natural or juridical person.
2.1.43 Pool Account	A bank account, which is opened by Intermediary Members, in order to facilitate the pay-in and pay-out process for their clients. The account shall be used to clear trading obligation for group of clients who do not have separate individual account for themselves.
2.1.44 Register of Members	The data or register containing the names and other details of the Members of the Exchange registered with the Exchange.
2.1.45 Respondent	The person against whom the applicant lodges an arbitration application, whether or not there is a claim against such person.
2.1.46 Secured Creditor	Individual or institution that lends money by obtaining specified tangible assets as collateral.
2.1.47 Security Deposit	A deposit required for membership that is contributed to the Exchange Settlement Guarantee Fund.
2.1.48 Separate Account-	A bank account which is opened by Clearing Members in order to facilitate the pay-in and pay-out process for individual client. The account shall be opened/assigned for a single client to clear his trading obligation.
2.1.49 Settlement Bank	An Exchange approved domestic bank recognized as a Clearing Institution by the Authority who shall settle Member trades executed on the Exchange.
2.1.50 Specialty Commodity	A commodity that has a value premium above commercial grade commodity due to particular attributes, including but not limited to its quality or certifications, that it possesses or due to its geographic origin

2.1.51 Spot Contract	Exchange traded contract for payment on the same day and physical delivery within a maximum of 10 working days from the date of transaction.
2.1.52 Straight Through Processing (STP)	An ability to electronically process a transaction (i.e. Client Instruction) without the need to re-enter or manual intervention by the Intermediary member, subject to regulatory and legal restrictions
2.1.53 Trading Floor	A physical trading facility where Floor Representatives make bids and offers via open outcry or other system provided by the Exchange.
2.1.54 Trading Representative	A Floor Representative or an Electronic Trade Representative
2.1.55 Trading Session	A specified period of trading during which a single contract or group of contracts will be traded.
2.1.56 Trading System	Any system provided by the Exchange, which makes available to the members of the Exchange, by whatever method, quotations in Commodities or any other instruments and disseminates information regarding trades effected, volumes and such other notifications as may be placed thereon by the Exchange.
2.1.57 Transfer of Membership	Transfer Membership seat by sale, gift, or otherwise
2.1.58 Warehouse Operator	The Exchange or a third party registered with the Ministry or with a regulatory organ delegated for this purpose by the Ministry.
2.1.59 Wash Trade	Entering into, or purporting to enter into, transactions to give the appearance that purchases and sales have been made, without incurring market risk or changing the trader's market position.
2.1.60 Workstation	Any electronic trading means approved by the Exchange.

3. MANAGEMENT OF THE EXCHANGE

3.1 Board of Directors

- 3.1.1 The Exchange Management shall be overseen by a Board of Directors (the "Board")
- 3.1.2 The Board shall consist of eleven members, of whom the Ministry shall appoint six, including the Chairperson, and five of whom the Members shall elect.
- 3.1.3 The Chief Executive Officer shall also be an ex-officio, non-voting, member of the Board.
- 3.1.4 The Ministry shall be the Supervising Body of the Exchange.
- 3.1.5 The Ministry may appoint a minimum of two independent, non-government, Board Directors.
- 3.1.6 The Members shall hold a General Meeting of Members to elect Board Directors.
- 3.1.7 The Members shall elect Board Directors that proportionally represent the different Commodity sectors
- 3.1.8 The term of appointment or election of a Board Director shall be for a period of three years. A Board Director shall be eligible for re-appointment or re-election, up to a maximum of three terms.
- 3.1.9 In order to maintain the continuity of the activities of the Board of Directors, the terms of office of its Board Directors shall not expire at the same time.
- 3.1.10 In the event of vacancy, the Board of Directors shall bring the matter to the attention of the Ministry or Members of the Exchange so that another person is assigned in the same manner as the Board Director who has vacated his position.

3.2 Powers and Duties of the Board

- 3.2.1 The Board of Directors has the following powers and duties:
 - 3.2.1.1 Appoint the Chief Executive Officer of the Exchange;
 - 3.2.1.2 Oversee the management of the Exchange;
 - 3.2.1.3 Approve the organizational structure, salaries and benefits of the Exchange;
 - 3.2.1.4 Approve the employment, assignment and dismissal of those Officers of the Exchange accountable to the Chief Executive Officer, including their salaries and allowances;
 - 3.2.1.5 Approve the Code of Conduct of Officers and employees of the Exchange;
 - 3.2.1.6 Approve the corporate plan and targets, Exchange transaction fee structure, and risk management strategy of the Exchange;
 - 3.2.1.7 Approve the re-investment of net profits into specific activities or investments;
 - 3.2.1.8 Propose to the Ministry the increase or decrease of the capital of the Exchange;
 - 3.2.1.9 Ensure that proper books of accounts are kept for the Exchange;
 - 3.2.1.10 Submit books of accounts to the auditors of the Exchange;
 - 3.2.1.11 Submit quarterly financial reports and reports on activities to the Ministry;
 - 3.2.1.12 Prescribe and amend Exchange rules and requirements regarding membership, trading, clearing and settlement, and contracts traded on the Exchange, subject to approval by the Authority;
 - 3.2.1.13 Admit, suspend, or expel a Member of the Exchange, according to the

- provisions of the Exchange rules and by-laws as approved by the Authority;
- 3.2.1.14 Ensure the proper functioning of dispute resolution mechanism provided by the Exchange;
- 3.2.1.15 Select and assign its secretary from among the Exchange staff;
- 3.2.1.16 Establish various Divisions and Units to facilitate the proper management of the Exchange; and
- 3.2.1.17 Appoint various Committees to facilitate the proper oversight of the Exchange management.

3.3 Committees of the Exchange

- 3.3.1 The Board may appoint from time to time Standing or Ad-hoc Committees, consisting of Exchange employees, Members, and others, for managing the affairs of the Exchange, the number of which shall be determined by the Board.
- 3.3.2 The Standing Committees may consist of:
 - 3.3.2.1 Contracts;
 - 3.3.2.2 Product Development;
 - 3.3.2.3 Budget;
 - 3.3.2.4 Business Performance;
 - 3.3.2.5 Member Business Conduct;
 - 3.3.2.6 Customer Protection;
 - 3.3.2.7 Investment and Capital Mobilization;
 - 3.3.2.8 Human Resources; and
 - 3.3.2.9 Others as the Management may deem necessary.
- 3.3.3 Commodity Advisory Committees
The Board may appoint Advisory Committee for specific Commodity or group of commodities, which shall consist of experts having experience in such specific commodity or group of commodities and Officers of the Exchange. Such experts may be members of the Exchange or independent professionals having expertise in related field.
- 3.3.4 Procedures for Meetings of Committees
 - 3.3.4.1 The quorum for every Committee shall be one-third of the total strength of each Committee or two (2), whichever is higher.
 - 3.3.4.2 Subject to the Exchange Rules, the proceedings of the Committee shall be regulated by the same Rules as proceedings of the meetings of the Board.
- 3.3.5 Board power in respect of Committees
The Board will have power to terminate, dissolve or suspend any member of any Committee. The Board shall have power to amend, modify, change, or partially accept recommendations of the Committee. The role of all the Committees will be recommendatory in nature and their decisions will be advisory in nature so as to enable the Board to take appropriate decision.

3.4 Procedures of Meeting of the Board

- 3.4.1 The Board of Directors shall meet at least once per month.
- 3.4.2 The Chairperson shall call a meeting of the Board, at any time, in cases of urgency or where at least four Board Directors or as the Chief Executive Officer may so request.
- 3.4.3 The agenda of a meeting of the Board shall, in advance, be communicated to the Board Directors.
- 3.4.4 There shall be a quorum where a majority of members are present.
- 3.4.5 The Board of Directors shall take decisions by majority vote.
- 3.4.6 The following decisions shall be made by two-thirds majority:
 - 3.4.6.1 Fee structure charged by the Exchange;
 - 3.4.6.2 Re-investment of net profits of the Exchange;
 - 3.4.6.3 Appointment of the Chief Executive Officer;
 - 3.4.6.4 Approval or amendment of Exchange Rules; and
 - 3.4.6.5 Other matters requiring two-thirds majority decision.
- 3.4.7 The Board of Directors shall keep minutes for every meeting, which shall be signed by each Board Director present.

3.5 Management Structure of the Exchange

- 3.5.1 The Exchange shall have an autonomous and professional management.
- 3.5.2 The Exchange shall have an independent salary structure subject to approval by the Ministry.
- 3.5.3 The Exchange management shall be neither related to the ownership of the Exchange by Government nor to the Membership of the Exchange.
- 3.5.4 The Exchange Management shall consist of a Chief Executive Officer and a number of Officers as determined appropriate by the Board.
- 3.5.5 The Officers of the Exchange shall report directly to the CEO.
- 3.5.6 In addition, the CEO shall have support officers as the CEO determines from time to time with the prior approval of the Board.

3.6 Organizational Structure of the Exchange

- 3.6.1 The Board may establish various Divisions, from time to time, for conducting the operations of the Exchange.

- 3.6.2 The Exchange shall have numbers of Divisions each led by an Officer of the Exchange:
- 3.6.3 The Divisions of the Exchange shall be organized into Management Units. Each Management Unit will be led by a Line Manager that reports to the Officer in charge of the Division.
- 3.6.4 The Exchange Management may amend from time to time the organizational structure of its technical divisions, with approval by the Board.
- 3.6.5 The Exchange shall, as soon as possible, notify the Authority of the amendments to its organizational structure.

3.7 Support Offices of the Exchange

have a number of support Offices as

- 3.7.1 In addition to its Divisions, the Exchange shall found appropriate by the Board. Executive Officer.
- 3.7.2 The support offices report directly to the time to time the structure of its support Chief
- 3.7.3 The Exchange Management may amend from offices, with approval by the Board.

3.8 Conduct of Employees of the Exchange

- 3.8.1 No employee of the Exchange shall have an interest in the business of any Member or Client of Members of the Exchange.
- 3.8.2 Except as otherwise provided, all financial information obtained by the employees in the course of discharging their duties shall be considered confidential and shall be disclosed only to the appropriate office or unit or requesting Officer.
- 3.8.3 No employee of the Exchange may divulge, or allow or cause to be divulged, to any unauthorized person, any confidential or material non-public information, including any information regarding the market position of an identified individual or firm, or the financial condition of an identified individual or firm, or to disclose the name of any customer of one firm to any other firm, except as required:
 - 3.8.3.1 In connection with disciplinary proceedings or other formal proceedings or
 - 3.8.3.2 Actions of a duly authorized Division of the Exchange, or
 - 3.8.3.3 Actions of the Board, or
 - 3.8.3.4 In response to a duly authorized court order, or
 - 3.8.3.5 In response to a request or demand by any administrative or legislative body of government having jurisdiction of the subject matter and authority to obtain the information requested.
- 3.8.4 No employee of the Exchange shall accept directly or indirectly any gift, gratuity, Compensation or any other form of remuneration valued at an amount greater than Birr 100 annually from any Member or any party associated with a Member without the approval of the CEO.

4. MEMBERSHIP OF THE EXCHANGE

4.1 Categories of Membership

- 4.1.1 The Exchange shall have the following two class of ordinary members (a and b) and two special classes of Limited Members (c and d), respectively:
- a. Trading Member;
 - b. Intermediary Member;
 - c. Limited Trading Member; and
 - d. Limited Intermediary Member.
- 4.1.2 A Trading Member shall only trade on himself.
- 4.1.3 An Intermediary Member may trade either for himself or on behalf of Clients.
- a. An Intermediary Member may appoint Associate Members.
 - b. Any Associate Member appointed by the Intermediary Member shall be an Exchange Actor recognized by the Authority and approved by the Exchange.
 - c. An Associate Member may submit trading orders through the Intermediary Member only on behalf of Clients.
 - d. An Intermediary Member shall be liable for the transaction of his Associate Members
- 4.1.4 A Limited Trading Member shall trade for himself as a Buy-only or as a Sell-only Trading Member for a single specified commodity approved by the Authority. However, a coffee exporter Buy-only Limited Trading Member may sell its coffee byproduct in accordance with the Coffee Quality Control and Marketing Proclamation No.602/2008 at the Exchange. A Limited Trading Member shall not have clients.
- 4.1.5 A Limited Intermediary Member trades for himself and for his clients only in the sale side of a single specified commodity approved by the Authority.
- 4.1.6 The Exchange may create such other classes of membership as it sees fit, having regard to the efficient operation of the Markets of the Exchange.

4.2 Eligibility for Membership Seat

- 4.2.1 Any person, business organization, public enterprise or cooperative may be admitted for membership if such person fulfills the requirements set forth under these Rules.
- 4.2.2 Any person, business organization, public enterprise or cooperative shall only acquire a single seat.
- 4.2.3 A person who has ownership interest in more than one private limited company, a shareholder serving as Board member or having a controlling interest of more than 50% of shares in a share company, or any form of partnership, or vice versa, may not acquire two separate memberships at the Exchange at the same time.
- 4.2.4 Business organizations or public enterprises that are established in the form of holding and subsidiary or are legally or factually related may not acquire two separate memberships at the Exchange at the same time.
- 4.2.5 Notwithstanding the provisions of Sub-Article 4.2.2, 4.2.3 and 4.2.4 above, any Limited

Member engaged in trading of commodity decided by law to be exclusively traded in the Exchange and who has an ownership interest in a private limited company, a shareholder serving as Board member or having a controlling interest of more than 50% of shares in a share company or any form of partnership, or vice versa, or business organizations or public enterprises that are established in the form of a holding and/or subsidiary structure or are legally or factually related may acquire separate membership, provided that:

- i. they shall make full and complete declaration relating to their ownership and senior management structure as well as any other matter the Exchange may require from time to time;
- ii. they do not conduct trade between each other or for a client ;
- iii. they cannot become a client of their own Intermediary Member;
- iv. they affirm that their membership shall be terminated if they are found trading between each other for their own or for their clients; and
- v. they do not use the same management for both businesses.

4.3 Membership Seats

4.3.1 Membership in the Exchange shall be made available by the Exchange at such times, under such terms and in such number as shall be approved by the Board. Such approval by the Board shall be required for the issuance of all new membership seats or classification of membership.

4.3.2 Procedure for the Sale of New or Vacated Membership Seats

4.3.2.1 The Exchange shall announce invitation to bid for the purchase of new or vacated membership seats by a public announcement fifteen days prior to the sale of such seats.

4.3.2.2 The bidder shall provide the following documents three days prior to the bid closing date:

- I. a copy of valid business license;
- II. Tax Identification Number and If VAT registered, VAT registration certificate;
- III. a copy of valid business license and the partnership agreement, if a partnership;
- IV. a copy of valid business license and the memorandum and articles of association, if a private limited company or share company;
- V. the memorandum and articles of association, if a cooperative;
- VI. the establishing law, if a public enterprise; and
- VII. if participation in the bid is through a legal representative, a valid agency agreement.

4.3.2.3 Each bidder must submit a sealed seat price proposal and bid bond in an amount to be determined by the Exchange, in the form of cash or bank guarantee.

4.3.2.4 For each category of membership, the Exchange shall maintain a Register of its offer and bid prices submitted by all bidders, but not the names of the parties making those bids or offers.

- 4.3.2.5 The Exchange shall open the bid document at a place, date and time specified in the announcement made under Sub-Article 4.3.2.1 above in the presence of the bidders or their legal representatives.
- 4.3.2.6 Without prejudice to other provisions of the Rules related to membership, the Exchange shall sell available membership seats to the highest bidders. If there is a tie, there shall be a second sealed bid immediately following the conclusion of the opening bid. If there is a tie for a second time, the winner of the bid may be determined by a blind drawing conducted by the Exchange in the presence of the tied bidders or their legal representatives.
- 4.3.2.7 At the end of the bid process, the Exchange shall publish the price at which seats were sold to ensure transparency.
- 4.3.2.8 Without prejudice to preceding Sub-Articles of this Article, the Exchange may prioritize and allocate from time to time sale of seats to different market sectors, subject to approval of the Authority.

4.4 Membership Rights

- 4.4.1 A Trading Member and an Intermediary Member shall have a Membership Seat which confers a permanent and freely transferable right to trade on the Exchange, subject to these Rules.
- 4.4.2 A Trading Member and an Intermediary Member shall have a right to participate in the governance of the Exchange through election of Member representatives to the Board of Directors, as prescribed under these Rules.
- 4.4.3 Without prejudice to Article 4.1.4 of these Rules, a Limited Trading Member shall have a Buy-only or a Sell-only trading right at the Exchange.
- 4.4.4 The Membership of a Limited Member shall be effective only for one year counted from the date the Limited Member becomes eligible to trade.
- 4.4.5 The trading right of a Limited Member shall be non transferable to a third party.

4.5 Membership Obligations

- 4.5.1 A Trading Member shall settle his net payment obligations directly with the Exchange and to that end shall open an account in a recognized Settlement Bank and authorize settlement instructions from the Exchange to the recognized Settlement Bank on his behalf.
- 4.5.2 An Intermediary Member shall settle both his own net payment obligations as well as the net payment obligations of his Clients directly with the Exchange and to that end shall open accounts for himself and his Clients in a recognized Settlement Bank, maintain a system for reporting on payment to Clients, and authorize settlement instructions from the Exchange to the recognized Settlement Bank on his behalf, including for Clients accounts. An Intermediary member may open separate accounts for each of his Clients upon request from his clients.
- 4.5.3 A Member shall at all times comply, and ensure that his Authorized Representatives

comply, with these Rules and any other Rules of the Exchange.

4.5.4 A Member shall notify the Exchange immediately upon becoming aware that his Authorized Representative has breached any provision of these Rules.

4.5.5 A Member shall cooperate with any Committee or member of the staff of the Exchange in the performance of its respective duties.

4.5.6 A Member shall not submit information to the Exchange that he knows, or ought to have reasonably known, to be false or misleading.

4.5.7 A Member shall be responsible for all orders entered into the Exchange trading system allocated to the Member, and shall become a party to each trade so executed.

4.5.8 A Member shall, in addition to payments provided for in Article 4.5.1, 4.5.2, 4.5.12 and 4.5.14, pay a transaction fee for each transaction which is traded by the Member, whether for himself or on behalf of a Client, in such amounts and at such times as the Exchange may determine from time to time.

4.5.9 A Non-Clearing Buy-only Limited Trading Member shall settle his net payment obligation through an Intermediary Member of the Exchange.

4.5.10 A Non-Clearing Buy-only Limited Trading Member shall conclude a Clearing Service Agreement with his respective Intermediary Member, which includes a specific clearing limit for the former.

4.5.11 A maximum service fee to be paid by the Non-Clearing Buy-only Limited Trading Member to the Intermediary Member for the clearing service rendered by the latter shall not exceed 0.5% of the value of the contract.

4.5.12 A Clearing Buy-only Limited Trading Member shall settle his net payment obligations directly with the Exchange and to that end shall open a Pay-in Account in a recognized Settlement Bank and authorize the Exchange to issue settlement instruction to the recognized Settlement Bank on his behalf.

4.5.13 A Sell-only Limited Trading Member shall open a Pay-out account in a branch of an Exchange Settlement Bank or nominate an existing account in the existing Settlement Bank.

4.5.14 The Intermediary Member shall clear and settle the net payment obligation of Non-Clearing Buy-only Limited Trading Members and to that end shall open a pooled clearing Pay-in account in an Exchange Settlement Bank.

4.5.15 The Non-Clearing Buy-only Limited Trading Member shall take full responsibility to receive and process the Delivery Notice and Pick-up Notice issued by the Exchange for his buy transaction.

4.6 Admission of Members

4.6.1 Application Procedure

4.6.1.1 An applicant for membership of the Exchange shall submit an application to the Exchange, in such form and providing such undertakings, information and documents as the Exchange shall from time to time require, together with any application fee as determined by the Exchange.

4.6.1.2 The application shall include an undertaking, signed by the applicant or (in the case of a firm or corporation) a duly authorized officer of the applicant, in a

form specified by the Exchange, that it agrees to be bound by these Rules and any other Rules and By-Laws issued by the Exchange.

4.6.1.3 The Exchange shall consider the application and may call for such further information, as it considers necessary.

4.6.1.4 The Exchange shall furnish the reason for its decision to reject the application. If an applicant is rejected for Membership, the applicant may appeal the decision to the Board. The Board shall decide, by majority vote, whether the applicant is qualified for membership. The decision of the Membership shall be final.

4.6.1.5 In determining whether to approve an application, the Exchange shall be entitled to consider the business integrity, financial soundness and standard of training and experience of the applicant and, in the case of a company its managers or directors, partners, officers and employees, and such other matters as the Exchange regards as relevant from time to time.

4.6.1.6 The Exchange shall be entitled to investigate through on-site visits, interviews, document authentication, and other measures as necessary, to verify the information provided in the application.

4.6.1.7 An applicant shall, during the admission process appear personally before the Board or any Committee thereof, for an interview or test administered by the Exchange as may be prescribed.

4.6.2 Requirements for Membership

A person, business organization, public enterprise or cooperative may be admitted for membership if such person:

4.6.2.1 Has been recognized as an Exchange Actor by the Authority;

4.6.2.2 Has produced audited financial statement from an Authority recognized Auditor certifying the following minimum requirement for Net Worth according to the class of membership:

- a. Trading Member: 500,000 Birr;
- b. Intermediary Member: 1,000,000 Birr.

4.6.2.3 Has paid membership seat price of 50,000 Birr;

4.6.2.4 Has paid first year annual membership maintenance fee as prescribed by the Board of the Exchange, subject to approval by the Authority;

4.6.2.5 Has paid non-interest bearing security deposit in the form of cash, fixed for the duration of membership which shall be used to form the Settlement Guarantee Fund of the Exchange, as prescribed under these Rules, according to the class of membership:

- a. Trading Member: 200,000 Birr;
- b. Intermediary Member: 300,000 Birr.

4.6.2.6 Provides Tax Identification Number and Tax Clearance. If VAT registered, provides VAT registration certificate;

4.6.2.7 Submits a copy of the valid license and the partnership agreement, if a partnership;

- 4.6.2.8 Submits a copy of valid license and the memorandum and articles of association, if a private limited company or share company;
- 4.6.2.9 Submits the memorandum and articles of association, if a cooperative;
- 4.6.2.10 Submits the establishing law, if a public enterprise; and
- 4.6.2.11 Has attended a certification course in Commodity Marketing and passed a certification examination, unless exempted from the course by the Exchange.
- 4.6.2.12 Has the minimum technical infrastructure specified by the Exchange
- 4.6.2.13 A person, business organization, public enterprise or cooperative may be admitted for Non-Clearing Buy-only or Sell-Only Limited Trading membership if such person:
 - 4.6.2.13.1 Has paid a non-refundable membership fee of Birr of 5,000;
 - 4.6.2.13.2 Has paid a non interest bearing refundable security deposit of Birr 50,000;
 - 4.6.2.13.3 Fulfills other requirements specified under Sub-Article 4.6.2.1, 4.6.2.6.4.6.2.7, 4.6.2.8, 4.6.2.9, 4.6.2.10 and 4.6.2.11 of the Rules.
- 4.6.2.14 A person, business organization, public enterprise or cooperative may be admitted for Clearing Buy-only Limited Trading Member if such person:
 - 4.6.2.14.1 Has paid a non refundable membership fee Birr of 5,000;
 - 4.6.2.14.2 Has paid a non-interest bearing refundable security deposit of Birr 200,000;
 - 4.6.2.14.3 Fulfills other requirements specified under Sub-Article 4.6.2.1, 4.6.2.6.4.6.2.7, 4.6.2.8, 4.6.2.9, 4.6.2.10 and 4.6.2.11 of the Rules.
- 4.6.2.15 A person, business organization, public enterprise or cooperative may be admitted for Limited Intermediary membership if such person:
 - 4.6.2.15.1 Has paid a non refundable membership fee of Birr 5,000;
 - 4.6.2.15.2 Has paid a non interest bearing refundable security deposit of Birr 100,000;
 - 4.6.2.15.3 Fulfills other criteria mentioned under Sub-Article 4.6.2.1, 4.6.2.6, 4.6.2.7, 4.6.2.8, 4.6.2.9, 4.6.2.10 and 4.6.2.11 of the Rules.
- 4.6.3 Membership other than Natural Persons
 - 4.6.3.1 No business organization, partnership firm, cooperative or public enterprise shall be eligible for admission as a Member unless:
 - a. It submits a resolution of Board or similar organ which allows trading on the Exchange;
 - b. In the case of partnership, the partnership agreement permits the partnership or individual partners of the firm to carry on business in commodities.
 - 4.6.3.2 Any amendment made in the partnership agreement, articles of association or memorandum of association shall be deposited with the Exchange within one (1) month of such amendment.
- 4.6.4 Acquiring of Membership Status
 - 4.6.4.1 An applicant shall become a Member when the:

- a. Exchange has completed the approval process described in these Rules and has notified the applicant in writing of its approval of the application; and
 - b. Applicant has paid the fees and deposits as prescribed under these Rules.
- 4.6.4.2 If the applicant has not paid required fees and deposits within one month of the issuing by the Exchange of the written notification of approval, the Exchange's approval shall be deemed to have lapsed.
- 4.6.4.3 A Member shall not be entitled to engage in trading until he complies with the Clearing and Settlement provisions of these Rules relating to the opening of the appropriate Accounts.
- 4.6.4.4 The Exchange shall notify the Authority of the Members approved by the Exchange.
- 4.6.5 Payments
- 4.6.5.1 In determining fees to be paid by Members, the Exchange may determine different levels of fees for different categories of Members, if any.
- 4.6.5.2 Payment shall be due on such date as may be determined by the Exchange.
- 4.6.5.3 Annual membership maintenance fees shall be paid notwithstanding the suspension of a Member's membership status.
- 4.6.5.4 A Member that fails to pay an annual membership maintenance fee on the due date shall be thereupon suspended, unless the Exchange grants an extension of one month for payment.
- 4.6.5.5 If failure to pay the membership annual maintenance fee is not remedied within one (1) month of the due date or extended date, the Exchange may terminate the Member's membership, and may pursue any outstanding fees and interest charges from such Member.
- 4.7 Suspension of Membership and Trading Rights
- 4.7.1 Grounds for Immediate Suspension of Trading Rights
- A Member's trading rights on the Exchange shall be immediately suspended if at any time:
- 4.7.1.1 The Member defaults on settlement obligations;
 - 4.7.1.2 The Exchange has received notice from the Member's Settlement Bank that the Settlement Bank has suspended or closed the Member's bank accounts, including those required for Settlement of trades executed on the Exchange;
 - 4.7.1.3 A liquidator, receiver, manager or administrator or similar officer is appointed in respect of the Member or its property, or if the Member becomes, or is deemed to be, bankrupt or insolvent or is unable to pay its debts as they fall due;
 - 4.7.1.4 The Member fails to pay any fee referred to in Articles 4.6.5 of these Rules or any other financial liability arising under these Rules, by the relevant due date, unless the Exchange grants an extension of time for payment;
 - 4.7.1.5 The Member fails to comply with an arbitration award made against it in accordance with the Arbitration Rules.
 - 4.7.1.6 Accepting or executing an order for any commodity traded or listed on the

- Exchange for the account of an official or an employee of the Exchange; an employee or a director of a settlement bank; an employee or a director of a warehouse operator; another ordinary Member of the Exchange or an employee of such ordinary Member; Limited Member of the Exchange or an employee of such Limited Member for a commodity the limited member is qualified to trade, an employee or Board member of the Authority; or a Board member of the Exchange, except that an Exchange member that is also a Board member may accept and execute an order for its account and its clients' accounts;
- 4.7.1.7 When misrepresentation of a member's qualification has been found by the Exchange;
- 4.7.1.8 Engage in corrupt practices, such as bribery, forgery of documents and Misrepresentation of information.
- 4.7.1.9 Unless treated otherwise under specific provisions of these Rules, the Member fails to comply with any other obligation under these Rules, after the expiry of any grace period granted by the Exchange, if any, unless the Exchange waives such breach in accordance with its powers under these or any other relevant Rules;
- 4.7.1.10 Where a Member is suspended under Sub-Article 4.7.1.1 to Sub-Article 4.7.1.8 of these Rules, the Member may be liable to pay a fine of such amount as is determined in accordance with these Rules;
- 4.7.1.11 Failure to pay a fine imposed under Sub-Article 4.7.1.9 of these Rules within ten (10) working days of the Member being notified of the imposition of the fine shall result in continuation of suspension until the fine is paid in full; and
- 4.7.2 Grounds for Discretionary Suspension of Trading Rights
- 4.7.2.1 Without prejudice to any other action which the Exchange may take, a Member's membership status may be suspended where:
- a. The value of the Net Worth of the Member at any time falls below the minimum required by the Exchange;
 - b. A partner of a Member, in the case of partnership, or a director or other officer, in the case of membership other than natural person, is bankrupt;
 - c. Corner a commodity or attempt to corner a commodity in connection with a transaction on the Exchange;
 - d. Manipulate or attempt to manipulate the quality or quantity of commodity at deposit or delivery;
 - e. Engage in acts that in any way compromise the integrity of the Exchange's information technology system, software applications, data or equipments;
 - f. Obtain or attempt to obtain without authorization or consent of the Exchange non-public Exchange information related, but not limited, to the Exchange trading, members, clearing and settlement, warehouse deposits, surveillance, client information and finance;
 - g. The Member has been found by a Court, the Exchange or the Authority to have violated any Rule or Bylaws of the Exchange or the Directives of the Authority; or

- h. The Member has been convicted by a Court of a criminal offense.
 - 4.7.2.2 Where a Member is suspended under Sub-Article 4.7.2.1 of these Rules, the Member may be liable to pay a fine of such amount as is determined in accordance with these Rules.
 - 4.7.2.3 Failure to pay a fine imposed under Sub-Article 4.7.2.2 of these Rules within ten (10) working days of the Member being notified of the imposition of the fine shall result in automatic suspension of the Member or, where the Member is already under suspension, continuation of that suspension until the fine is paid in full.
 - 4.7.2.4 Where a Member is suspended, the suspension shall be effective twenty four (24) hours after the Exchange notifies the Member of the decision of suspension, with the exception of settlement default, in which case suspension is immediate.
 - 4.7.2.5 If the Exchange is of the opinion that the Member has demonstrated that it will be able to comply with any obligation under this Article but only after the deadline applying thereto, allow the Member up to ten (10) working days within which to do so, and the suspension will be effective at the expiration of the time granted if the Member has not achieved compliance at that time.
- 4.7.3 Consequences of Suspension of Membership
- 4.7.3.1 The Trading rights of a Member shall cease entirely for the duration of any period of suspension of the membership of that Member, including suspension of trading on behalf of all his clients if an Intermediary Member.
 - 4.7.3.2 No suspension of membership shall affect the Member's ability or obligation to comply with any direction given or condition imposed pursuant to these Rules or any other Rules or affect the operation of these Rules or any other Rules.
- 4.7.4 Lifting of Suspension of Trading Rights
- 4.7.4.1 Where a Member's Trading rights have been suspended pursuant to Article 4.7.1.2 of these Rules, such suspension shall be lifted when the Settlement Bank notifies the Exchange in writing that the suspension from the Settlement Bank has been lifted.
 - 4.7.4.2 Where a Member's Trading rights have been suspended in accordance with Article 4.7.1.3 of these Rules, such suspension shall be lifted at the conclusion of any liquidation, receivership, administration or other insolvency-related procedure affecting that Member and resulting in such Member remaining solvent, unless the Exchange in its absolute discretion determines otherwise.
 - 4.7.4.3 Where a Member's Trading rights have been suspended in accordance with Article 4.7.2.1(a) the suspension shall be lifted as soon as a statement meeting the minimum Net Worth requirements has been received by the Exchange.
 - 4.7.4.4 Where a Member's Trading rights have been suspended in accordance with Article 4.7.2.1(g) of these Rules, the suspension shall be lifted upon the Member demonstrating to the satisfaction of the Board, it has achieved compliance.

4.8 Transfer of Membership Seat

4.8.1 Right to Transfer Seat

4.8.1.1 Subject to these Rules, a Trading Member and an Intermediary Member are entitled to transfer a membership seat to a person approved by the Exchange as a Member.

4.8.1.2 The Exchange shall impose a non-transfer period of three years from the acquisition of membership.

4.8.1.3 No transfer of membership shall be effective unless:

- a. Any non-transfer period shall have expired;
- b. The Transferor shall first have paid to the Exchange all monies owed by him to the Exchange;
- c. The Transferor shall first have fulfilled all Outstanding Obligations held on behalf of Clients in accordance with instructions from those Clients; and
- d. The Member is not suspended.

4.8.2 Transfer Procedures - Bids and Offers for Membership Seats

4.8.2.1 For each category of membership the Exchange shall maintain a Register of offer prices submitted by Members wishing to transfer their membership, and bid prices submitted by any person wishing to acquire membership by way of transfer.

4.8.2.2 The Exchange shall publish bid and offer prices in the Register, but not the names of the parties making those bids or offers.

4.8.2.3 If a party wishes to accept a current bid or offer in the Register, it shall notify the Exchange, which shall thereupon give that party the details of the relevant bidder or offeror.

4.8.2.4 Where a bid or offer is accepted, the parties shall provide the Exchange with a copy of the transfer agreement, duly signed by both parties, including the price at which the transfer was effected.

4.8.2.5 The Exchange shall publish the price at which any transfer of membership is effected.

4.8.3 Transfer Procedures - Transferee

4.8.3.1 A prospective Transferee must satisfy the application and requirements for membership set out in 4.6.2 and 4.6.3.

4.8.3.2 Following approval by the Exchange of the Transferee's application under Article 4.6.1 of these Rules, the Transferee may advise the Exchange of his bid price to be incorporated in the Register for the category of membership for which he has applied.

4.8.4 Acquiring of Membership status by transfer

A prospective Transferee shall be granted membership status when:

4.8.4.1 The Exchange has completed the approval process provided for in Articles 4.6.1 and 4.6.2 and has notified the applicant in writing of its approval of the application;

4.8.4.2 The Exchange has received a copy of the transfer agreement referred to in Article 4.8.2.4 of these Rules.

4.8.5 The procedures set out in this Article shall not apply to:

- a. Transfers between affiliated business organization; or
- b. In the case of a Member that is a firm, a transfer to a partner in that firm or to a corporation that is beneficially owned by a partner in that firm.

4.8.6 A seller shall pay to the Exchange transfer fee from the proceed of sell of his Membership Seat. The amount of such payment shall be prescribed from time to time by the Board of the Exchange, subject to approval by the Authority.

4.9 Termination of Membership

4.9.1 Termination of Membership Status

4.9.1.1 Upon an act, omission or violation that gives rise to suspension under Articles 4.7.1 and 4.7.2 of these Rules, the Board may at its discretion terminate the membership status of a Member.

4.9.1.2 Unless justification is provided and accepted by the Exchange, the Exchange shall terminate membership, upon expiration of a notice period of three months, if a Member fails to commence trading on the Exchange within one month from a date of approval of membership, including payment of security deposit or if a member fails to trade for an interval of three months after trading for some time.

4.9.1.3 The notice mentioned under Sub-Article 4.9.1.2 shall be issued to a Member only once.

4.9.2 Continuation of Liability

The termination of a Member shall not in any way diminish any liability which that Member may have incurred to the Exchange or to the Settlement Bank or any other Member arising out of his activities and obligations as a Member and such shall continue to subsist until satisfied or discharged.

4.9.3 Refund of Fees

4.9.3.1 There shall be no entitlement to a refund of Membership maintenance fee upon the suspension or termination of the Member's membership status.

4.9.3.2 The Member shall be entitled to a refund of his Security Deposit in the amount of the initial deposit and Membership Seat fee at the initial purchase price or the prevailing market value, whichever is lower, upon the suspension or termination of the Member's membership status.

4.9.4 Notification of Suspension or Termination

4.9.4.1 Where the membership of a Member has been suspended or terminated, the Exchange shall cause a notice to that effect to be issued to that Member and may make any such other public announcements relating to, and may notify such other persons of such suspension or termination as the case may be, as it sees fit.

4.9.4.2 The Exchange shall advise the Authority of the suspension or termination, as the case may be, of the membership of any Member and all subsequent action taken

by the Exchange in respect of that Member.

4.9.4.3 The Exchange may, in any notice published pursuant to Article 4.9.4.1 indicate the grounds on which the relevant decision was made.

4.10 Persons Acting on Behalf of a Member

4.10.1 Authorized Representatives

4.10.1.1 Any Member shall be entitled to be represented in respect of his business by Authorized Representatives.

4.10.1.2 Authorized Representatives shall be designated as Trade Representatives or other Authorized Representatives.

4.10.1.3 A Member wishing to appoint Authorized Representatives shall apply for the permission of the Exchange. The Exchange shall issue Rules for the appointment, operations and cessation of Authorized Representatives.

4.10.1.4 Eligibility for Authorized Representative

A person may be appointed as an Authorized Representative if the person:

- a. Is recognized as an Exchange Actor by the Authority;
- b. Has attended a certification course in Commodity Marketing and passed a certification examination, unless exempted from the course by the Exchange; and
- c. Submits a letter of appointment from the Member.

4.11 Compliance with Rules and notification of breaches

A Member shall:

4.11.1 At all times comply with, and ensure that its Authorized Representatives comply with, these Rules and other Rules of the Exchange;

4.11.2 Notify the Exchange immediately upon becoming aware that it or its Authorized Representatives have breached any provision of these Rules or any other Rules or law relating to the Exchange; and

4.11.3 Notify the Exchange immediately upon becoming aware that a regulatory body is investigating or instituting proceedings against it.

4.12 Cooperation and communication

4.12.1 The Member shall cooperate, with the Exchange or person or persons appointed by the Exchange to inspect records on its behalf, in carrying inspection of records concerning the Member's trading and financial position whether for himself or on behalf of Clients.

4.12.2 The Exchange may request the Settlement Bank to provide any information in its possession concerning a Member and may request that the Settlement Bank to conduct an inspection of the Member, or to appoint a person to conduct an inspection. Each Member hereby authorizes the Settlement Bank to comply with such requests.

4.12.3 The Exchange shall provide all information requested by the Authority relating to the operations of the Exchange or a Member and outstanding obligations held by that

Member.

4.12.4 Except as provided by these Rules other relevant Rules or Bylaws or as required by law, the Exchange shall keep confidential information concerning Members or outstanding obligations held by them and shall only disclose such information to any other party as provided by these and any other Rules or Bylaws, as required by law or for the purposes of discharging any of its functions or obligations under the Rules including, without limiting the generality of the foregoing, the provision of information to any insurers, if any, to the Settlement Bank or to a Designated Exchange Warehouse.

4.12.5 Each Member shall give access to the Authority or the Exchange to enter its offices at any time requested by the Authority or the Exchange for the purposes of supervision and monitoring compliance with these Rules or any other Rules issued by the Exchange and the Directives of the Authority.

4.13 Notification of external administration

A Member must notify the Exchange in writing immediately upon the happening of any of the following:

4.13.1 The appointment of a bankruptcy commissioner or trustee in respect of the property of the Member; or

4.13.2 The bankruptcy of any partner, in the case of partnership.

4.14 Maintenance of Minimum Net Worth

Each Member shall:

4.14.1 Ensure that at all times the value of its Net Worth (less intangible assets) is not less than the minimum value determined therefore by the Exchange;

4.14.2 In the event that the value of the Net Worth (less intangible assets) falls below the minimum value determined thereof by the Exchange, immediately notify the Exchange; and

4.14.3 Provide to the Exchange an audited financial statement in the form prescribed from time to time by the Exchange within three (3) months of the end of his financial year.

4.15 Maintenance of accounting records

4.15.1 Each Member must maintain such accounting records which:

a. Correctly records and explains the transactions and financial position of that Member; and

b. Enables the Exchange conveniently to ascertain Member's compliance with these Rules.

4.15.2 Such records are to be maintained in a form and at a location that will enable them to be conveniently and properly audited.

4.16 Compliance with applicable law

Each Member shall comply with the Exchange Proclamation and Authority Proclamation and other relevant laws.

5. TRADING ON THE EXCHANGE

5.1 Trading Platform

Trading on the Exchange shall take place on the Trading Floor of the Exchange, on an electronic platform provided by the Exchange, or on such other facility as the Exchange may approve.

5.2 Trading Days and Hours

The Trading Platform shall be open for trading during such hours, as the Exchange shall designate.

5.2.1 Trading Days

5.2.1.1 Trading on the Exchange shall take place from Monday to Saturday, excluding public holidays, unless the Exchange determines otherwise.

5.2.1.2 The Board of Directors, with the approval of the Authority, is permitted to make exceptions from the rule in sub-article 5.2.1.1. Members of the Exchange shall be informed of such exceptions being made.

5.2.1.3 In exceptional circumstances and for reasons to be recorded in writing, the Management of the Exchange (with notice given to the Board as soon as practicable) may close the trading in any or all contracts for more than one trading day:

- a. Provided that such trading on the Exchange shall not be so closed by the Exchange without notice being delivered to the Authority immediately before such closing, when practicable, or otherwise immediately thereafter, notice for the purposes of this Article shall mean, a telephone call followed by a written letter, fax or electronic mail.
- b. Provided that such trading on the Exchange shall not be so closed by the Exchange at any time continuously for a period exceeding three trading days without the approval of the Authority.
- c. Provided further that when information regarding such closing is conveyed to the Authority, the Board/Management of the Exchange may close such trading on the Exchange continuously for any period exceeding three trading days without the approval of the Authority, until such time as the decision of Authority is received by the Exchange.

5.2.2 Designated Trading Hours

The Exchange shall declare the designated hours for trading for each contract listed on the Exchange.

5.2.3 Electronic Trading Sessions

The Electronic Trading sessions may include the following sessions:

- a. Pre-opening - begin entering orders, canceling prior orders, no trade allowed;
- b. Pre-opening no cancel - can enter orders but no cancelation or modification, no trade allowed;
- c. Open - is trading hour where orders sent are matched. At this period, order can be enter, modify and cancel before it is executed;
- d. Pause - cease trading prior to closing when there is a need to keep the integrity of the Exchange trading or any security reason. During pause, only cancelation is allowed;
- e. Close - end of trading hour where no order can be entered, modified or cancelled;
- f. Maintenance period -a period of time after close session where the market remains closed and members cannot enter, modify, view or cancel orders. During this period the Exchange perform maintenance work such as other back office work is finalized and expired Good Till Date orders are purged; and
- g. Any other session determined by the Exchange.

5.3 Trading System

Trading shall take place by open outcry on the Trading Floor or on the electronic trading platform competitively in a manner and time as the Exchange may determine.

5.3.1 Admission to the Trading Floor

5.3.1.1 Admission to the Trading Floor

- a. The only persons who may be admitted to the Trading Floor are Floor Representatives, or permitted guests under sub-article 5.3.1.4, and authorized employees of the Exchange.
- b. Only a Floor Representative shall execute any open outcry transaction on the Trading Floor of the Exchange.
- c. No Floor Representative shall be admitted to the Trading Floor if the Member is suspended.

5.3.1.2 There shall be no mobile telecommunication devices allowed on the Trading Floor.

5.3.1.3 Identification Badges

No Floor Representatives or Exchange employees shall be admitted to the Trading Floor unless wearing identification badge issued by the Exchange, in a prominent position at all times while on the Trading Floor.

5.3.1.4 Guest Badges

- a. The Security Department may, upon application of a Member, or upon its own initiative pursuant to Exchange policies, issue a guest badge to a guest permitting access to the Trading Floor.
- b. All guests of a Member shall be accompanied by a Member while on the Trading Floor and shall obey all Rules respecting floor conduct established

herein for members. Members shall be responsible for all violations of the Exchange's Rules committed by their guests and for resulting fines.

- c. Any official representative of the Authority shall be admitted to the Trading Floor of the Exchange at any time if such visitations are in furtherance of the performance of his official duties under the said Authority Proclamation, but for no other purpose, and shall be accompanied by an Exchange staff while on the Trading Floor.
- d. Accredited representatives of the press shall be admitted to the Trading Floor with the written authorization of the Exchange's Communications Department, and shall be accompanied by an Exchange staff while on the Trading Floor.

5.3.2 Admission to the Electronic Trading Platform

- a. Only prequalified persons may access the Electronic Trading Platform on behalf of Members.
- b. A person may be appointed as an Electronic Trade Representative if the Representative:
 - i. Is recognized as an Exchange Actor;
 - ii. Has attended certification courses in Commodity Marketing and Exchange electronic trading and any other training required by the Exchange and successfully passed the examination; and
 - iii. Submits a letter of appointment from the Member which shall be approved by Exchange.
- c. A client may enter instructions on the platform if:
 - i. The Member and the Client have entered into a Member Client Agreement;
 - ii. The Client attended the Exchange's Client Electronic Trading Training;
 - iii. The Member gets the Client an appropriate Exchange electronic trading user ID;
 - iv. The Member opens a separate clearing and settlement account on behalf of the Client; and
 - v. The Client is otherwise qualified to trade on the Exchange.
- d. All Client instruction shall be subject to review by their respective Members. The Member assumes all trade related responsibilities for Client instruction on the Electronic Trade Platform including any support to the Client in placing, modifying or canceling the instruction.
- e. A Member shall either approve or reject each client instruction unless the member establishes the client for Straight Through Processing (STP) of his instructions. The Member cannot withhold client instruction without good reason.
- f. A member shall only reject client's instruction when the instruction violates the Exchange's trading rule or upon client request. The Member has to inform the client and the Authority about the rejected instruction immediately.

- g. All connections to the Electronic Trading Platform, including direct connections of Clients entering instructions on their own behalf, non-clearing members and their Electronic Trading Representatives, must be guaranteed by a clearing member that assumes responsibility for all activity through the connection.
- h. Members shall assist the Exchange in any investigation into potential violations of the Rules which occur through or with use of the Electronic Trading Platform. Such assistance must be timely and may include, but not be limited to, producing documents, answering questions from the Exchange, and/or to appearing in connection with an investigation.
- i. The Exchange may suspend or terminate Electronic Trading system access by Electronic Trade Representatives or an approved Client to enter his own instruction if the Exchange determines that the actions of Electronic Trade Representative or the Client threaten the integrity or liquidity of any contract or violate any Exchange rule, or if the Electronic Trade Representative, the Client or the Member fails to cooperate in an investigation. In such cases the Exchange must communicate the Member/Representative or Client and the Authority such decisions and the reasons behind
- j. If a Member knows or should have known an Electronic Trade Representative or an approved Client to enter his own instruction has violated the law in connection with the use of the Electronic Trading Platform and the Member fails to take appropriate action, the Member may be considered to have committed an act detrimental to the interest of the Exchange.

5.3.3 Identification of Electronic Trade workstation User

- a. Each Electronic Trade Representative and each Client entering his own instructions shall be identified to the Exchange, in the manner prescribed by the Exchange, and shall be subject to Exchange rules.
- b. User IDs are required for each user and it is the duty of the Member to ensure that registration of IDs is current and accurate at all times for all Electronic Trade Representatives and Clients entering their own instructions.
- c. Each Electronic Trade Representative and each Client entering his own instructions must use a unique user ID to access the system. In no event may an Electronic Trade Representative or a Client entering its own instructions enter an instruction or permit the entry of an order by an individual using a user ID other than the Electronic Trade Representative's or the Client's own unique user ID.

- d. The Exchange may limit the number of Electronic Trade Representatives or Clients enter their own trades that may access the Electronic Trading Platform at a given time.
- e. The Exchange shall issue system account management procedure and distribute to all entitled users of the Exchange Electronic Trading Platform ,

5.3.4 Electronic Trade Support

The Exchange Electronic Trading System Control Center provides Exchange support and problem management to Members and Electronic Trade Representatives. The Exchange may provide support during specified hours via a specified telephone number or through electronic means. Clients entering their own instructions must contact the Exchange through their Member or Electronic trade Representative.

5.3.5 Phantom Order / instruction

- a. A phantom order/ instruction is an order/instruction: 1) that was caused by a failure, malfunction or negligent operation of an Exchange system, service or facility, or 2) whose terms (e.g., contract, quantity or price) were changed without authorization of the Trade Representative or a Client entering its own instruction placing the instruction solely as a result of a failure, malfunction, or negligent operation of an Exchange system, service or facility.
- b. If the Exchange has reason to believe that phantom orders have been or are being entered into and/or executed on any Exchange trading system, the Exchange shall take appropriate action with respect to any affected market, including without limitation, closing the market, deleting bids and offers, and/or suspending new bids and offers.
- c. The Exchange shall promptly give notice that all trade transactions that were directly or indirectly caused by the execution of phantom orders and were executed at prices outside of the daily price range shall be voided. The Exchange shall have no liability or responsibility to the parties to any transactions that are voided pursuant to this Article.
- d. The Exchange shall void transactions that were directly or indirectly caused by the execution of phantom orders and were executed at prices within the daily price range if the Exchange concludes that such transactions impair the integrity of the market.
- e. If phantom order transactions executed on the Exchange trading system are not voided, the person who traded opposite a phantom order shall have no recourse against the Exchange. The Exchange shall be liable for loss on the liquidation of positions resulting from execution of such phantom orders. The

Exchange's liability to such person shall be limited to the price difference between the actual sell price and the price at which the positions could have been liquidated during the relevant time period.

5.4 Trading Rules

5.4.1 Opening Call for Trading Sessions

5.4.1.1 There shall be one (1) opening call at the start of each outcry trading session according to the session schedule announced publicly by the Exchange.

5.4.1.2 The Exchange shall announce in advance from time to time when each Electronic trading session shall be opened.

5.4.2 Closing call for Trading Sessions

5.4.2.1 The one (1) minute period prior to the closing of outcry trading shall be deemed the closing period for each trading session. A first closing call shall be given by the Trading Floor Supervisor at the commencement of the closing period and a final closing call at the close of the trading session.

5.4.2.2 The Exchange shall announce in advance from time to time when each Electronic trading session shall be closed.

5.4.3 Daily Price Limit

5.4.3.1 There shall be an allowed price fluctuation limit higher or lower than the last Closing Price of the previous day, specified for each contract.

5.4.3.2 If no trades have been executed during the trading session, the closing price shall be the last recorded price. However, if the last recorded price is five or more days older, the Exchange may reset the price limit as it deems appropriate.

5.4.3.3 In exceptional circumstances and for reasons to be recorded in writing, the Management of the Exchange (with notice given to the Board as soon as practicable) may modify the daily price limits for a contract.

5.4.4 Opening Price

5.4.4.1 The first posted bid or offer of each contract shall be within the allowed daily price limit, as specified for each contract.

5.4.4.2 Subsequent bids or offers that would establish or change the market price for the current contract shall be made in price increments not to exceed the daily price limit.

5.4.5 Closing Price

5.4.5.1 The logic for calculation of closing price of all contracts shall be determined from time to time by the management of the Exchange. The management of the Exchange shall notify the Board and the Authority any of such decision as soon as possible.

5.4.6 Daily Position Limits

5.4.6.1 The daily position limit is the maximum amount, specified in each contract, that a Member is allowed to buy or sell during a trading session.

5.4.6.2 In exceptional circumstances and for reasons to be recorded in writing, the Management of the Exchange (with notice given to the Board as soon as practicable) may modify the daily position limits within a trading session.

5.5 Trading and Floor Practices

5.5.1 Bids and Offers on the trading floor

Each bid and offer for contracts shall be:

- 5.5.1.1 Made competitively, openly and audibly, by public outcry and in such a manner as to be available to all Floor Representatives in the Trading Floor during the authorized hours of trading;
- 5.5.1.2 Understood to be one (1) contract where no quantity is specified and a Floor Representative who fails to specify a quantity is obligated to accept a minimum of one (1) contract;
- 5.5.1.3 Open to the first (1st) Floor Representative accepting such bid or offer or part of such bid or offer at the price named by the bidding or offering Floor Representative;
- 5.5.1.4 Be binding upon the first Floor Representative and his Member accepting such bid or offer or part of such bid or offer at the price named by the bidding or offering Floor Representative and his Member;
- 5.5.1.5 Deemed withdrawn if not immediately accepted; and
- 5.5.1.6 Made in the Amharic language.

5.5.2 Bids and Offers on the Electronic Trading Platform

5.5.2.1 Order Entry

- a. Electronic Trading on the Exchange shall be allowed only through approved Workstation(s).
- b. Only certified Electronic Trading Representatives or an approved Client to enter his own instruction can process Electronic trade transactions.
- c. Each Electronic Trading Representative or an approved Client to enter his own instruction shall have a Unique Identification (ID) number which shall be provided by the Exchange and which shall be used to log on to the electronic Trading Platform. Only a person, who is assigned a user ID, created by the Exchange, can either enter an instruction or an order on the Exchange Trading Platform.
- d. The minimum data elements required when entering an instruction or order are :
 - i. Assigned User ID;
 - ii. Member ID;
 - iii. Price;

- iv. Quantity;
- v. Side (buy or sell);
- vi. Validity;
- vii. Delivery location; and
- viii. Product information.

The Exchange may change the minimum data element requirements from time to time.

- e. Limited Trading Members may be allowed to enter orders in the Electronic Trading Platform only on the side they are authorized (buy-only or sell- only).
- f. Notwithstanding Sub-Article 5.5.7.2 of this rule, with respect to instruction received by an Electronic Trade Representative which is capable of being immediately entered into the Electronic Trading system, no record other than that set forth above need be maintained. However, if an Electronic Trading Representative receives an instruction which cannot be immediately entered into the Electronic Trading System, the Electronic Trade Representative must maintain a record including the account designation, date, time of receipt. The instruction must be entered into the Electronic Trading system when it becomes executable. Clients entering their own instructions need not keep similar records.

5.5.2.2 Order validation

- a. The Exchange may specify the number of days after which Good Till Cancelled (GTC) orders shall be cancelled by the system if they are not executed within the specified period or reject if the order price fall outside of daily price limit.
- b. The Exchange may specify the maximum number of days for Good Till Dates (GTD) orders. Such order shall be cancelled by the system if they are not executed within the specified period or reject if the order price fall outside of daily price limit.

5.5.3 Trade Transactions

The Electronic Trading Platform may make visible to traders all details of executed trades, except for the identity of the parties. All transactions in contracts shall be submitted to the Clearing House of the Exchange on the day of trade for clearance in accordance with Clearing and Settlement Rules.

5.5.4 Transactions Made Outside of Daily Price Limit

Transactions made outside of the daily price limit shall be rejected. Such transactions shall not be reported by the Exchange.

5.5.5 Guaranteeing Terms of Execution

5.5.5.1 Any Member who receives an instruction to buy or sell is prohibited from explicitly or implicitly guaranteeing the execution of the instruction at specified terms. A member may only report an execution that has occurred as a result of open auction effected on the Trading Floor or the Electronic Trading Platform.

5.5.5.2 This rule shall not be construed to prevent a Member from assuming or sharing in the losses resulting from an error or mishandling of instruction.

5.5.6 Trade Representatives to be Present on the Exchange Premises

Trade Representatives or approved Clients to enter his own instruction shall personally be present on the premises of the Exchange no later than one-half hour prior to the opening of the first trading session in which they intend to trade.

5.5.7 Records of Client Orders

5.5.7.1 All Client buy or sell instructions shall be placed by telephone. Each call may be recorded and archived for a period not less than one (1) year.

5.5.7.2 All Client buy or sell instructions shall be recorded by the Member or its Electronic Trade Representative in writing and archived for a period not less than Ten (10) years. The written instruction record shall include: the Client identification Number, details of the instruction including price, quantity, side (buy or sell), validity and instruction type, type of transaction and exact time of when the instruction is received. The Exchange may audit this written instruction record periodically. If and when the Exchange provides alternate client instruction tracking systems, the Member may use the alternate system in lieu of the written record required above.

5.5.7.3 All floor instructions/orders, whether received from Clients by telephone or for the Member, must use pre-printed sequentially pre-numbered Order Tickets provided by the Exchange to provide a written record of the order. Such Order Ticket must be dated and time stamped when the order is received and shall show:

- a. Member identification number;
- b. Authorized Representative identification number, if any;
- c. Client identification number, if any;
- d. Time to the nearest minute;
- e. Quantity offered or bid;
- f. Order price;
- g. Type of transaction (buy or sell); and
- h. Type of order (Market, Limit).

5.5.7.4 To complete Trading Floor Order Tickets, each floor Representative must use

non-erasable ink and may correct any errors by placing a single line across the erroneous information without obliterating or otherwise making illegible any of the originally recorded information.

5.5.7.5 Upon completion of a Trading Floor Order Ticket, each floor Representative seeking to execute transactions on the Trading Floor must hand the completed Order Ticket to an Exchange employee designated to the Member by the Exchange for delivery to the Floor Representative for execution on the Trading Floor.

5.5.8 Execution of Trades on Trading Floor

5.5. 8.1 Each Floor Representative who sells or buys a contract on the Trading Floor must use an Order Ticket completed by the Member or Authorized Representative and containing the information listed in sub-article 5.5.6.2 to record information relating to execution of a trade.

5.5. 8.2 When agreement on price is made between Floor Representatives, each Floor Representative must fill out the execution price, quantity and opposite Floor Representative's identification number with whom the transaction was executed.

5.5.8.3 Each Floor Representative shall promptly confirm every execution of a transaction that occurred on the Trading Floor with the opposite Floor Representative by having the opposite Floor Representative sign the executed Order Ticket.

5.5. 8.4 The Order Ticket may be executed with more than one opposite Floor Representative, in which case the Order Ticket will contain the quantity, price, opposite Floor Representative's identification numbers, and signatures of each opposite Floor Representative.

5.5. 8.5 Upon confirmation of the trade and related data, each Floor Representative must time stamp each completed Order Ticket.

5.5. 8.6 If an Order Ticket is not completely filled at the end of the Trading Session, the balance of the Order Ticket becomes void and must be re-issued the following day.

5.5.9 Priority of instruction approval

- a. The priority criterion in the instruction approval execution process is time.
- b. Client instruction shall be entered into the electronic Trading platform by the Electronic Trading Representative in the order received. Instructions that cannot be immediately entered into the Electronic Trading platform, due to justifiable and reasonable cause, must be entered as soon as possible and in the order received.
- c. Notwithstanding the above provision, a Member shall not place an order for himself at the electronic trading platform before approving all outstanding client instructions.

5.5.10 Order Matching

- a. The Exchange may launch more than one order book running either in parallel or at

different time spans, either with the same order matching rules or with different order matching rules. The Exchange is also entitled to modify or change the order matching rules relevant to any contract at any time where it is necessary to do so. Such modification or change shall be communicated to all affected stakeholders prior to becoming effective.

- b. Without prejudice to the generality of the above, the order matching rules shall have the following features:
 - i. Orders shall be matched on price-time priority basis.
 - ii. Best buy order shall match with the best sell order.
 - iii. If two orders with two different prices are matched, the trade shall be executed at the price entered first.

5.5.11 Electronic Trade Order and instruction modification and cancellation

- a. An Electronic Trading representative may modify or cancel an order before the order is executed.
- b. An approved Client to enter his own instruction may modify or cancel his instruction before it is executed.
- c. Modification of an instruction or order results in new timestamp potentially affecting order of priority for execution.

5.5.12 Records of Trades Executed on the Trading Floor

- 5.5.12.1 Each Floor Representative who sells or buys a contract on the Trading Floor shall deliver the first copy of the completed and time stamped Order Ticket to a Trade Entry Clerk for recording and execution of such transaction within a time frame which may be provided from time to time by the Exchange.
- 5.5.12.2 Selling Floor Representatives shall be responsible for ensuring that each transaction that they report is recorded, executed and disseminated by the Exchange.

5.5.13 Electronic Audit Trail requirements

The Exchange shall maintain audit trail containing all relevant attributes for electronic orders, including order entry, modification, and cancellation. This electronic audit trail shall be maintained for a minimum of Ten (10) years.

5.5.14 Confirmation of Trades Executed and Recorded on the Trading Floor.

Each Floor Representative executing a purchase or sale, on the Trading Floor, shall be responsible for assuring that such Member's transactions are properly assigned for clearing and settlement prior to his leaving the premises of the Exchange. The Clearing House will furnish a Floor Representative with a reconciliation report at the end of each commodity class trading session.

5.5.15 Confirmation of Trades Executed and Recorded on the Electronic Trading Platform.

- a. The Electronic Trading System may furnish the Electronic Trade Representative and their Clients entering instructions on their own behalf with a reconciliation report. From

time to time, the Exchange may determine content of reconciliation report and when the report may be issued.

- b. The Exchange shall review matched and executed trades.

5.5.16 Acceptable Trade Orders

5.5.16.1 The following orders are acceptable for execution on both the Trading Floor and the Electronic Trade Platform.

- a. Market Order

A Market Order is an order to buy or sell at the best price available.

- b. Limit Order

A Limit Order is an order to buy or sell at a specific price ("limit price") or better.

5.5.16.2 The following limit order types are acceptable for execution on the Electronic Trading Platform.

- a. *All or Non order*- to match the order completely or not at all.
- b. *Day Order*: an order that can only be executed on the same day unless cancelled.
- c. *Good till date (GTD)*: available for execution till end of the date specified in the order.
- d. *Good till cancel (GTC)*: available for execution until it is cancelled.
- e. The Exchange may periodically add additional order types with the prior approval of the Authority where there is a market need.

5.5.17 Accountability for Trading Documents

5.5.17.1 Each Member executing transactions at the Exchange shall establish and maintain procedures that shall assure the complete accountability of all Floor Trade Order Tickets or Electronic Trade Order confirmation reports related to the execution of trades for the Member and for the Client.

5.5.17.2 Each Member executing transactions on the Trading Floor is accountable for all Order Tickets in exact numerical sequence, whether or not the trades are executed.

5.5.17.3 Copies of the Trade Floor Order Ticket shall be used for the following purposes:

- a. First copy - for the Exchange system;
- b. Second copy - for Floor Representative; and

5.5.17.4 c. Third copy - for Client (if applicable).

Members must keep their copy of all Floor Trade Order Tickets or Electronic Trade Order confirmation reports, including those for trades not executed, for Ten (10) years.

5.5.17.5 Order Tickets and Electronic Trade Order confirmation reports may be collected by the Compliance Department of the Exchange, at any time and pursuant to procedures as may be adopted by the

Board.

5.5.18 Unreported and Incorrectly Reported Trade

5.5.18.1 Trade Representative who believes he has received an incorrect trade report or does not receive an appropriate report for his or his Client Orders shall as soon as practicable notify the Trading Floor Supervisor or appropriate Exchange staff. Additionally, such Trade Representative shall take any necessary and appropriate market action to mitigate any potential losses arising from the incorrect report or lack of appropriate report immediately after the person knew or should have known that the trade report was incorrect or should have been received.

5.5.18.2

The Exchange shall not be liable for losses related to incorrect trade report if the Exchange provides prior notification that an Exchange system, service or facility may produce such incorrect information and also provides notification of a means to obtain correct trade report from such system, service or facility.

5.5.18.3 The Trading Session Supervisor or a designated employee of the Exchange shall have the authority to approve an insert or a correction as soon as possible during the trading session or after on the basis of evidence confirming the error or omission.

5.5.18.4 The Exchange may keep a log of all insert or correction requests including the details of the insert or correction requested and the name of the Trading Representative making the request or the Trading Session Supervisor authorizing the insert or correction.

5.5.19 Errors and Omissions in Handling Orders

5.5.19.1 Omissions

If a Trading Representative has failed to execute an order placed by a Client or has made an error in handling a Client order, such as by under buying or under selling, and the order cannot be executed in the market at a price which is equal to that which the order should have received, the Trading Representative shall inform his Client and the Trading Session Supervisor and subsequently may take one of the following actions:

- a. Execute the order in the market the next trading session and adjust the Client's account if the price is worse than that which the Client should have received had the error not occurred;
- b. Take the opposite side of the order (notwithstanding any rule to the contrary), at a price which is equal to the price the order should have received had the error not occurred or;
- c. In no case may a Client receive a price which is worse than that which the Client should have received had the error and/ or omission not occurred.
- d. Any transaction executed pursuant to Subsection (b) above shall be within such day's trading range, reported to the Compliance Department in accordance with the procedures listed in Article 5.5.19.4 below.

5.5.19.2 "Out-Trades"

- a. If two Floor Representatives who have executed a trade disagree about any of the material terms of the trade, including the quantity or price, or if one Floor Representative fails to acknowledge the trade (collectively referred to as "out-trades"), the trade shall clear only when both Floor Representatives agree on the material terms of the trade.
- b. If no agreement is reached, the trade is rejected.
- c. If the trade is rejected, the Floor Representative shall inform his Client and subsequently may take one of the following actions:
 - i. Execute the order in the market the same day or the next trading day and adjust the Client's account if the price is worse than that which the customer should have received had the error not occurred;
 - ii. Take the opposite side of the order (notwithstanding any rule to the contrary), at a price which is equal to the price the order should have received had the error not occurred;
- d. In no case may a Client receive a price which is worse than that which the Client should have received had the error not occurred.

5.5.19.3 Procedures in Resolving Errors and Omissions

- a. Within 15 minutes of the resolution of an omission or out-trade, the Trade Representative must prepare or cause to be prepared a Trade Correction Slip (hereafter "Slip") that sets forth clearly and accurately the:
 - i. Date of the error or omission;

- ii. Trade Representative's identification number;
 - iii. Identification number of the opposite Trade Representative: if applicable;
 - iv. Details of (i) the trade as recorded by the Trade Representative, (ii) the trade as recorded by the opposite Floor Representative, in the case of an out-trade, (iii) the cross trade by which the Floor Representative has taken the opposite side of his Client's order;
 - v. Date on which the Slip was prepared;
 - vi. Signature of the individual who prepared the Slip; and
 - vii. Such other information as the Exchange may require.
- b. Upon completion of the Slip, the Floor Representative shall staple a photocopy of his Order Tickets to the Slip and submit the Slip and trading records to the Trading Session Supervisor, who shall review the materials to assure that they are complete, sign the Slip, and retain one copy for the Exchange.
- c. After the Exchange representative has signed the Slip, the Floor Representative shall submit the remaining copies of the Slip as follows:
- i. The top copy shall be submitted to the Trade Entry Clerk at which time the Trade Entry Clerk shall time-stamp the Slip, thereby acknowledging receipt;
 - ii. The second copy shall be submitted to the opposite Floor Representative, in the case of an out-trade; and
 - iii. The Floor Representative shall retain a copy of the Slip for ten years.

5.5.19.4 Recording Requirements

- a. A Trade Representative shall not be required to insert on an Order Ticket the cross trade resulting from the resolution of an error or omission by having taken the opposite side of a Client's order, but any trade offsetting the cross trade must be recorded in conformity with the Order Ticket procedures described in Articles 5.5.7 and 5.5.8 above and, if executed after the cross trade, specially identified in such manner as the Exchange may prescribe.
- b. Trade data submitted to the Exchange shall specially identify any cross trade resulting from a Floor Representative's resolution of an error or omission. Trade data pertaining to the offset of the cross trade shall specify the account in which the offsetting trade will clear.
- c. Any claim made by a Floor Representative against another Member/ Floor Representative in connection with an out-trade shall be recorded on the reverse side of the Order Ticket of each of the Members/ Floor Representatives. The Floor Representative must use a written time

stamped Order Ticket to record the out-trade.

d. Adjustments

If the resolution of an out-trade or a dispute involving an error requires a Trading Representative to make an adjustment to another Floor Representative, or to a Client account, the adjustment shall be made by cheque or a bank transfer.

e. Modification of Trade Terms Prohibited

Except as otherwise provided in this rule, a Trade Representative shall not change the terms of a trade to correct an error or to resolve an out-trade.

f. Arbitration

Nothing shall preclude the resolution of a dispute arising from or in connection with an error or out-trade by means of arbitration in accordance with Article 16 of these rules.

5.5.20 Electronic Trade Platform Failure

The Exchange may use its best effort to avoid Electronic Trading Platform system failures through redundancy mechanisms, business continuity and disaster recovery planning. In the event of a major Electronic Trade Platform system failure, the Exchange may extend trading hours, operate a separate trading session on the same day after end of usual trading session, or use alternative trading options. Such decisions may be taken considering the overall interests of the market.

5.6 Direct Specialty Trade

Producers of specialty commodity entitled under specific provision of relevant laws to engage in direct export may engage with international buyers through the Direct Specialty Trade facility of the Exchange.

The Direct Specialty Trade facility is not intended to execute an actual international sales contract between producer and international buyer, but only to facilitate the process of price discovery and market coordination. The international sales contract shall be executed directly between the producer and the international buyer, after the conclusion of the Direct Specialty Trade bidding session conducted by the Exchange.

5.6.1 Eligibility for Participation in Direct Specialty Trade

The main actors who can participate in Direct Specialty Trade are:

5.6.1.1 A producer of specialty commodity, such as farmers cooperatives, private investors and state-owned producing enterprises; and

5.6.1.2 An international commodity buyer or his legal representative.

5.6.2 Deposit of Commodity for Direct Specialty Trade

5.6.2.1 An interested producer shall bring his commodity to a designated Direct Specialty Trade Exchange Warehouse and shall be required to obtain a specialty grade for his commodity.

- 5.6.2.2 The commodity may obtain a specialty grade as either preexport processed or post-export processed.
- 5.6.2.3 The seller shall deposit the commodity at the designated warehouse and obtain a Direct Specialty Trade Warehouse Receipt.
- 5.6.2.4 There shall be a minimum lot size for deposit of 30 bags, or as specified by the Exchange.
- 5.6.2.5 The Exchange shall issue a Direct Specialty Trade Warehouse Receipt that specifies the quality, producer identity and other special attributes of the commodity.
- 5.6.2.6 The Direct Specialty Trade inventory management shall store the consignment in the warehouse separately according to the identity of the producer.
- 5.6.3 Qualification to the Direct Specialty Trade bidding session
 - 5.6.3.1 The Exchange shall conduct a Direct Specialty Trade bidding session between specialty commodity producers and international buyers on a regular basis, at a pre-announced frequency as it may deem necessary.
 - 5.6.3.2 The producer of specialty commodity shall designate a third party as an Export Service Provider, unless he indicates otherwise to the Exchange. In order to qualify for the Direct Specialty Trade bidding session, the producer must register an Export Service Agreement with the Exchange.
 - 5.6.3.3 The producer must also indicate the identity of the agent, if any, along with agency agreement, if he wishes to designate a representative to the bidding session.
 - 5.6.3.4 The Exchange shall publicly pre-announce the available lots of specialty commodity of qualified producers for the Direct Specialty Trade bidding session, along with information on the lot number, producer identity, commodity origin, quantity, specialty grade, other special attributes, and the designated Export Service Provider.
 - 5.6.3.5 Following the session announcement, the Exchange shall pre-register international buyers willing to participate in the Direct Specialty Trade session. The buyer shall be required to provide company information and to indicate the identity of the agent, if any, along with agency agreement, if he wishes to designate a representative to the bidding session.
 - 5.6.3.6 Following the close of the buyer registration period, the Exchange shall send samples of the commodity on a request basis to interested buyers and shall allow on-site inspection of the commodity prior to the Direct Specialty Trade bidding session.
 - 5.6.3.7 The Exchange shall publicly announce the identity of preregistered buyers prior to the Direct Specialty Trade bidding session.
- 5.6.4 Procedures for Conducting the Direct Specialty Trade Bidding Session
 - 5.6.4.1 Only qualified producers and pre-registered buyers, and/or their designated agents, shall be allowed to participate in the Direct Specialty Trade bidding session.

- 5.6.4.2 The bidding session shall be conducted by the Exchange on a lot by lot basis using open outcry or electronic method with both buyer and seller participation, or their designated agents.
- 5.6.4.3 At the conclusion of each lot bidding, the Exchange shall record the identities of the counterparties, the agreed upon price and quantity and produce a final Direct Specialty Trade session report that shall be made publicly available.
- 5.6.4.4 The prices and quantities agreed upon at the Direct Specialty Trade bidding session shall be considered binding by both parties.
- 5.6.4.5 Within twenty-four hours of the Direct Specialty Trade bidding session, the producer or his Export Service Provider is required to provide to the Exchange a copy of the international sales contract registered with the National Bank of Ethiopia.
- 5.6.4.6 If the price, quantity, or delivery terms of the registered sales contract have changed from the agreed upon terms in the Direct Specialty Trade bidding session, the Exchange shall consider this a false bid and make this publicly known.
- 5.6.5 Terms and Conditions of Direct Specialty Trade bidding
 - 5.6.5.1 All prices in the Direct Specialty Trade bidding session shall be on exportable quantity, FOB Port, prompt shipment basis.
 - 5.6.5.2 The Exchange shall require a minimum return of 85 percent of the final FOB price to the producer.
 - 5.6.5.3 The Exchange shall require evidence to support the minimum return requirement from the relevant parties.
 - 5.6.5.4 Prices and quantities quoted in any international sales contracts resulting from Direct Specialty Trade bidding sessions shall be tracked and announced publicly by the Exchange.
 - 5.6.5.5 The Exchange shall guarantee quantity, quality, and delivery of the deposited specialty commodity to the seller or his Export Service Provider. However, the execution of the international sales contract between the producer and the international buyer shall be governed by relevant laws.
 - 5.6.5.6 The Exchange shall require that all Direct Specialty Trade producers enter into an Exchange-approved Export Service Provider agreement, in which all responsibilities and liabilities up to delivery to the international buyer are specified, unless the producer is specifically exempted in writing by the Exchange, based on an evaluation of the producer's export capacity.
 - 5.6.5.7 All international sales contracts resulting from a Direct Specialty Trade bidding session shall require reference to an Operational Agreement entered into between the producer and the Export Service Provider, in which the identity and roles and liabilities of the Export Service Provider are indicated.
 - 5.6.5.8 Buyers may indicate at pre-registration their willingness to engage in a Direct

Specialty Trade Transparency Clause in the Operational Agreement, in which the payment to the farmers and the fees paid to the Export Service Provider are disclosed.

5.6.5.9 In such cases under Article 5.6.5.8, the buyer shall pay a fixed transparency premium in addition to the initially agreed price in the Direct Specialty Trade bidding session. The Exchange shall determine and pre-announce the transparency premium from time to time.

5.6.6 Delivery of Commodity under Direct Specialty Trade

5.6.6.1 After the conclusion of the Direct Specialty Trade bidding session, the producer shall indicate the date of pick-up from the designated warehouse and the identity of the agent who shall take delivery.

5.6.6.2 The producer is obligated to schedule pick-up of the commodity within three working days of the concluded Direct Specialty Trade bidding session.

5.6.6.3 The Exchange shall release the commodity upon payment of the storage, handling, and transaction fees by the producer, or his designated agent, as well as of payment of transaction and other fees by the international buyer, where agreed sale has occurred.

5.6.6.4 The producer may schedule a pick-up of the deposited commodity at any time before or after a Direct Specialty Trade bidding session, where no agreed sale has occurred, in which case the Exchange shall release the commodity upon payment of the storage and handling fees by the producer or his designated agent, without penalty.

5.7 Trade Cancellations

5.7.1 The Exchange may cancel trades to balance the adverse effects on market integrity of executing trades and publishing trade information inconsistent with prevailing market conditions. Such action may be used to mitigate market disrupting events caused by the improper or erroneous use of the Exchange's Trading Platform or by system defects. The Exchange may cancel any trade if the Exchange determines that allowing the trade to stand as executed may have a material, adverse effect on the integrity of the market. All decisions of the Exchange to cancel trades shall be reported to the Exchange's Board and the Authority as soon as practicable.

5.7.2 A claim for a loss pursuant to the above provision should be submitted to the Exchange on an Exchange claim form within five business days of the cancellation.

The Exchange shall reject any claim that is not filed in a timely manner.

6. TRADING ON BEHALF OF CLIENTS OR FOR ONESELF

6.1 Standard Responsibility for Client Trades

A Member and his Trade Representatives shall exercise due diligence in the handling and execution of Client instructions. Failure to act with due diligence shall constitute negligence.

6.2 Record Keeping

Members shall maintain a record of all their transactions in all contracts permitted by the Exchange. Members shall have separate records of all their own transactions and those of Clients for execution of transactions on the Exchange. Members shall preserve the records of orders for transactions for each Client separately with the time and date of receipt of order, details of executed transactions for each Client and books of accounts relating to the same, for a period of ten years for production whenever required by the Board of the Exchange and/or by the Authority.

6.3 Trading Practices

6.3.1 Trading Ahead Of Client

- a. Each Member and his floor Representative is prohibited from trading ahead of a Client. Electronic representative is prohibited from sending member's self-order to electronic trading platform before placing all outstanding client instructions.
- b. Each Member and his Trading Representative is prohibited from buying or selling any commodity or contract, in which such Member or Trading Representative has an interest, while holding an instruction of a Client for the buy or sale of the same commodity or contract which is executable at the market price or at the price at which such buy can be made for the Member or the Trading Representative in which such Member or Trading Representative has an interest.

6.3.2 Disclosure of Orders

Each Member and his Trading Representative is prohibited from disclosing another person's order to buy or sell except to a designated Exchange official or the Authority. No Member or Trading Representative shall solicit or induce someone else to disclose such information..

6.3.3 Taking Other Side

Each Member and his Trading Representative is prohibited from taking, directly or indirectly, the other side of any order of another person revealed to such Member or is Trading Representative by reason of the his relationship to such other person.

6.3.4 Prearranged Sale

Each Member and his Trading Representative is prohibited from making any buy or sale which has been prearranged.

6.3.5 Allocation of Trades

Each Member and his Trading Representative is prohibited from allocating trades among accounts.

6.3.6 Withholding or Withdrawal of Orders

Each Member and his Trading Representative is prohibited from withholding or

withdrawing from the market any order or part of an order of another person for the benefit of another person.

6.3.7 Trading After Closing Bell

Each Floor Representative is prohibited from executing any transaction on the Trading Floor after the closing bell.

6.3.8 Notification of Executed Trades

No Floor Representative who is party to an open outcry transaction shall fail to properly notify the Trade Entry Clerk or Trading Floor Supervisor of the price at which trades have been executed.

6.3.9 Just and Equitable Principles of Trade

Each Member and his Trading Representative shall allocate executions of orders in a manner that is consistent with just and equitable principles of trade such as refraining from engaging in misleading sales solicitations.

6.4 Prohibited Transactions

6.4.1 Member or trading representatives may not be both a principal for oneself and an agent for others)

No Member or his Trading Representative is allowed, under any circumstances, knowingly and willfully, to be both principal and agent in any transaction.

6.4.2 Wash, Cross, Accommodation, or Fictitious Trades

It shall be a violation of these rules to enter into or confirm the execution of any transaction, if such transaction is of the character of, or is commonly known to the trade as a "wash trade," "cross trade," "accommodation trade," or is a fictitious sale.

6.4.3 It shall be a violation of these rules for a Member or his Trading Representative to give a name and, thereby make accommodation trades, offsetting two (2) opposing trades for the purpose of concealing the true nature of the crossed transactions.

6.4.4 False Price

It shall be a violation of these rules to enter into or confirm the execution of any transaction if such transaction is used to cause any price to be reported, registered, or recorded which is not a true and bona fide price.

6.4.5 Detrimental Acts

It shall be a violation of these rules if a Member or his Trading Representative is or has engaged in conduct that is detrimental to the best interest of the Exchange, impairs the good name of the Exchange, or is inconsistent with just and equitable principles of trade.

6.4.6 Match Trades

6.4.6.1 Open Outcry Match Trades

It shall be a violation of these rules if a Floor Representative having in hand, at the same time, both buying and selling orders from different Clients, executes such orders directly between such Clients at the market price unless the requirements below are met.

6.4.6.1.1 To execute a valid Trading Floor match, the orders must first be offered openly and competitively on the Trading Floor by bidding and offering the

orders at the same price at least two (2) times, and if neither the bid nor offer is accepted by another Floor Representative, the orders may be executed directly, followed immediately by an announcement of the quantity matched. This transaction must be executed in the presence of the T trading Floor Supervisor.

6.4.6.1.2 The Floor Representative executing a valid match trade must clearly identify such transaction on an appropriately completed Order Ticket. The Order Ticket shall be completed at the time of execution and shall be promptly presented to the Trading Floor Supervisor for verification, time stamping and initialing.

6.4.6.1.3 The Floor Representative receiving or executing such orders shall have no interest therein, directly or indirectly, except as an intermediary.

6.4.6.1.4 The Exchange, showing the date, price, quantity, commodity, by whom executed, and the exact time of execution, shall make each valid match trade executed part of the permanent record.

6.4.6.2 Electronic Match Trades

On the Electronic Trading Platform, opposite orders for different clients that are simultaneously placed by an Electronic Trading Representative with discretion over both accounts or opposite orders directly entered into the Electronic trading Platform by two clients of the same Member may be matched by the system.

6.5 Prohibited Trade Practices

All Members and Trading Representatives are prohibited from directly or indirectly accepting or executing an order/instruction for any commodity traded or otherwise listed for trading on the Exchange if such Member or Trading Representative knows, or with the exercise of reasonable care, should have known, that the transaction was executed or carried for or on behalf of::

- a. An employee or Officer of the Exchange;
- b. An employee or director of a Settlement Bank;
- c. An employee or director of a Warehouse Operator;
- d. Another Ordinary Member or employee of such Ordinary Member;
- e. Limited Member of the Exchange or an Employee of such Limited Member for a Commodity the Limited Member is qualified to trade; or
- f. An employee or Board Member of the Authority.

6.6 Other Prohibited Activities

A Member and his Trading Representative in connection with any order or contract for or on behalf of any person shall not:

- a. Cheat- Cheat, defraud, or attempt to cheat or defraud such person;
- b. Falsely Report-Willfully make or cause to be made to such person any false report or statement thereof, or willfully to enter or cause to be entered for such person any false record thereof;
- c. Willfully Deceive-Willfully deceive or attempt to deceive such person by any means whatsoever in regard to any such order or contract, the disposition of or execution of any such order or contract, or in regard to any act of agency performed with respect to such order or contract for such person;
- d. Bucket- Bucket such order, fill such order by offset against the order(s) of any other person, willfully and knowingly become the buyer in respect to any selling order of such person, become the seller in respect to any buying order of such person, or knowingly trade with or be associated with persons engaged in such activities;
- e. Extort-Be guilty of any extortion or attempted extortion, or of any fraudulent, corrupt, non-commercial, or dishonest practices in any business dealings with members or others;
- f. Manipulate-Manipulate or attempt to manipulate the prices of commodities;
- g. Corner- Corner a commodity or attempt to corner the market to get sufficient control of a particular commodity traded at the Exchange to allow the price to be manipulated;
- h. Disseminate wrongful information-Disseminate news, information or rumors which can provide false or misleading indications regarding demand, offer or price;
- i. Conduct a trade using Insider Information-Conclude trades based on insider information that is not available to all traders or the public; and
- j. Artificially influence Liquidity-Conclude trades in order to suggest an artificial liquidity.

7. CONTRACTS

- 7.1 Contract shall mean and include all types of contracts in commodities commenced by the Board of the Exchange and specifically approved by the Authority for trading on the Exchange.
- 7.2 The Board of Directors shall be the authority to finalize and/or modify contract specifications in respect of contracts in commodities for which the Exchange has obtained permission from the Authority.
- 7.3 Members of the Exchange shall execute transactions only in such contracts as specified by the Board of Directors and approved by the Authority.
- 7.4 All transactions in contracts permitted on the Exchange shall be made only in the manner approved by the Exchange.
- 7.5 When entering an order, the Member shall specify whether such order is for himself or for his Clients. If the order is for and on behalf of a Client, he should specify the respective Client identification number.
- 7.6 Before executing a contract for a client, the Member shall sign a written agreement with the client, as per the procedure and in the format, specified by the Exchange.
- 7.7 All transactions in contracts permitted on the Exchange shall be cleared, registered, and

settled by the Exchange Clearing House and shall be subject to these rules/by-laws.

- 7.8 Members of the Exchange shall issue trade cards for each transaction done by them for their Clients on the Exchange trading floor. Such Order Tickets shall be issued strictly as the format prescribed by the Exchange. Members shall not issue Order Tickets for any transaction, which has not been executed through the trading system of the Exchange.
- 7.9 In respect of all contracts executed by the Members of the Exchange, it shall be the responsibility of the Members to pay all applicable fees, taxes and duties, in respect of all contracts directly to the concerned Government bodies.
- 7.10 Only transactions in contracts for commodities permitted for trading on the Exchange will be recognized as valid provided the Member has adequate deposits in his Pay-In account for such trading.
- 7.11 Tick size, trading unit, and price quotation for the contracts permitted for trading in the exchange shall be quoted in accordance with Rules specified for that contract and they shall be for the grade of the commodity of that contract.
- 7.12 Subject to the prior approval of the Authority, the Board shall have the right to determine, specify and modify the position limits with respect to the contracts permitted on the Exchange. Such position limits could differ for membership categories and/or differ from member to member. The Board may provide to these exceptions. Position limits and exception rules will be specified in the Rules specific to each underlying commodity class and contract month.
- 7.13 The Board shall have the right to determine, specify and modify the price limits with respect to the contracts permitted on the Exchange. Such price limits may include floor and ceiling price for a day or for a specific period. Applicability of the price limits will be specified in the Rules specific to each commodity class or contract from time to time. The Exchange shall notify the Authority any price limit modification within twenty-four hours of the price limit modification.
- 7.14 The Exchange shall have the right to specify and charge trading fee, clearing fee or any other fee from the Member of the Exchange.
- 7.15 The Exchange may specify the maximum and minimum trading fees, clearing fees and any other fees a Member may charge from his Clients.
- 7.16 All transactions in contracts for commodities shall be for delivery at any one or more delivery warehouses approved and designated by the Exchange.
- 7.17 The Board shall have the right to determine, specify and modify the terms and manner of delivery of that commodity resulting from transactions in contracts in that commodity or class of commodities.
- 7.18 The Board shall have the right to determine, specify and modify the terms regarding quantity, packaging, place of delivery, discounts and premiums in terms of quality and delivery warehouses, tender period, certification and quotation for bids and offers.
- 7.19 Members of the Exchange may enter into only such contracts for which the Exchange has obtained approval from the Authority.
- 7.20 Members shall enter into contracts only on the terms and conditions prescribed under the Rules of the Exchange, and the notices issued there under.
- 7.21 No member shall enter into a contract before trading in that contract has been commenced/after trading in that contract has ended in accordance with the Rules of the

Exchange.

- 7.22 Any member of the Exchange transacting in any contract and grade varieties that are not specified by the Board shall be liable and face disciplinary action.
- 7.23 Without prejudice to Sub-Articles 7.12 and 7.13, any contract specification modification shall take effect after a notice period of 10 days of such modification to the Authority. The Authority may place a hold on the proposed contract specification modification with a written justification within 10 days of the initial notification.
- 7.24 The Exchange shall follow the following procedures to develop or amend a contract traded on the exchange.
- 7.24.1 The Trading Operation unit shall provide written analysis of the need to introduce or amend a certain commodity standard and grade and forward its findings to a Technical Advisory Panel constituted for the given commodity (hereinafter referred to as the "Advisory Panel").
- 7.24.2. The Advisory Panel shall be composed of the following members:
- a. Two technical commodity experts representing the Exchange (of whom one shall act as chairperson);
 - b. A technical representative of the Quality and Standard Authority of Ethiopia;
 - c. A technical representative from the Ministry of Agriculture and Rural Development; and
 - d. A technical representative from other pertinent institution nominated by the CEO of the Exchange.
- 7.24.2.1 The Advisory Panel shall conduct meetings as frequently as required;
- 7.24.2.2 There shall be a quorum where more than half of the members are present.
- 7.24.2.3 Resolution of the Advisory Panel shall be passed by a majority vote of members present at a meeting. In case of a tie, however, the chairperson shall cast the deciding vote.
- 7.24.2.4 The Advisory Panel shall provide service for the time required to develop commodity standards or on an ad hoc basis for subsequent amendments.
- 7.24.2.5 The Advisory Panel shall provide written recommendations on technical aspects of commodity grade and classification to the Trading Operations Unit.
- 7.24.3 The Trading Operation Unit shall undertake market analysis of the technical recommendations provided by the Advisory Panel and shall draft a trading contract.
- 7.24.4 The draft contract shall be presented to an Industry Consultation Committee constituted for the particular contract.
- 7.24.5 Upon formal invitation by the CEO, the Industry Consultation Committee shall be composed of the following members:
- a. Ten or more representatives from among sellers of the commodity, representing growers and traders, drawn from legally recognized trade or industry associations or other organizations;
 - b. Ten or more representatives from among .buyers of the commodity, representing exporters, traders, and processors, drawn from legally recognized trade or industry

- associations or other organizations;
 - c. Additional representatives, if any, under (a) and (b) above in same Sub-Article shall be proportional; and
 - d. Where there is no legally recognized industry association or representative entity, the Business Development Unit shall analyze the sector and recommend the relevant representatives for invitation by the CEO.
- 7.24.6 Without prejudice to Sub-Article 7.24.5 of this Article, the selection of the representatives of the industry or trade associations shall be on the basis of voting by the industry association Members.
- 7.24.7 The Industry Consultation Committee's sole purpose shall be to review the draft contract and provide written feedback to the Exchange.
- 7.24.8 In consultation with relevant divisions of the Exchange, the Trading Operations unit shall finalize the contract using the inputs obtained from the Advisory Panel and the Industry Consultation Committee and submit same to the Compliance Division for compliance review.
- 7.24.9 The Compliance Division shall present the final contract for endorsement to the Board of the Exchange.
- 7.24.10 Upon receiving the endorsement of the Board of the Exchange, Compliance Division shall send the final contract to the Ethiopia Commodity Exchange Authority for approval.
- 7.24.11 The Exchange shall attach to the contract sent to the Authority for approval a general report that includes a summary of study relating to the proposed contract, opinion of the Advisory Panel and the Industrial Consultation Committee on such contract.
- 7.24.12 Without prejudice to relevant provisions of Article 7 of the Revised Rules, the above provisions under Sub-Article 7.24 shall also be applicable for amendment of an already approved contract.
- 7.24.13 A Proposal for amendment of the contract may be presented by any interested Member of the Exchange to the Industry Consultation Committee under Sub-Article 7.24.5. The Industry Consultation Committee may pass to the Exchange any amendment proposals it deems appropriate.
- 7.24.13.1 A person who is aggrieved by the decision of the Industry Consultation Committee may appeal the decision to the Exchange within five days of receipt of such decision. The Exchange shall render a decision on such appeal within five days of receipt of the appeal.
 - 7.24.13.2 A person who is aggrieved by the decision of the Exchange may appeal to the Ethiopia Commodity Exchange Authority within thirty days of receipt of the decision of the Exchange.
 - 7.24.13.3 The decision of the Authority on an appeal under Sub-Article 7.24.13.2 above is final.

8. WAREHOUSE OPERATIONS

8.1 Certification of Designated Exchange Warehouse operator

A warehouse operator shall, for the purpose of Exchange trading, fulfill the following to be certified as a Designated Exchange Warehouse Operator:

- 8.1.1 a valid registration certificate issued by the appropriate organ;
- 8.1.2 acceptance of the Rules of the Exchange relating to warehouse operation;
- 8.1.3 suitability of the location (good access roads, availability of telecommunication, transport facilities etc...) and facilities of the warehouse (weighbridges, quality control services, efficient administration); and
- 8.1.4 a valid Tax Clearance Certificate and Tax Identification Number.

8.2 Deposit of commodity at the Warehouse

8.2.1 Any Member or Client or representative of a Member or any other person (hereinafter referred to as the “depositor”) who wants to sell commodities on the Exchange shall deposit such commodity at warehouses designated by the Exchange until 5:00 P.M on the last trading day before a trade.

8.2.2 Verification

The Warehouse shall, before initiating the procedure for receiving commodity, verify the eligibility of the commodity and identity of the depositor (membership ID, delegation etc).

8.2.3 In addition to its obligation under Sub-Article 8.2.2 of the Rules, the Exchange warehouse shall report supply coffee arrival and coffee by-product information to the Ministry of Agriculture and Rural Development in accordance with rules, regulations and directives issued by the Ministry.

8.3 Designated Warehouses

8.3.1 The Exchange shall specify designated warehouses at which commodities to be traded on the Exchange shall be stored and delivered and which shall facilitate storage of commodities in the manner as prescribed by the Exchange from time to time.

8.3.2 Process and procedure for Designated Warehouse

The Exchange shall specify from time to time the processes, procedures, and operations that every designated Warehouse shall observe. The processes, procedures, and operations relating to designated warehouses shall be deemed to form a part of any settlement process so provided.

8.3.3 Designated warehouse services

Without prejudice to the Warehouse Receipt Proclamation No.372/2003, A designated Exchange Warehouse shall provide the following services:

8.3.3.1 Earmark separate storage area as specified by the Exchange for the purpose of storing commodities to be delivered against transactions on the Exchange. The Warehouse(s) shall also meet the specifications prescribed by the Exchange for storage of commodities from time to time.

8.3.3.2 Sample and grade commodities and issue Grade Certificate.

8.3.3.3 Weigh commodities and issue Scale Ticket.

8.3.3.4 Issue printout of the Electronic Goods Received Note to the depositor.

8.3.3.5 Store commodities in line with their grade specifications.

8.3.3.6 Maintain quality control and inventory management according to procedures prescribed under these Rules and additional Exchange guidelines.

8.3.3.7 On expiration of such storage period, segregate such commodities and store them in a separate area so that the same are not mixed with commodities, which are within the validity period as per the Goods Received Note.

8.3.4 Duties of designated warehouse

8.3.4.1 Without prejudice to Warehouse Receipt Proclamation No.372/2003, a designated warehouse shall discharge the following duties to the satisfaction of the Exchange:

- a. Use uniform and standard description of commodities and units of measurement approved by the Exchange in respect of the commodities stored;
- b. Strictly adhere to the Warehousing norms stipulated for a commodity in particular or group of commodities in general by the Exchange from time to time;
- c. Ensure that necessary steps and precautions are taken to ensure that the quantity and the grade of the commodity are maintained during the storage period;
- d. Maintain the records for the commodities deposited with it, in electronic form in the manner and in the system as prescribed by the Exchange.

8.3.4.2 Unless and until expressly consented by the Exchange, the Warehouse shall not assign, shift, transfer and relocate the commodities held by it. However, the Warehouse shall be entitled to move the commodities within the area earmarked in the warehouse.

8.3.5 Inspection of commodities stored in a Warehouse

The Exchange reserves the right to physically inspect itself or through any third parties, at any time, the commodities deposited in the warehouse or warehouse facilities in general for compliance of the warehousing norms stipulated by the Exchange.

8.4 Receiving of commodities in Warehouse

8.4.1 The following activities will take place before receiving of commodities into the Exchange warehouses:

8.4.1.1 Preparing the warehouse and adjacent area for receiving commodities in terms of storage space, and related elements such as aeration, and the ability to inspect the commodity while it is in storage;

8.4.1.2 Preliminary inspection of the condition of the inbound bags and the class of commodity to be stored and receipted;

8.4.1.3 Draw representative samples based on Exchange sampling procedures;

8.4.1.4 Conduct grade analysis according to the Exchange grading standards, completing grade-reporting format;

8.4.1.5 Weigh and accurately complete the scale ticket;

8.4.1.6 Off -load the commodity;

8.4.1.7 If the condition of any commodities offered for storage is such that it will adversely affect the condition of commodities in the warehouse, the warehouse manager shall not receive such commodities for storage; and

8.4.1.8 The Warehouse shall inform the offeror in writing the reasons for rejection of deposit.

8.5 Sampling and Grading of Commodities

8.5.1 The Sampler shall visually inspect the Commodity, identify the commodity type, class bags and draw representative sample.

8.5.2 The sample drawn in accordance with 8.5.1 hereinabove shall be divided into three parts, one to be used for analysis (working sample), the second sample to be kept in a secure container for file and the third sample will be given to the depositor.

8.5.3 The Quality Supervisor shall inform the depositor of the result of the grade. If the depositor agrees, the Quality Supervisor shall issue a Grade Certificate to the depositor.

8.5.4 The sample shall be kept in a secure container for 20 days from the date of sampling.

8.5.5 Only certified graders are authorized to grade commodities to be stored in a warehouse.

8.5.6 Grading of commodities shall be carried out in accordance with the grading procedure approved by the Exchange and shall be based on a correct and representative sample and under conditions that permit the determination of the true grade of the commodities.

8.5.7 The Exchange may from time to time develop and amend standards for the grading and sampling of commodities.

8.5.8 If the depositor and warehouse manager do not agree or the lot is rejected, a representative sample (properly identified) will be maintained in a moisture-proof and secure container for at least twenty (20) working days to allow for appeals and for the Exchange to randomly check that the grader is meeting minimum standards.

8.5.9 An Exchange Grade Certificate issued shall contain such information as whether it is the original, duplicate or other copy; name and location of the warehouse in which the commodities are stored; grade of the commodity; date of certificate, and the signature of the certified grader.

8.6 Grading Equipment

8.6.1 All sampling, weighing and grading equipment should be calibrated and maintained in line with the manufacturer's recommendations and warranty conditions.

8.6.2 All grading equipment should be kept and handled properly.

8.6.3 To ensure maximum safety and accuracy, weighbridges used at each warehouse shall be tested, calibrated and certified every year by Ethiopian Conformity Assessment Enterprise(hereinafter "ECAE ").

8.7 Weighing Procedures

8.7.1 Operation of Weighbridge

The weigher shall inspect the consignment, check the weighbridges or ground scale, determine the weight and issue weight/quantity certificate to the warehouse manager.

8.7.1.1 The weigher shall weigh the truck with its load, unload the grain, weigh the unloaded truck, subtract the truck weight from the gross weight and determine the net commodity weight.

8.7.1.2 The quantity technician or weigher shall complete and sign the scale ticket and submit it to the warehouse manager for his signature and the depositor for his confirmation.

8.7.2 Acceptable Lot Weight and Increments for Deposit

8.7.2.1 The minimum allowable deposit for non-coffee shall be 50 quintals and subsequent deposits shall also be in multiples of 50 quintals or as specified under the standard lot sizes in the contract.

8.7.2.2 The minimum allowable deposit of Coffee shall be determined pursuant to the terms of the contract approved from time to time by the Ethiopia Commodity Exchange Authority.

8.7.3 Allowable Tolerance on Lot Weight

Subject to the prior approval of the Authority, the maximum allowable tolerance limit on weight loss/gain shall be determined by the Exchange.

8.8 Expiration Period for Storage

8.8.1 Subject to prior notification to the Authority, the Exchange shall determine and may amend from time to time the appropriate warehouse receipt expiration period of each type of commodity.

8.8.2 Every depositor is expected to sell or otherwise withdraw the commodity within this specified period of time.

8.8.3 Procedures for Expiration of Deposit

8.8.3.1 The Warehouse Operator shall issue a written notice of impending expiration two weeks prior to the expiration date.

8.8.3.2 If the deposited commodity is not sold or withdrawn by the expiration date, the Warehouse Operator shall impose an expiration penalty, as prescribed by the Exchange.

8.8.3.3 If the accumulated warehouse receipt expiration penalty exceeds the value of the deposited commodity, the Warehouse may liquidate the deposit.

8.8.3.4 The Warehouse shall give two written notices of warehouse receipt expiration to the depositor: at the start of warehouse receipt expiration and two days prior to liquidation.

8.9 Withdrawals of commodities from Warehouse

8.9.1 Unless withdrawal is prohibited by applicable law, stored commodities may be withdrawn without sale on the Exchange.

8.9.2 Withdrawal of commodities without sale on the Exchange shall be subject to penalty.

8.9.3 Stored commodities may be withdrawn upon delivery after sale on the Exchange.

8.10 Certification of Warehouse Samplers, Weighers, Graders

- 8.10.1 The Exchange Warehouse shall only employ competent and qualified handlers of commodities including samplers, graders and weighers.
 - 8.10.2 The competence and qualification of these personnel shall be certified by the Exchange.
 - 8.10.3 The Exchange shall keep all certificates of persons employed as certified samplers, graders, and weighers in a conspicuous place accessible to the public.
 - 8.10.4 It shall be the duty of the Warehouse Manager to notify the Exchange within 24 hours in the event that any certified sampler, grader, or weigher has ceased to perform services.
 - 8.10.5 Certification by the Exchange of samplers, graders, and weigher shall be renewed annually, subject to evidence of maintaining competence.
- 8.11 Inventory Management
- 8.11.1 Commodities in a warehouse will not be stored by identity of the depositor but only on the basis of grades and date of deposit.
 - 8.11.2 Incoming commodities must be bagged in 50 kilogram or 100 kilogram polypropylene bags, as prescribed by the Exchange rules.
 - 8.11.3 Stacking in Warehouse approved space of bagged commodities shall be in accordance with Exchange recommended practices and procedures.
 - 8.11.4 Each warehouse shall comply with such recommended practices and procedures.
 - 8.11.5 Every warehouse must create and maintain in a timely manner the appropriate operational records of the commodity inventory in approved space, which includes:
 - 8.11.5.1 Daily Position Record, utilizing an Exchange provided format;
 - 8.11.5.2 Copies of all scale tickets, Grade Certificate, utilizing an Exchange provided format;
 - 8.11.5.3 Records documenting pest control and fumigation events, utilizing an approved provider;
 - 8.11.5.4 Records of visual inspection of commodities in storage utilizing an Exchange provided format; and
 - 8.11.5.5 All relevant information must be maintained at the warehouse managers' principal place of business. These records must be maintained in a timely manner and accessible at all times to the Exchange and to the appropriate regulatory organ.
 - 8.11.6 The storage and issuance of the commodities must be based on the first -in - first - out (FIFO) principle.
 - 8.11.7 Every warehouse shall display in a conspicuous place and accessible to the public a copy of its most current rules and schedule of charges for the storage of commodities.
 - 8.11.8 Any bagged commodities must be stored in an orderly manner so as to permit easy access to all lots and to facilitate inspection, sampling, counting, fumigation and identification of each lot. (2m between walls and 1m between stacks).
 - 8.11.9 A warehouse manager shall not store above the standard capacity of the warehouse. However, if at any time commodities at a warehouse are stored in excess of the capacity for which that warehouse is certified, the Exchange must be notified in

advance and approve the temporary storage space before it is utilized.

- 8.11.10 Any water entry into a warehouse through leakage must be prevented. If in spite of all precautions, stored goods do become wet, they must be segregated and disposed of and the Exchange immediately informed.
- 8.11.11 At no time shall prohibited materials, as determined by the relevant Government organs, be stored in a warehouse.
- 8.11.12 No prohibited materials may be handled with equipment dedicated to handling stored commodities for which the warehouse is certified.
- 8.11.13 Each warehouse shall at all times comply with fire prevention and control requirements of insurance policies they hold and the written recommendations of the Exchange.
- 8.11.14 Each warehouse is obligated to provide 24-hour security for the approved storage space, and locked sample file box.

8.12 Pest and rodent control

- 8.12.1 The warehouse operator shall take all necessary measure to exclude pest/rodents from the vicinity of any warehouse and such measures shall be designed to ensure that poison baits cannot contaminate commodities stored in a warehouse. Warehouse management will document the type of control method and dates inspected/replaced.
- 8.12.2 Where practical all baits should be outside the actual storage area.
- 8.12.3 All vegetation around the warehouse must be kept cut back at a minimum three (3) meters from the foundation of the warehouse. Warehouse management will document the type of control method and dates utilized.
- 8.12.4 A warehouse management shall take all necessary measures to discourage birds from the vicinity of warehouse s and to prevent their entry into warehouses and such measures shall include the use of wire mesh screens must be fixed over ventilators, windows and other openings.
- 8.12.5 Animals and birds of any description must be avoided from the warehouse and the vicinity of the warehouse.
- 8.12.6 A warehouse manager shall take all necessary measures to ensure that stored commodities remain insect-pest free. Fumigation, if required must be undertaken to internationally recognized standards and only by trained personnel or officially certified pest control/fumigation companies that has been approved by the Exchange.
- 8.12.7 Only pesticides approved by the Ministry, Plant Protection and Regulatory Department and the Environmental Protection Authority (EPA) may be used in a warehouse. Rodenticides containing zinc phosphate shall not be used inside a warehouse.

8.13 Cleanliness

- 8.13.1 A warehouse shall be kept reasonably clean at all times and free from straw, rubbish, or accumulations of materials that will increase the fire hazard or interfere with the handling of stored commodities.
- 8.13.2 A routine cleaning program must be employed and documented covering all parts of the

store and structures within it including roof trusses, ledges and all dust-collecting surfaces. The cleaning program must ensure that floors are kept clean and dry at all times.

8.13.3 Any equipment used for loading or unloading must be suitable for the purpose and must be routinely maintained in a clean condition.

8.13.4 All necessary steps must be taken to minimize the production of dust. Handling methods should be such that generation of dust is minimized. Dust removed from ledges, light fittings etc, must be removed from ECX approved space.

8.13.5 There shall be no contamination of commodities stored in approved storage space.

8.13.6 The warehouse management will be given the appropriate amount of time to fix problems and must report in writing when the corrective action has been accomplished. Exchange personnel will issue a Corrective Action Report (CAR) regarding problems, which must be immediately corrected, and warehouse management must respond in writing within two workdays to the Exchange how they rectified the problem.

8.14 Insurance

8.14.1 The Exchange Warehouse is required to have insurance coverage of the physical facilities.

8.14.2 The Warehouse operator is required to insure the stored commodities.

9. WAREHOUSE RECEIPTS

9.1 Issuance of Goods Received Note

9.1.1 The Warehouse shall receive the commodity upon agreement with the depositor and signature on Scale Ticket and on Grade Certificate of the depositor.

9.1.2 The depositor's signature will be deemed evidence of agreement to be bound by the rules of the Exchange generally and the rules of the Warehouse, the Exchange Central Depository, and Clearing House specifically.

9.1.3 The Warehouse shall issue an Electronic Goods Received Note and provide depositor or his representative with a signed print copy.

9.1.4 Partial deposit shall result in the issuance of a Goods Received Voucher for each partial deposit and complete Goods Received Note is only issued to the seller or agent when complete deposit is effected.

9.1.5 The Electronic Goods Received Note shall be filed in print and electronic form with the warehouse and transferred to the Exchange Central Depository on the same day of deposit.

9.1.6 The Electronic Goods Received Note is a precondition for issuance of Electronic Warehouse Receipt by the Exchange Central Depository.

9.1.7 The Electronic Goods Received Note shall not be negotiable, transferable or represent legal title to the deposited commodity.

9.2 Issuance of Electronic Warehouse Receipts

- 9.2.1 The Exchange Central Depository shall be the sole entity authorized to and responsible for issuing Electronic Warehouse Receipts, printing copies of receipts, transferring legal title, and canceling receipts.
- 9.2.2 The Electronic Warehouse Receipt issued by the Exchange Central Depository shall represent legal title to the deposited commodity.
- 9.2.3 The Electronic Warehouse Receipt shall be transferable and negotiable on the Exchange through the function of the Exchange Central Depository.
- 9.2.4 The Electronic Warehouse Receipt may be used for the purposes of securing collateral finance.
- 9.2.5 The Electronic Warehouse Receipt may upon request be materialized into a paper warehouse receipt, according to the procedures of the Exchange Central Depository.

9.3 Function of the Central Depository

The Exchange Central Depository shall render the following services:

- 9.3.1 Create and approve Electronic Warehouse Receipts;
 - 9.3.2 Maintain and edit required electronic warehouse receipt data;
 - 9.3.3 Maintain a register of Depositors;
 - 9.3.4 Effect settlement of contracts traded on the Exchange by transferring Electronic Warehouse Receipts between holders;
 - 9.3.5 Monitor expiration of Delivery Notice, Pick-Up Notice and Warehouse Receipts;
 - 9.3.6 Void or cancel Electronic Warehouse Receipts;
 - 9.3.7 Produce and authorize Member-Client Position Reports;
 - 9.3.8 Manage penalty payments for expirations of Warehouse Receipts, Late Pick-ups and Withdrawals without Sale and
 - 9.3.9 Reconcile records daily.
- ## 9.4 Procedures for creation of Electronic Warehouse Receipts

- 9.4.1 Upon creation of the Electronic Goods Received Note, the Warehouse shall submit to the Exchange Central Depository a batch file request for the creation of an Electronic Warehouse Receipt.
- 9.4.2 Electronic Warehouse Receipts shall be stored in a single secure data server. The data shall be protected from unauthorized access, manipulation and destruction.
- 9.4.3 The transmission of data shall be in encrypted form so as to eliminate the possibility of unauthorized interception of data.
- 9.4.4 The back-up of data stored under Exchange Central Depository system shall be kept in a remote location under the exclusive custody of the Exchange Central Depository. The Exchange Central Depository shall ensure sufficient security measures, to prevent access by unauthorized persons of the data of Exchange Central Depository operations.
- 9.4.5 The Exchange Central Depository shall take adequate measures for maintenance of transaction logs and audit trail for each change either in account details or in

Depositor ownership of Electronic Warehouse Receipts.

- 9.4.6 The Central Depository Manager or his delegee shall be the sole person responsible for authorizing the creation of an Electronic Warehouse Receipt and the transfer of ownership of the Receipt.
- 9.4.7 The Electronic Warehouse Receipt shall have a unique number that shall embed the Electronic Goods Received Note number on the basis of which it was created.
- 9.4.8 The Electronic Warehouse Receipt number shall not enable identification of the warehouse from which the Electronic Goods Received Note was issued.
- 9.4.9 The Electronic Warehouse Receipt number is required for submission of sell orders on the Exchange.

9.5 Pledge of Electronic Warehouse Receipt

9.5.1 Pertinent provisions of the Proclamation to provide for a Warehouse Receipts System No.372/2003, Property Mortgaged or Pledged with Banks Proclamation No. 97/1998 and other relevant laws of the country are applicable to pledge of electronic Warehouse Receipts issued by the Exchange.

9.5.2 Without limiting the generality of the provisions of Sub-Article 9.5.1 of this Article, the following provisions are applicable to pledge of electronic Warehouse Receipts issued by the Exchange.

9.5.2.1 Loan Application and Lending

- a. An owner of a commodity deposited in the Exchange Warehouse may apply for a Warehouse Receipt loan with an Exchange settlement bank based on his Goods Received Note or Member/Client Daily Position Report after completing a Loan Application according to applicable bank procedures.
- b. Before processing the loan application the bank may request the Exchange to check the electronic Warehouse Receipt is valid, that it is owned by the potential borrower and it is not already pledged. If successful the Exchange will return the relevant details of the electronic Warehouse Receipt.
- c. After processing the loan application the bank shall complete and sign an Exchange electronic Pledge Request Form and deliver it to the Exchange to confirm the information included in the Loan Application upon which the Exchange will issue a pledge on the electronic Warehouse Receipt in favor of the bank.
- d. Once a pledge is issued, the electronic Warehouse Receipt shall receive a mark of pledge and shall no longer be available for trade or withdrawal until the request from the bank to lift the No-sale status arrives or the electronic Warehouse Receipt is later un-pledged.
- e. If a pledge is issued, the Exchange Central Depository shall immediately provide to the relevant bank an electronic Pledge Confirmation Report with the confirmation of electronic Warehouse Receipt validation and pledge. If there is

an error on the electronic Warehouse Receipt or it is already pledged, the Exchange shall provide the bank a 'stop signal' explaining the reason for the rejection. A loan action shall not continue with such electronic Warehouse Receipt until the errors are removed or new electronic Warehouse Receipt information is applied.

- f. As soon as the electronic Warehouse Receipt is pledged, the Exchange shall mark the electronic Warehouse Receipt as a No-Sale electronic Warehouse Receipt in the Member/Client Daily Position Report and in the Pledge Register and Movement List.
- g. The Pledge Register and Movement List, which is issued electronically, shall include all the Warehouse Receipt details and be grouped as follows:
 - i. Electronic Warehouse Receipts pledged with no-sale condition,
 - ii. Electronic Warehouse Receipts pledged with for-sale condition,
 - iii. Electronic Warehouse Receipts pledged and foreclosed,
 - iv. Electronic Warehouse Receipts pledged and sold in last seven days (partial or whole),
 - v. Electronic Warehouse Receipts pledged and withdrawn in last seven days, and
 - vi. Electronic Warehouse Receipts unpledged in last seven days.
- h. The Exchange Pledge Register and Movement List shall be sent by the Exchange Central Depository to the bank on a daily basis until the credit repayment is settled.
- i. Once the Exchange Pledge Confirmation Report is provided to the lending bank, the loan may be approved and provided to the owner of the electronic Warehouse Receipt with a certain duration and specification as specified in the Loan and Pledge Agreements.
- j. The repayment date of the bank's electronic Warehouse Receipt loan shall allow for enough period for a loan repayment before the expiration day of the pledged electronic Warehouse Receipt.
- k. A borrower may have multiple Loan Accounts in different branches of one bank or in different banks. Multiple Warehouse Receipts can be pledged to one Loan Account. However, partial pledge and partial unpledge of remaining quantity on an electronic Warehouse Receipt is prohibited.
- l. All communication with the banks shall be via a secure, electronic interface with back-up manual processes used if required.
- m. Only electronic Warehouse Receipts of at least one lot or more can be pledged.

9.5.2.2 Un-pledging

The bank can initiate the electronic un-pledging procedure with the Exchange

Central Depository in the following situations:

- a. When the borrower has paid the loan in cash without the sale of the pledged commodity (electronic Warehouse Receipt).
- b. When the bank no longer requires the electronic Warehouse Receipt as collateral.

9.5.2.3 Sale and Repayment

- a. After the Borrower and the Bank agree to sell the Warehouse Receipt, the bank shall electronically instruct the Exchange's Central Depository to lift the No-Sale condition and give the Loan account details to the Exchange Clearing House.
- b. The bank shall inform the borrower on the lift of the No-Sale condition on the pledged electronic Warehouse Receipt which is reflected on the Exchange Member/Client Position Report and the Exchange Pledge Register and Movement Report.
- c. The borrower can then sell the pledged electronic Warehouse Receipt at the Exchange. Following the sale, the Exchange Clearing House shall deduct the Exchange fees and all relevant taxes and directly pay out the balance to the bank's Loan Account and the Exchange Central Depository shall transfers the title to the commodity to the buyer.
- d. To effect an immediate pay-out transfer to the bank of a pledged electronic Warehouse Receipt sold at the Exchange, the bank shall provide the Exchange Clearing House the borrower's Loan Account details including name, ECX Client ID and loan account number at the moment of the lift of the No-Sale request.
- e. Upon receipt of a pay-out transfer from the Exchange for the sale of a single pledged Warehouse Receipt, the bank shall settle any outstanding balance pertaining to that pledged electronic Warehouse Receipt to the borrower within two working days.

9.5.2.4 Execution of Security

- a. If the borrower fails to sell the electronic Warehouse Receipt at the Exchange and pay the loan at the repayment date, the bank may initiate foreclosure pursuant to the relevant provisions of the Proclamation to Provide for a Warehouse Receipts System No.372/2003, Property Mortgaged or Pledged with Banks Proclamation No. 97/1998 and other relevant laws of the country which may include the following process:
 - i. One day after the repayment date, the bank gives the borrower a five day Legal Notice of intention to foreclose and sell the Pledged commodity;
 - ii. If the borrower does not effect payment within the notice period mentioned under provision (i) of this Sub-Article, the bank may sell the electronic Warehouse Receipt fifteen days after the expiry date of payment specified in the notice;
 - iii. Once the bank informs the Exchange of the foreclosure and if the Legal Notice of Foreclosure sent to the Exchange is in order (correctness of the

- instruction), then the Central Depository shall allow the bank to sell or withdraw the commodity;
- iv. Upon foreclosure by a bank, the Exchange shall extend the electronic Warehouse Receipt expiry period by forty days. The Exchange's standard quality guarantee shall still apply for this grace period;
 - v. Upon the expiration of the forty days extension period provided under provision (iv) of this Sub-Article, the bank shall pay the standard electronic Warehouse Receipt expiry penalty before the electronic Warehouse Receipt can be extended and sold or withdrawn.
- b. When the bank informs the Exchange that it has foreclosed on the electronic Warehouse Receipt, the Exchange shall immediately suspend the pledged electronic Warehouse Receipt and confirm or reject the foreclosure request the same day. If the request is rejected because it is not in order (correctness of the instruction), the electronic Warehouse Receipt will again be reactivated for trading by the borrower but will remain pledged. If the request is accepted, the Central Depository shall set Foreclosed status on the electronic Warehouse Receipt without transferring Title and thereby giving the Bank the right to sell or withdraw the electronic Warehouse Receipt.
 - c. The bank may sell the pledged electronic Warehouse Receipt partially or wholly through the Exchange, as a client, via an Intermediary Member. If there is no sale, the bank has the option of withdrawing the commodity from the Exchange warehouse after paying applicable warehouse fees and penalties.
 - d. Notwithstanding provision (c) of the same Sub-Article, the bank shall not be allowed to withdraw commodities exclusively traded on the Exchange by law.
 - e. The Exchange shall not participate in the valuation and monitoring of credit levels against market value and any associated corrective measures, which is solely a matter between the bank and the borrower.

9.6 Performance Guarantee

9.6.1 The legal owner of a Warehouse Receipt, or its representative Exchange Member, may submit a claim against the Exchange for any quantity or quality deviations at delivery or withdrawal (the "Performance Guarantee").

9.6.1.1 Under the Performance Guarantee, the Exchange guarantees delivery or withdrawal of commodity according to the weight and quality stated on the Electronic Warehouse Receipt.

9.6.1.2 If the Exchange cannot deliver the quantity or quality specified on the Electronic Warehouse Receipt subject to any moisture loss adjustment, the Exchange shall compensate the owner of the Warehouse Receipt. Compensation shall be at the trade execution price in the case of delivery or at the prevailing market price on the date of the withdrawal request in the case of withdrawal, less applicable charges, fees, taxes and other adjustments.

9.6.1.3 The quantity guaranteed by the Exchange is subject to the Exchange's moisture loss adjustment.

9.6.2 Performance Guarantee claim shall be processed as follows:

9.6.2.1 The claimant shall file a written claim with the Membership Unit of the Exchange specifying the nature of the claim.

9.6.2.2 The Exchange shall investigate the accuracy of the claim and accept or reject each claim.

9.6.2.3 If the claim is accepted, the Exchange shall compensate the claimant within 10 working days of the written claim.

9.6.2.4 The Exchange shall report delivery shortfalls to the Authority monthly.

9.6.3 The Exchange may maintain different instruments to meet its obligations under the Performance Guarantee of Warehouse Receipts, including but not limited to:

9.6.3.1 Damage and property insurance;

9.6.3.2 Fidelity insurance bond; or

9.6.3.3 Warehouse Receipts Indemnity fund.

9.7 Warehouse Receipts Indemnity Fund

9.7.1 The Exchange shall maintain an Indemnity Fund to meet liabilities that may arise under its Performance Guarantee of Warehouse Receipts.

9.7.2 The Board of Directors may prescribe from time to time the norms, procedures, terms and conditions governing the Indemnity Fund, including but not limited to, the amount of contribution to be made by the Exchange and terms of withdrawal of contribution from the Indemnity Fund.

9.7.3 Contribution to and Deposits with the Indemnity Fund

9.7.3.1 The Exchange shall contribute a percentage of its gross Warehouse storage and handling charges to the Indemnity Fund on the last day of each month. The percentage of contribution shall be approved by the Board.

9.7.3.2 The Government may make a periodic contribution towards the Indemnity Fund.

9.7.3.3 The Exchange may specify the amount and method of additional contribution it makes to the Indemnity Fund.

9.7.4 Form of Contribution and Accounts

The Exchange may contribute to the Indemnity Fund in the form of cash or in such other form or method. The Exchange's contribution shall be made into an Indemnity Fund Account maintained by the Exchange's Clearing House that shall be audited annually.

9.7.5 Investment of Indemnity Fund

The Indemnity Fund may be deposited in an interest bearing account or may be invested in such investments, as may be provided for by the Board of Directors. The interest earned from the investment of the Fund shall be re-deposited into the Fund.

9.7.6 The Indemnity Fund may be utilized for such purposes, as may be prescribed from time to time by the Board of Directors to meet its obligations under the Performance Guarantee, which may include:

9.7.6.1 Defraying the expenses of creation and maintenance of Indemnity Fund;

9.7.6.2 To temporarily meet the liability of the Exchange arising out of its Performance Guarantee related to Warehouse Receipts; and

9.7.6.3 Any other purpose specified by the Exchange from time to time related to provisions of services associated with Warehouse Receipts.

9.7.7 The Exchange may pledge, re-pledge, hypothecate, transfer, create a security interest in, or assign any or all of the cash or any other instrument deposited in the Indemnity Fund.

9.8 Depositor Accounts

The Central Depository shall maintain separate accounts for every Depositor.

9.8.1 On accepting a request for creation of an Electronic Warehouse Receipt, the Exchange Central Depository shall either:

9.8.1.1 Create a Depositor account and crediting the account for new Depositors; or

9.8.1.2 Credit the account of an existing depositor.

9.8.2 The Central Depository shall maintain a Register of the transfer of Electronic Warehouse Receipts to or from a Depositor's account on either the receipt of request from the Warehouse or instructions from the Clearing House and thereafter confirm the same to the Depositor in a manner as specified by the Rules of the Exchange.

9.8.3 Every entry in the Depositor's account shall be supported by electronic requests or instructions or any other mode of request or instruction received from the Warehouse or the Clearing House.

9.9 Records

9.9.1 The Exchange Central Depository shall maintain the following records and documents:

9.9.1.1 Records of Electronic Goods Received Notes, Electronic Warehouse Receipts, Delivery Notice, Pick-Up Notices and Goods Issuance Notes;

9.9.1.2 The names of the transferor, transferee, and the dates of transfer of Electronic Warehouse Receipts;

9.9.1.3 Records of requests and instructions received from and sent to a Warehouse and the Clearing House;

9.9.1.4 Details of Depositors;

9.9.1.5 Documents related with penalties and charges; and

9.9.1.6 Such other records as may be specified by the Board of Directors for carrying on the activities as a depository.

9.9.2 The Exchange Central Depository shall preserve records and documents for a minimum period of ten years.

10. CLEARING AND SETTLEMENT

10.1 Clearing House of the Exchange

10.1.1 The operations of Clearing House of the Exchange shall be managed by the Board of Directors of the Exchange or the CEO; the Board of Directors may from time to time delegate such additional authority and responsibility to the CEO or any Settlement

Bank as deemed fit by the Board of Directors.

- 10.1.2 All contracts transacted in the Exchange shall be cleared and settled by the Clearing House of the Exchange, and whenever required closed out in accordance with the Rules of the Exchange or as ordered by the Authority under the Authority Proclamation.

10.2 Clearing House Guarantee

- 10.2.1 In respect of contracts for specified commodities as may be determined by the Exchange from time to time, and traded and cleared by the Exchange in the manner specified in these Rules, the Exchange Clearing House shall be deemed to guarantee the net outstanding financial obligations of Members and the delivery, genuineness and, quality of commodities or contracts traded on the Exchange to Members; and

- 10.2.2 The Exchange shall not be deemed to guarantee the financial obligations of any Member of the Exchange to his Clients or to a Member of the Exchange for whom the Member provides clearing service.

10.3 Clearing Members

All Trading Members, Intermediary Members and Clearing Buy-only Limited Trading Member are Clearing Members.

- 10.3.1 All Trading Members, Intermediary Members and Clearing Buy-only Limited Trading Members of the Exchange shall be Clearing Members of the Exchange, and shall alone be eligible and qualified to obtain directly the clearing, settlement closing out and guaranteeing services of the Clearing House of the Exchange.

- 10.3.2 All contracts transacted on the Exchange shall be confirmed by the Exchange and assigned to the Members for settlement in the manner specified in these Rules.

- 10.3.3 In respect of transactions on the Exchange, a Member shall not clear and settle or close out contracts without a valid Member Client Agreement with his Client(s). A copy of the agreement shall be given to the Exchange. Thereafter, until the termination of the agreement, such Member shall execute, clear, settle and close out the Client's contracts under his account with the Clearing House.

10.3.3.1 A Person shall not be a Client of more than one Member per commodity class.

10.3.3.2 A Non-Clearing Buy-only Limited Trading Member shall not be a client of more than one Clearing Intermediary Member to clear his transactions at the Exchange.

10.3.3.3 Intermediary Members shall notify in writing the Exchange of any addition to or deletion from the list of clients and clearing clients.

- 10.3.4 A Clearing Intermediary Member shall not clear the Pay-in obligation of a Non-Clearing Buy-only Limited Trading Member without a valid Clearing Service agreement with the latter. A copy of the Agreement shall be given to the Exchange. Thereafter until the termination of the Agreement, such Intermediary Member shall clear and close out the Non-Clearing Buy-only Limited Trading Member's contracts under his account with the Clearing House.

10.4 Settlement Bank

- 10.4.1 Designated Settlement Banks

The Board of Directors or CEO shall designate one or more domestic bank(s) as the designated Settlement Banks of the Exchange for providing and facilitating the collection of funds, transfer of funds, sharing of information and other value added services pursuant to these Rules.

10.4.2 Trading Members, Intermediary Members and Clearing Buy-only Limited Trading

Members shall open the accounts enumerated in the following Article in a networked branch of one of the designated Settlement Banks. All such Members shall be required to strictly follow instructions of the Exchange in respect of operation of such bank accounts, including, when applicable, the segregation of client funds, their own funds and clearing funds and as may be further required by the Exchange. They shall also be required to keep the accounts adequately funded, so as to enable the Exchange to recover its dues by debiting with their respective bank accounts. Sell Only Limited Trading Members can open a Pay-out Account in any branch of a Settlement Bank. Non-Clearing Buy-only Limited Trading Members shall clear their pay-in obligation through Clearing Intermediary Members, so they are not required to open a settlement account.

10.4.2.1 Trading Member Accounts

a. Member Pay-In (to the Exchange) Account

Members who trade for their own account shall open a Member Pay-In Account that complies with the following conditions:

- i. Member must be the legal owner of the Member Pay-In Account;
- ii. Member must sign an unconditional Power of Attorney giving the Exchange the sole right to request debits;
- iii. Without prejudice to Article 10.6.4 of these Rules, there shall be no Member withdrawals allowed from this Account;
- iv. The Exchange shall be authorized to send electronic balance enquiries for this account;
- v. The Exchange shall be authorized to send electronic debit instructions for this account;
- vi. There shall be no cheque books issued for this account; and
- vii. There shall be no credit or debit cards issued for this account.

b. Member Pay-Out (from Exchange) Account

Members who trade for themselves must open a Member Payout Account that complies with the following conditions:

- i. Member must be the legal owner of the Member Pay-Out Account;
- ii. The Exchange shall be authorized to send electronic credit instructions to this account;
- iii. Member shall have the sole right to request debits;
- iv. Cheque book can be issued if required; and
- v. The Member Pay-Out Account may be an existing customer bank account.

10.4.2.2 Intermediary Member Accounts

In addition to the Trading Member Accounts described above, Intermediary Members, Members who trade for themselves as well as for others, shall open the following accounts, which shall only be used for their Client funds:

a. Client Pay-In (to the Exchange) Account

Members who trade for the account of others shall open at least one Client Pay-In Account into which the Clients transfer buy funds that complies with the following conditions:

- i. Member must be the legal owner of the Member Pay-In Account;
- ii. Member must sign an unconditional Power of Attorney giving the Exchange the sole right to request debits;
- iii. Without prejudice to Article 10.6.4 of these Rules, there shall be no Member withdrawals allowed from this Account;
- iv. The Exchange shall be authorized to send electronic balance enquiries for this account;
- v. The Exchange shall be authorized to send electronic debit instructions for this account;
- vi. There shall be no cheque books issued for this account; and
- vii. There shall be no credit or debit cards issued on this account.

b. Client Pay-Out (from Exchange) Account

Members who trade for the account of others shall open at least one Client Pay-out Account to receive their Clients transfer sell funds that complies with the following conditions:

- i. Member must be the legal owner of the client Pay-Out Account;
- ii. The Exchange shall be authorized to send electronic credit instructions to this account;
- iii. Member shall have the sole right to request debits;
- iv. Cheque book can be issued if required; and
- v. Member must distribute all funds in the Client Pay-Out Account to Clients by depositing the fund into clients' bank accounts.

c. Clearing Pay-in Accounts

Intermediary Members who clear on behalf of a Non-Clearing Buy-only Limited Trading Member shall open a Clearing Pay-in account in to which the latter transfer buys funds that complies with the following conditions:

- i. A Clearing Intermediary Member must be the legal owner of the Clearing Pay-In Account;
- ii. A Clearing Intermediary Member must sign an unconditional Power of Attorney giving the Exchange the sole right to request debits;
- iii. Without prejudice to Article 10.6.4 of these Rules, there shall be no Member withdrawals allowed from a Clearing Pay-in Account;
- iv. The Exchange shall be authorized to send electronic balance enquiries for a Clearing Pay-in Account;
- v. The Exchange shall be authorized to send electronic debit instructions for

- vi. There shall be no cheque books issued for a Clearing Pay-in Account;
and
- vii. There shall be no credit or debit cards issued on a Clearing Pay-in Account.

d. Clearing Pay-out Accounts

Intermediary Members who clear on behalf of a Non-Clearing Buy-only Limited Trading Member shall open a Clearing Pay-out Account in to which the former transfers unused buy funds from a Clearing Pay-in Account that complies with the following conditions:

- i. The Intermediary Member must be the legal owner of the Clearing PayOut Account.
- ii. The Exchange shall be authorized to send electronic credit instructions to this account.
- iii. The Intermediary Member shall have the sole right to request debits.
- iv. Cheque book can be issued if required.
- v. The Intermediary Member must distribute all funds in the Clearing PayOut Account to Clients.

10.4.3 Member Bank Account Opening Procedures

10.4.3.1 In complying with the above requirements, Members will be required to follow the procedures below:

- a. Members shall be approved for membership on the Exchange;
- b. Members shall notify the Exchange their choice of:
 - i. Exchange Settlement Bank;
 - ii. Networked branch for Trading Members, Intermediary Members and Clearing Buy-only Limited Trading Members or any branch of the Settlement Bank for Limited Intermediary Members and Sell-only Limited Members.

10.4.3.2 Members shall receive Exchange Facilitation Letter from the Exchange advising the selected Settlement Bank of the Member's approval for membership. The Exchange shall deliver the original to the Settlement Bank's Exchange Settlement Team.

10.4.3.3 Members shall deliver the following documents to the selected Settlement Bank Branch and comply with other Settlement Bank formalities for opening accounts at the Bank:

- a. Exchange Facilitation Letter;
- b. Member's unconditional Power of Attorney in favour of the Exchange;
- c. Proof of identification; and
- d. Other documents required by the particular Settlement Bank.

10.4.3.4 The Power of Attorney shall provide that:

- a. The Power of Attorney is unconditional;
- b. The Exchange has the right to receive Member's Exchange Bank account

- numbers from the Settlement Banks;
 - c. The Exchange has the sole right to withdraw money from all Member Pay-in accounts and to request that the Settlement Bank transfer this money into the Exchange Settlement Account maintained at that Settlement Bank as required to settle the Member's Pay-in obligation to the Exchange;
 - d. The Exchange has the right to request balance data from the Settlement Bank for all Pay-in accounts;
 - e. The Exchange has the right to request the Settlement Bank for transaction information on the Member's Pay-in accounts, such as date and time of deposits or withdrawals and the amounts of the same; and
 - f. The Exchange has the right to request the Settlement Bank provide any information in its possession concerning a Member and conduct an inspection of the Member. The Exchange has the right to appoint a person to conduct such inspection.
- 10.4.4 Designated Settlement Banks to Act on Instructions of the Exchange or Clearing House
The Exchange or Clearing House shall instruct the Settlement Banks to debit or credit the accounts maintained by the Exchange or Clearing House and the designated clearing accounts of Members.
- 10.4.5 The Settlement Bank shall inform the Exchange of Members' account details.
- 10.4.6 Settlement Banks to Inform of Status
If there is any shortage in meeting monetary obligations by a Member relating to debits from a designated Pay-in bank account, the Settlement Bank shall report such instances of shortage to the Clearing House Manager at the Exchange in a mutually agreed mode of communication.
- 10.4.7 Named Contact
Each Settlement Bank shall designate a named contact to serve as Member contact for opening the Exchange accounts and Exchange payment issues.
- 10.4.8 Exchange Clearing and Settlement Accounts in designated Settlement Banks Unless otherwise prescribed in respect of any Member or Client funds transferred for the clearing and settlement of contracts, no Member or any person claiming through him shall have or be deemed to have any right, title or interest in monies in the Clearing and Settlement Accounts of the Exchange or other account(s) of the Exchange with the Settlement Banks.
- 10.4.9 Multiple Accounts
Trading Members, Intermediary Members and Clearing Buy-only Limited Trading Members may open more than one Pay-in and Pay-out account in settlement banks.
- 10.4.10 A client who requests a separate settlement account shall not use the pool account opened for group of clients to clear his trading obligation. A separate account of a client shall not be used to clear trading obligations on the pool account.
- 10.4.11 Members who open multiple accounts for themselves or their clients may assign priority setting for pay-in accounts to determine the order in which members or clients

trading obligation is deducted.

10.5 Daily Clearing and Settlement

10.5.1 Member Pre-Trade Deposits

10.5.1.1 Members shall deposit exchange buy funds in their Pay-In Accounts by 3:30 P.M. on the last trade day before trading. In addition, buyers of export coffee shall deposit buy funds by 10:00 A.M. on the day of trade.

10.5.1.2 Members shall only be allowed to trade up to the amount of Exchange Buy Funds deposited in their Pay-In Account.

10.5.1.3 Members with insufficient funds in their Pay-In Accounts shall not be allowed to execute Buy trades.

10.5.1.4 Clearing Intermediary Members shall only be allowed to clear Non-Clearing Buy-only Limited Trading Member's Pay-ins up to the amount of exchange buy funds deposited in their Clearing Pay-In account.

10.5.2 Clearing House to Process all Transactions

10.5.2.1 The Clearing House shall process all matched transactions and shall accept substitution of the Exchange for only the net liability of the Member to the Clearing House.

10.5.2.2 An order to buy or sell will become a matched transaction only when it is matched in the Trading System and the Clearing House does not find the order to be invalid on any other consideration.

10.5.2.3 Once a contract is matched by the Clearing House, the Clearing House shall be substituted as counter party for all net financial liabilities of the Members in the commodities or contracts.

10.6 Post-Trade Clearing

10.6.1 Member Net Obligation Statements

10.6.1.1 Based on trades executed by Members and matched by the Clearing House, the Clearing House shall produce Member Net Obligation Statements at 7:30 A.M. on the next trading day notifying each Member of their Pay-In/Pay-Out obligations for each trade. The Member Net Obligation Statement shall be binding on the Members.

10.6.1.2 Trading Members, Intermediary Members, Clearing Buy-only Limited Trading Members and Sell-Only Limited Members shall be responsible for collecting their Net Obligation Statements from the Clearing House on next trading day.

10.6.2 Post-Trade Settlement

10.6.2.1 Transfer of Funds

The Clearing House shall debit Members' Net Buy Obligations from the Member Pay-In account or Members' Client Pay-In account or the Member's Clearing Pay-In account, where applicable, between 8:00 and 9:00 A.M. on the next trading day.

10.6.2.2 The Exchange shall credit Members' Net Sell Payments/Obligations to the

Trading Member's and the Intermediary Member's Pay-Out Account or Client Pay-Out Account or to the Limited Intermediary Member's Pay-Out Account or Sell-only Limited Trading Member's Pay-out account where applicable, between 11:00 and 12:00 A.M. on the next trading day after the trading day.

10.6.2.3 On the basis of the final Member Net Obligation Statements, the central depository shall produce Member/Client Delivery Notices on the first working day after the trading day for each Member and Client who must tender Warehouse Receipts for delivery of Exchange traded commodities. The Delivery Notices shall be binding on the Member and Client.

10.6.3 Settlement Adjustment

Contracts executed by Members and matched by the Clearing House, shall/may be subject to settlement of differences by or to a Member due to outstanding contracts and of other liabilities on daily net basis through the Clearing House. Settlement adjustments may include:

- a. Weight Differential (buyer and seller credit/debit);
- b. Location Differential (buyer credit and seller debit);
- c. Warehouse Storage Charges (seller debit);
- d. Warehouse Handling Fee (seller debit);
- e. Warehouse Service Fees other than those stated under Sub-Article (c) & (d);
- f. Exchange Transaction Fee (buyer debit and seller debit);
- g. All applicable tax debits and credits;
- h. Warehouse Receipt Finance Fee (sellers debit); and
- i. Sport Contributions (volunteered sellers debit-Coffee Trade only).

10.6.4 Withdrawal of Pay-in Funds

10.6.4.1A Trading Member or an Intermediary Member or Clearing Buy-only Limited Trading Members may complete a withdrawal form requesting the Exchange to transfer cash from available funds in the Member's or client's Pay-in account to the Member's Pay-out or client's Pay-out account.

10.6.4.2The funds shall be available in the Pay-out account of the Member or the client for withdrawal within 48 hours of acceptance by the Exchange Clearing House.

10.6.4.3If a Non-Clearing Buy-only Limited Trading Member wants to withdraw funds which he has deposited with the Clearing Pay-in account of an Intermediary Member, the withdrawal request may be submitted to the Exchange only by the Intermediary Member. The Exchange shall pay-out to the Intermediary Member's Clearing Pay-out account and the Intermediary Member shall dispense the cash to the Non-Clearing Buy-only Limited Trading Member within 48 hours.

10.6.4.4The Exchange shall payout withdrawal requests for funds in Member's or Client's pay-in account only to an appropriate pay out account opened in the same bank and include a withdrawal instruction which states "pay-in

withdrawal”.

10.6.5 Reporting and Transfer of Various payments collected by the Clearing House

At the end of every month, the Exchange Settlement Account balances shall be reconciled with the Clearing House Records. Accordingly, the following types of reports and transfers shall be executed by the Clearing House:

- a. Value Added Tax and Turn Over Tax collected by sellers from buyers shall be included in the sellers’ Net Obligations;
- b. The Clearing House shall transfer Withholding Taxes collected from the Exchange Settlement accounts to the Exchange Corporate accounts on a monthly basis;
- c. The Clearing House shall transfer the total Trading Fees, Warehouse Handling Charges, Warehouse Storage Charges, Other Charges of the Warehouse, Value Added Tax on the Exchange Fees and Charges and Sport Contributions collected from the Exchange Settlement accounts to the Exchange Corporate accounts on a monthly basis; and
- d. The Clearing House shall submit, on a monthly basis, the Electronic copy of relevant data on "Value Added Tax not collected on Export Coffee" and on the total "Withholding Taxes" collected to the Exchange Finance Department for final submission to Ethiopian Revenues and Customs Authority.

10.6.6 Post Settlement Adjustments by the Clearing House

Contracts executed by Members and matched and settled by the Clearing House, shall be subject to post settlement adjustment due to the following reasons:

- i. Claims related to the Performance Guarantee;
- ii. Over delivery; or
- iii. Other settlement adjustments, including but not limited to clearing errors.

In the aforementioned cases, the Clearing House shall conduct a Post Settlement Adjustment by creating Debit and/or Credit Notes as necessary within ten business days.

10.7 Reports

- a. In respect of all trades done by Members of the Exchange, the Exchange will forward daily reports to the respective Members, including Net Settlement Obligation reports and Delivery Notice reports relating thereto. All such reports and obligations shall be binding on the Members of the Exchange.
- b. The Members of the Exchange shall provide the Exchange with such reports that the Exchange may seek from the Members from time to time.
- c. The Members of the Exchange shall provide such reports, as the Authority may prescribe.
- d. A Member shall notify the Exchange of any incident, which may endanger the Member’s financial strength or interfere with the Member’s ability to conduct its business in the best interests of the Exchange.
- e. All Members of the Exchange as well as their representatives shall be required to maintain such Books of Accounts, Registers, Statements and other Records, in physical form or electronically. All such documents and records shall be kept in good order and preserved at

least for ten years. All such documents and records shall be made available to the Exchange by the Member for inspection, whenever required.

- f. Each Member of the Exchange shall submit itself to audit and investigation and furnish all books, records, files and such other information as required upon the direction of the Exchange. The audit and investigation shall be restricted to the affairs of the Exchange Member as a provider of trading, clearing and settlement services to their Client as also in respect of his trading, either directly or through another Member.
- g. In case of any dispute or difference of opinion originating from or pertaining to orders or trades due to a mismatch between the Member's report and the Exchange's report, the report as per records of the Exchange shall be final, conclusive and binding on the Members.

10.8 Settlement Default

10.8.1 If a Member fails to meet his Pay-in settlement obligation by 9:00 A.M. on the next trading day after a trade, the following shall take place:

- a. Member's trading rights will immediately be suspended;
- b. Any transfer of title to Electronic Warehouse Receipts purchased that trading day will be suspended along with the Delivery of the associated commodities;
- c. If the Settlement Bank is liable due to error in information given to the Exchange, the Settlement Bank shall make up the shortfall of funds by 10:30 A.M. on the next day of trading. In this case, the Member's trading rights and title transfers are resumed if the Exchange Compliance Division is satisfied that the Member was not an accomplice in the bank error;
- d. Where Sub-Article 10.8.1(c) above is not applicable the Clearing House shall request the Member to deposit the shortfall of funds into his relevant Pay-in account by 09:00 A.M. on the next trading day. If the Member complies, his trading rights and title transfers shall be resumed, provided the Exchange Compliance Division is satisfied that the Member was not complicit in the overtrading which caused the settlement default;
- e. Where Sub-Article 10.8.1 (d) above is satisfied, the Clearing House will instruct the Settlement Bank to transfer the balance of the Member's Pay-in accounts to the Clearing House Settlement account in that Settlement Bank and the remaining default balance, if any, will make up for the short fall in the manner described under Sub-Article 10.8.1 (f) below;
- f. If the Member does not settle his settlement liability in full, with associated fines as decided by the Exchange within ten (10) working days of the trade day, the Exchange will:
 - i. Terminate the Member's trading rights;
 - ii. Liquidate the Member's Electronic Warehouse Receipt(s) and use the funds to re-pay any Settlement Guarantee Fund withdrawal;
 - iii. In the event the Exchange liquidates the Member's Electronic Warehouse Receipt(s) at a price more favourable than the Member's original price, the Exchange shall credit the surplus funds to the Settlement Guarantee Fund; and

- iv. In the event the Exchange liquidates the Member's Electronic Warehouse Receipt(s) at a price less favourable than the Member's original price, the Exchange shall:
 - a. Utilize the Member's security deposit from the Settlement Guarantee Fund;
 - b. Auction the Member's seat; and
 - c. Institute an action before a court of law to recover the shortfall of funds.
 - g. When a Member is suspended due to settlement default, his trading rights will remain suspended until the Exchange compliance division has completed its investigation. If the compliance division is satisfied that the Member was not acting in a fraudulent manner then the trading rights of the member may be reinstated, otherwise the Member's trading rights and membership will be terminated.
- 10.8.2 A settlement default shall not affect the guaranteed Pay-out obligation for any Members, since Pay-out processing is started at 11:00 A.M on the next trading day after a transaction.

11. DELIVERY

11.1 Release of commodities stored in a Warehouse

- 11.1.1 As and when the Buyer or his agent intends to take physical delivery of the commodities held by the warehouse, he shall request the delivery of the commodity traded on the Exchange upon producing Delivery Notice issued by the Central Depository and shall pick up the commodity within ten days of the transaction.
- 11.1.2 A Pick-up Notice shall be filled out specifying pickup date, time, buyer's or his representative's name, phone number, identity number and type, driver name, driving license, and vehicle plate number according to a form to be developed by the Exchange. The Pick-up notice shall then be signed and submitted by the Member or the representative to the Central Depository. If the mentioned driver on the delivery notice cannot be available for the pickup, the Member can change the driver information and vehicle plate number by correcting the existing delivery notice at the Central Depository desk. The buyer or his representative must be present during pickup at the warehouse with all the current and necessary information on hand.
- 11.1.3 The Central Depository shall transmit electronic form of Pick-up Notice to the appropriate warehouse.
- 11.1.4 In the exceptional case where a Member is not able to pick-up the commodity he bought from the Exchange due to the unavailability of the commodity in the specified Exchange warehouse, the Central Depository can change the delivery notice once to effect pick-up of the same commodity from another Exchange warehouse, within the same delivery center area or at the expense of the Exchange in another delivery center area.
- 11.1.5 After due verification of the authenticity of the identification documents and transmission of Pick-up Notice, the Warehouse Manager shall release the commodities to the buyer or his representative. In addition, the Warehouse Manager shall also

examine the correctness of the copy of Delivery Notice from the buyer or his representative.

11.1.6 The Warehouse Manager will be responsible for any delay created during delivery and handing over of the commodity and may be subject to disciplinary measures by the Exchange.

11.2 Goods Issuance Note

11.2.1 The Warehouse shall transmit the transaction conducted (the Daily Position Record) to the Exchange Central Depository on a daily basis for updating of its database regarding the beginning inventory, day's deposits and withdrawals and day's final inventory on hand.

11.2.2 The Warehouse Manager shall, upon receiving and verifying the Delivery Notice and Pick-Up Notice presented by the Buyer or his agent, deliver the commodity to the latter. After delivery is effected, the Warehouse Manager shall issue a Goods Issuance Note which shall be signed by the person who receive the commodity delivered by the Warehouse.

11.2.3 Partial pick-up shall result in issuance of a Goods Issuance Voucher for each partial pick-up and the Goods Issuance Note is only issued to the buyer or his representative when complete delivery is effected. Complete pick-up shall still occur within the delivery period of the contract traded.

11.2.4 The Warehouse shall prepare the Electronic Goods Issuance Note and provide a signed print copies to the Buyer or agent.

11.2.5 The Warehouse shall electronically transmit the Goods Issuance Note to the Central Depository.

11.3 Penalties for Late or No Pick-Up

11.3.1 If the buyer or his representative does not take delivery within the delivery period specified in the contract, the Central Depository shall impose a late pick-up penalty. Penalties shall be effected only for the remaining partial pick-up balance.

11.3.2 The late pick-up penalty shall accrue on a daily basis.

11.3.3 The late pick-up penalty shall continue up to the termination of the expiration period for the warehouse receipt.

11.3.4 If the expiration period is reached and the deposited commodity has not been picked up, the Warehouse shall re-grade the deposited commodity and continue to collect late pick up charges.

11.3.5 If the accumulated late pick up charges exceed the value of the deposited commodity, the Warehouse shall liquidate the deposit.

11.3.6 The Warehouse shall give two written notices of late pick up to the Buyer: at start of late period and two days prior to liquidation.

11.3.7 The Buyer or his agent will only take receipt of the late pick-up after settling accumulated penalty charges through wire transfer to the Central Depository, according to its prescribed procedures.

12. SETTLEMENT GUARANTEE FUND

12.1 The Exchange to maintain Settlement Guarantee Fund

12.1.1 The Exchange shall maintain a Settlement Guarantee Fund.

12.1.2 The Board of Directors may prescribe from time to time the norms, procedures, terms and conditions governing the Settlement Guarantee Fund which may, inter-alia, specify the amount of deposit or contribution to be made by each Member to the Settlement Guarantee Fund, the terms, manner and mode of deposit or contributions, conditions of repayment of deposit or withdrawal of contribution from the Settlement Guarantee Fund, charges for utilization, penalties and disciplinary actions for nonperformance thereof.

12.2 Contribution to and Deposits with Settlement Guarantee Fund

12.2.1 Each Member shall be required to contribute to and provide a minimum interest free security deposit, as may be determined by the Board of Directors from time to time, to the Settlement Guarantee Fund. The Settlement Guarantee Fund shall be held by the Exchange. The money in the Settlement Guarantee Fund shall be applied in the manner, as may be provided in these Rules and notices and orders issued hereunder from time to time.

12.2.2 The Government may make a contribution towards the Settlement Guarantee Fund.

12.2.3 The Board of Directors may specify the amount of additional contribution or deposit to be made by each Member and/or class of Members.

12.2.4 The Exchange shall, as a result of netting followed by it in respect of settlement of transactions, guarantee financial settlement of such transactions to the extent it has acted as a legal counter party, as may be provided in the relevant Rules from time to time.

12.2.5 The amount deposited by any Member towards the security deposit shall be refundable, subject to such terms and conditions as may be specified by the Board of Directors from time to time. Any amount deposited or paid by the Member may be refunded provided that such amount is in surplus and there is no actual or contingent liability or a claim from any Settlement Bank to be discharged by the Member.

12.3 Form of Contribution or Deposit

The Board of Directors may, in its discretion, permit a Member to contribute to or provide the deposit to be maintained with the Settlement Guarantee Fund, in the form of cash or in such other form or method and subject to such terms and conditions, as may be specified by the Board of Directors from time to time.

12.4 Investment of Settlement Guarantee Fund

Funds in the Settlement Guarantee Fund may be deposited in an interest bearing account of the Exchange or may be invested in such investments, as may be provided for by the Board of Directors. The interest earned from the investment of the Fund shall be re-deposited into the Fund.

12.5 Administration and Utilization of Settlement Guarantee Fund

12.5.1 The Settlement Guarantee Fund may be utilized for such purposes, as may be provided

in these Rules and subject to such conditions as the Board of Directors may prescribe from time to time, which may include:

12.5.1.1 Defraying the expenses of creation and maintenance of Settlement Guarantee Fund;

12.5.1.2 Temporary application of Settlement Guarantee Fund to meet shortfalls and deficiencies arising out of the clearing and settlement obligations of Members in respect of such transactions, as may be provided in the Rules of the Exchange;

12.5.1.3 Meeting any loss or liability of the Exchange arising out of clearing and settlement operations of such transactions, as may be provided in the Rules of the Exchange;

12.5.1.4 Repayment of the balance amount to the Member pursuant to the provisions regarding the repayment of deposit after meeting all obligations under the Rules of the Exchange, when such Member ceases to be a Member; and

12.5.1.5 Any other purpose, as may be specified by the Board of Directors, from time to time.

12.5.2 The Exchange shall have full power and authority to pledge, re-pledge, hypothecate, transfer, create a security interest in, or assign any or all of the cash in the Settlement Guarantee Fund, or any other instrument issued on behalf of a Member in favour of the Exchange towards deposit to the Settlement Guarantee Fund.

12.6 Utilization in Case of Failure to Meet Settlement Obligations or on Declaration of Defaulter

12.6.1 Whenever a Member fails to meet his clearing and settlement obligations to the Exchange arising out of the transactions, as may be provided in the Rules of the Exchange in force from time to time, or whenever a Member is declared a defaulter, the Exchange Clearing House, with the prior approval of the Board, may utilize the Settlement Guarantee Fund and other monies of the Member to the extent necessary to fulfill his obligations in the following order:

12.6.1.1 Any amount that may have been paid by the defaulter Member in the form of Member pre-trade deposit (not including Client pre-trade deposits) or any other money deposited with or retained by the Exchange for the purpose of meeting the clearing and settlement obligations;

12.6.1.2 Any amount that may have been deposited by the defaulter Member towards additional deposit with the Exchange;

12.6.1.3 The proceeds, if any, recovered from auctioning or disposing of the Exchange membership right vested in the Exchange, subject to deduction of the expenses relating or incidental to the auction or disposal, as the case may be;

12.6.1.4 The fines, penalties, interest or other income, if any, earned by investment or disinvestments of the Settlement Guarantee Fund as may be decided by the Clearing House or the Exchange;

12.6.1.5 The security deposit made by all classes of Members in proportion to their deposit to the Settlement Guarantee Fund. The Members shall be required to deposit the deficient amount in the Settlement Guarantee Fund within such

- time, as the Board of Directors may deem necessary;
- 12.6.1.6 The profits, if any, from returns on investments of the Settlement Guarantee Fund; and
- 12.6.1.7 The funds contributed by the Government toward the Settlement Guarantee Fund.
- 12.6.2 The Board of Directors may, at its discretion, alter the order of utilization of the Settlement Guarantee Fund from time to time, subject to approval by the Authority.

12.7 Obligation to Bring in Additional Contribution or Deposit

- 12.7.1 If a pro-rata charge is made as mentioned in Article 12.6.1.5 above against a Member's actual contribution or deposit, and as a consequence, the Member's remaining contribution and deposit towards the Settlement Guarantee Fund falls below his required contribution and deposit, the Member shall contribute or deposit towards the shortfall in the Settlement Guarantee Fund within such time as the Board of Directors may specify.
- 12.7.2 Where any Member, who is required to contribute or deposit, as specified in the Rules of the Exchange fails to do so, the Board of Directors may charge such rate of interest on the shortfall, as it may determine from time to time and also take suitable disciplinary action, including imposition of fines and penalties against the Member.
- Any disciplinary action which the Board of Directors may take pursuant to the above provisions or the Member ceasing to be an Exchange Member, for whatever reasons, shall not affect the obligations of the Member to the Clearing House or the Exchange or any remedy to which the Exchange or Clearing House may be entitled to under the Rules of the Exchange and the applicable laws.

13. MARKET INFORMATION DISSEMINATION

13.1 Market Information

- 13.1.1 The Exchange will, each business day, record the following information:
- 13.1.1.1 Trading Volume: The total volume of trading, and the total volume of trading for each contract and commodity class;
- 13.1.1.2 Commodity Prices: opening, lowest, highest, and closing prices traded for each commodity trading session in real time; and
- 13.1.1.3 Any other matters it may deem appropriate.
- 13.1.2 The Exchange will each business day publish information on trades completed on the Exchange, orders, including prices bid or offered opening, closing, highest and lowest prices entered on the Exchange, trading volume:
- 13.1.2.1 To Members in real time on the trading floor board;
- 13.1.2.2 To the news media and the general public, no later than the business day following the day to which the information pertains; and
- 13.1.2.3 The Exchange shall not publish information forecasting the price or volume of

trading on the exchange.

13.2 Approval of Market Information Dissemination Systems by the Authority

The Exchange, prior to adopting a market information dissemination system, will obtain the approval of the Authority as to the form, content and procedure for the same.

13.3 Disclaimers

Any Member or Person using such Market Data acknowledges and agrees that its access to and use of Market Data is subject to the disclaimers of liability on the part of the Exchange, members of the Board of Directors, officers, employees, agents and contractors of the Exchange.

14. **MEMBER CONDUCT OF BUSINESS**

14.1 Office Related Procedures

14.1.1 No Member shall carry on any activity connected with or relating to its operations as a Member of the Exchange in any office or premises, the full address of which has not been disclosed to the Exchange with details of the activity proposed to be so carried on therein and the person in whose supervision and control it is to be so carried on.

14.1.2 Each office, department for trading on the Exchange, shall be under the supervision and control of the Member establishing it and of the personnel delegated with such authority and responsibility in this regard. Every Member shall ensure that all persons acting in his behalf on the Exchange or relating to such Member's business on the Exchange shall subscribe at all times to high standards of professional expertise and integrity.

14.1.3 Each Member shall at all times maintain such infrastructure, staff, communication facilities and records so as to be able to service his Clients satisfactorily and as per the requirements enumerated in the Rules of the Exchange or any other relevant Directives of the Authority in force at the time.

14.1.4 Where the Exchange deems it necessary, in the public interest to do so, it may on its own accord or on a complaint from another Member or Client, seek explanation from the Member regarding the level of service or professional conduct of the Member or any of his staff where such service or conduct has been found unsatisfactory or contrary to principles enumerated in the Exchange Rules or notifications, directions or circulars issued there under.

14.2 Supervision and Inspection

14.2.1 Each Member shall establish, maintain, and enforce procedures to supervise its business and to supervise the activities of its employees that are reasonably designed to achieve compliance with the Exchange Rules and any notifications, directions etc.

issued thereunder as well as Directives of the Authority and any relevant governmental regulation.

- 14.2.2 A Member shall maintain such records and make available to inspection by the Exchange, the information related to such Member's financial condition as prescribed by the Exchange for this purpose.
- 14.2.3 Each Member shall conduct a review, at least annually, of the business in which it engages, which shall be reasonably designed to assist in detecting and preventing violations of and achieving compliance with Exchange Rules and Directives of the Authority.

14.3 Relation with Clients

- 14.3.1 Every Member shall enter into Member Client Agreement (an "MCA") with each of his Clients, before accepting or placing orders on the Client's behalf. Such agreement shall include provisions specified by the Exchange in this behalf.
- 14.3.2 When establishing a relationship with a new Client, a Member must take reasonable steps to assess the background, genuineness, financial soundness of such person and his investment objectives and shall make adequate disclosures of relevant material information in its dealing with his Clients, including the current best price of trade or order quantities on the Exchange, as also any relevant announcement from the Exchange relating to deposits, trading restrictions as to price or quantity.
- 14.3.3 Every Member shall provide extracts of relevant provisions governing the rights and obligations of Clients and Members as prescribed in the Rules and additions or amendments thereto etc. of the Exchange, or of the Authority, to the extent it governs the relationship between Members and Clients, to the Clients at no extra cost. The Member shall also bring to the notice of his Clients, any fines, penalties etc... imposed on him by the Exchange or the Authority.
- 14.3.4 A Member or person associated with the Member shall not guarantee a Client against a loss in any commodities transactions effected by the Member with or for such Client.
- 14.3.5 The Member shall not furnish any false or misleading information or advice with a view to inducing the Client to do business in particular commodities and contracts and which will enable the Member to gain in so doing.
- 14.3.6 The Member shall explain the trading platform, rules and order matching process to the Client before accepting any orders from him.
- 14.3.7 The Member shall provide Client with a copy of the Order Ticket and any other trade confirmation report provided to the Member on execution of the trade, if so desired by the Client.
- 14.3.8 The Member shall at all times keep the moneys of the Client in a separate bank account. The Member shall at all times keep the money of the Client in the Member Clients account maintained with the Clearing bank. The Member shall not use this money for the Member's own transactions or for transactions of such other Client or for any purpose other than deposit and pay in relating to transactions entered into by such Client paying the deposit.
- 14.3.9 The member shall collect adequate deposit from his Client before entertaining any order from him.

14.4 Brokerage

The Exchange may specify the maximum and minimum brokerage rates, which shall be adhered to by the members of the Exchange while dealing with their Clients. Such brokerage rates may be commodity specific absolute figure or in terms of percentage on value of a contract irrespective of class of commodity. Such brokerage amount must be shown separately in the Order Tickets reports to be issued by the members to their Clients. The maximum brokerage rate for the time being shall be 2 %, or as deemed appropriate by the Exchange.

14.5 General Guidelines

14.5.1 A Member shall desist from the following trading practices while conducting business on the Exchange.

14.5.1.1 Shielding or Assisting: No Member shall shield or assist or omit to report any Member whom he has known to have committed a breach or evasion of any Rules of the Exchange or the Directives of the Authority.

14.5.1.2 Misleading Transactions: A Member shall not

- a. Make bids and/or offers for commodities with an intention of creating a false or misleading appearance with respect to the market for, or the price of any commodity or;
- b. Make a transaction or give an order for the purchase or sale of commodities, the execution of which would involve no change of beneficial ownership, unless the Member had no knowledge that the transaction would not involve a change in the beneficial ownership of the commodities.

14.5.1.3 Use of information obtained in Fiduciary Capacity: A Member, who in the capacity of a Member of the Exchange has received information as to the ownership of commodities or contracts, shall under no circumstances make use of such information for the purpose of soliciting purchases and sales.

14.6 Unfair Trading

Practices No Member shall

14.6.1 Buy, sell or deal in commodities/contracts in a fraudulent manner, or indulge in any unfair trade practices including market manipulation.

14.6.2 Effect, take part either directly or indirectly in transactions, which are likely to have effect of artificially, raising or depressing the prices of commodities.

14.6.3 Indulge in any act, which is calculated to create a false or misleading appearance of trading resulting in reflection of prices, which are not genuine.

14.6.4 Buy or sell commodities / contracts on his own behalf or on behalf of a person associated with him pending the execution of the order of his Client.

14.6.5 Indulge in falsification of his books, accounts and records for the purpose of market manipulation.

14.6.6 Either takes opposite position to an order of a Client or shall execute opposite orders which he is holding in respect of two Clients except in the manner laid down by the Exchange.

14.7 Records, Annual Accounts and Audits

14.7.1 Records

- 14.7.1.1 Every Member shall comply with all relevant government regulations, including Authority Proclamation and Directives thereunder, and the requirements of any notifications, directives and guidelines issued by the Federal Government and any Regional body or local authority or anybody or authority acting under the authority or direction of the Federal Government relating to maintenance of accounts and records.
- 14.7.1.2 In addition to the requirements as per regulations above, every Member shall comply with the following requirements and such other requirements as the Exchange may from time to time notify relating to books of accounts, records and documents in respect of his membership and trading on the Exchange.
- 14.7.1.3 Every Member shall maintain the following records relating to its business for a period of ten years either in hard form or non-tamperable soft form:
- a. Net Obligation Statements and Delivery Notices received from the clearinghouse;
 - b. Records in respect of brokerage collected separately from Clients; and
 - c. Register of transaction (or other records of original copies of Order Tickets) containing an itemized daily record of all purchases and sales of commodities / contract, showing for each such transaction effected, the name and type of commodities, value of commodities, rates both gross and net of brokerage and name of Clients.
- 14.7.1.4 Every Member shall keep such books of accounts, as will be necessary, to show and distinguish, in connection with his business as a Member:
- a. The monies received from or on account of and monies paid to or on account of each of his Clients and,
 - b. The funds received and the monies paid on Member's own account.
- 14.7.1.5 It shall be compulsory for all Members to keep the funds of the Clients in a separate account and their own money in a separate account. No payment for transaction in which the Member is taking a position as a principal will be allowed to be made from the Client's account.
- 14.7.1.6 The transfer from Client's account to Member's account shall be allowed under circumstances enumerated below:
- a. Every Member shall maintain permanently copies of MCA executed in accordance with the Exchange requirements.
 - b. Every Member shall maintain permanently copies of agreements executed with each of the Settlement Banks.
 - c. Every Member shall maintain originals of all communications received and copies of all communications sent by such Member (including interoffice memo and communications) relating to its business as such.

- d. Every Member shall maintain all written agreements (or copies thereof) entered into by that Member relating to its Exchange business.
- e. Every Member shall preserve for a period of not less than ten years after the closing of any Client's account any records which relate to the terms and conditions with respect to the opening and maintenance of such account, date of entering into agreement with the Client, date of modification thereof, date of termination and representatives of such Client who signed in each case.
- f. Every Member shall disclose to the Exchange the place where these records are kept and available for audit/inspection.
- g. Every Member shall keep and preserve a record of all written complaints of its Clients showing the reference number of Client, date, Client's name, particulars of the complaints, action taken by the Member, if the matter is referred to arbitration to the Exchange then the particulars thereof.
- h. Every Member shall maintain details of securities which are the property of a Member showing with whom they are deposited and if held otherwise than by the member, whether they have been lodged as collateral security for loans or advances.
- i. The above requirements relating to maintenance of records shall apply not only to records of the Member's principal office but also to those of any branch office and to any company owned or controlled by a Member for the purpose of conducting Exchange related business of the Member.

14.8 Annual Accounts and Audit

14.8.1 Every Member shall prepare annual accounts for each financial year ending on Sene 30 by Ethiopian calendar or such other date as advised to the Exchange.

14.8.2 The Assets and Liabilities of the Member's business shall be brought into account in the balance sheet at such amounts and shall be classified and described therein in such manner that the balance sheet gives a true and fair view of the state of affairs of such business as at the date to which it is made up.

14.8.3 Every Member shall furnish to the Exchange, its audited financial statement and such report shall be furnished not later than three months after the end of the Member's financial year, provided that when the Exchange is satisfied that circumstances warrant an extension of time is necessary to furnish such report, it may grant an extension of such time as it may deem fit.

15. **DISCIPLINE AND ENFORCEMENT**

15.1 Establishment of a Business Conduct Committee

- 15.1.1A Business Conduct Committee (hereinafter "the Business Conduct Committee") is hereby established to review and discipline violations of the Rules.
- 15.1.2The Business Conduct Committee shall be accountable to the CEO.
- 15.1.3The Business Conduct Committee shall be composed of the following five members:
- 15.1.3.1 the CCO;
 - 15.1.3.2 two revolving officer seats appointed by the CEO; and
 - 15.1.3.3two Exchange Members in good standing and with no disciplinary action in the last two years that are appointed by the Exchange Members Association.
- 15.1.4The CCO shall serve as the chairperson of the Business Conduct Committee.
- 15.1.5The Compliance Division of the Exchange shall serve as a non-voting secretariat for the Business Conduct Committee.
- 15.1.6Quorum shall be constituted by three members of the Business Conduct Committee which shall include at least one Exchange Member.
- 15.1.7 Decisions of the Business Conduct Committee require a majority vote of the members present at a meeting. Where there is a tie, the Chairperson shall have a casting vote.
- 15.1.8 With the Exception of CCO, the term of office of the members of the Business conduct committee shall be two years. Any member may, however, be reappointed for additional terms.
- 15.1.9 In the event of vacancy, the CEO shall arrange a replacement in the same manner of appointment as outlined under section 15.1.3.
- 15.1.10 The Business Conduct Committee may issue its rules of procedure as it deems necessary.

15.2 Types of Disciplinary Violations

For the purpose of these Rules, there shall be four categories of disciplinary violations classified based on the level of gravity of the violation.

- 15.2.1Category one disciplinary violations shall refer to violations that contravene the provisions of Article 4.7.1 of the Rules.
- 15.2.2Category two disciplinary violations shall refer to violations that contravene the provisions of Article 4.7.2 of the Rules.
- 15.2.3 Category three disciplinary violations include the following acts and/or omissions:
- 15.2.3.1 Acts or omissions which violate Sub-Articles 4.5.5, 4.5.6, 4.5.11, 4.5.14, 4.11, 4.12.1, 4.12.5, 5.4.4.1, 5.4.6.1, 5.5.1.4, 5.5.5,5.5.8.5,5.5.8.6,5.5.17 , 6.3,6.4,6.6,8.2.2, 10.5, 14.1, 14.2, 14.3, 14.4, 14.5, 14.6, 14.7, 14.8 or 17.2.3 ; or
 - 15.2.3.2 Misconduct or aggressions on Exchange premises or towards Exchange staff or property.
- 15.2.4 Category four disciplinary violations include the following acts and/or omissions:
- 15.2.4.1 Acts or omissions which violate Sub-Articles 5.3.1.2, 5.3.1.3, 5.5.1.1, 5.5.1.6, 5.5.4 , 5.5.7.4 , 5.5.7.5 or 5.5.8 ; or
 - 15.2.4.2 Behaving in a manner that disrupts the proper running of transactions on Exchange premises.

15.2.5 The Exchange may from time to time classify additional violations of its Rules under the above four categories of disciplinary violations.

15.3 Disciplinary Measures

15.3.1 A Member who commits category one disciplinary violation shall, subject to the approval of the Board:

15.3.1.1 Be immediately suspended by the Exchange from membership of the Exchange as is provided for in Article 4.7.1 of the Rules of the Exchange; and/or

15.3.1.2 Pay a fine not to exceed 10 percent of the value of transaction related to a transactional violation or pay a fine not to exceed Birr 50,000 (fifty thousand Birr) for non transactional violations; and/or

15.3.1.3 Be terminated from Membership of the Exchange upon a recommendation of the Exchange.

15.3.2 A Member who commits category two disciplinary violations may, subject to the approval of the Board:

15.3.2.1 Be suspended from membership of the Exchange as is provided for in Article 4.7.2 of the Rules of the Exchange; and/or

15.3.2.2 Pay a fine not to exceed 10 percent of the value of transaction related to a transactional violation or pay a fine not to exceed Birr 50,000 (fifty thousand Birr) for non transactional violations; and/or

15.3.2.3 Be terminated from Membership of the Exchange upon a recommendation by the Exchange.

15.3.3 Where a Member commits category three disciplinary violations, he may:

15.3.3.1 Be issued a written warning; and/or

15.3.3.2 Pay a fine not to exceed 6 percent of the value of transaction related to a transactional violation; and/or

15.3.3.3 Pay a fine not to exceed Birr 20,000 (twenty thousand Birr) for non transactional violations; and/or

15.3.3.4 Be required to attend training on the Rules of the Exchange at his own expense.

15.3.4 Where a Member commits category four disciplinary violations, he may be:

15.3.4.1 Issued a written reprimand; and/or

15.3.4.2 Ordered to pay a fine not to exceed Birr 5000 (five thousand Birr).

15.3.5 For purposes of this Sub Article, the Exchange will use its discretion to classify violations as transactional or non-transactional.

15.3.6 The Board in accordance with Sub-Articles 4.6.5.5 and 4.9.1 of the Rules may without consulting the Business Conduct Committee, terminate a Member who contravenes category one disciplinary violations.

15.3.7 Where the Board rejects the recommendation of the Business Conduct Committee for the termination of membership under Sub-Articles 15.3.1.3 or 15.3.2.3, it may refer the case back to the Business Conduct Committee for reconsideration. The Business

Conduct Committee, upon receiving the case, may impose a fine it deems appropriate for the violation.

15.3.8 If a Member violates category three disciplinary violations more than twice within a period of three months, the Business Conduct Committee may impose penalties intended for category two disciplinary violations after considering the nature of the violations and any aggravating circumstances.

15.3.9 If a Member violates category four disciplinary violations more than twice within a period of three months, the Business Conduct Committee may impose penalties intended for category three disciplinary violations after considering the nature of the violations and any aggravating circumstances.

15.3.10 The Business Conduct Committee may impose the penalties applicable to Members under the Rules to floor representatives or clients that violate the Rules as it sees appropriate.

15.4 Investigation and Disposition of Disciplinary Cases

15.4.1 Investigation

15.4.1.1 Without prejudice to the duty to report disciplinary violations imposed on Members by the Rules, any interested person including an alleged injured person may submit a verbal or written complaint regarding a violation of the Rules to the Compliance Division. The Compliance Division may also initiate an investigation upon its own motion or upon a request by the CEO or the Board.

15.4.1.2 When the Compliance Division receives allegations, complaints, tips, or reports on disciplinary violations, it shall conduct a preliminary investigation to determine whether a full investigation is warranted.

15.4.1.3 If a full investigation is deemed warranted, the Compliance Division shall conduct the investigation and may demand information on any material that is reasonably related to Exchange transactions from any person within the Exchange's jurisdiction. The Compliance Division may also call for any pertinent person to appear before it and give a testimony.

15.4.1.4 A person appearing before the Compliance Division shall not be promised any benefits to give his testimony.

15.4.1.5 If the Compliance Division reasonably believes there is a violation of the Rules except for category four disciplinary violations, it shall submit the investigation report and a charge to the Business Conduct Committee.

15.4.1.6 If the Compliance Division determines that the alleged violation is not substantiated by sufficient evidence it shall close the case and notify the complainant and the CEO.

15.4.1.7 A person aggrieved by the Compliance Division's decision to close a case may appeal to the Business Conduct Committee within ten working days of the decision.

15.4.2 Initial Disposition of the Case

15.4.2.1 Where, after reviewing the investigation report, the Business Conduct Committee determines there is no sufficient evidence to demonstrate a

violation of the Rules or where it determines that no further proceeding is required due to lack of jurisdiction, it shall dismiss the case and notify the decision to the complainant and to the Exchange.

15.4.2.2 Where, upon receiving the investigation report, the Business Conduct Committee determines that there is sufficient evidence to review the case, it shall fix the review date and may at its discretion issue letters to the Member(s) and/or to any witnesses to appear before it.

15.4.3 Deliberation of the case

15.4.3.1 Where the Business Conduct Committee determines that a full deliberation is not required based on the totality of the evidence, it may decide on the case based on the investigation report, impose a penalty on the Member and close the case.

15.4.3.2 Where the Business Conduct Committee determines a full deliberation is required, it may, along with reviewing the investigation report, interview the Member and any witnesses, before it determines any violations of the Rules and impose penalties.

15.4.3.3 Where the Business Conduct Committee determines that a Member has not committed the disciplinary violation, it shall dismiss the case.

15.4.3.4 Where a defending Member who is called to appear before the Business Conduct Committee fails to attend the deliberation for a second time, the deliberation shall proceed ex parte.

15.4.3.5 The Business Conduct Committee shall pass on its decisions to the CEO. If the CEO agrees with the decision, the CEO shall order its execution. If the decision requires approval of the Board, the CEO shall submit it to the Board for approval.

15.4.4 Enforcement of the Decisions

15.4.4.1 The Compliance Division shall oversee the execution of the disciplinary decisions of the Exchange.

15.4.4.2 Where a Member fails to pay a disciplinary fine under these Rules, the amount shall be deducted from the Member's accounts.

15.4.4.3 The suspension of membership imposed on a Member under these Rules may be lifted as provided in the Rules of the Exchange.

15.4.5 Appeal

15.4.5.1 A Member who is aggrieved by the decision of the Exchange for Category Three violations must first appeal to the Board of the Exchange within one month from the date of the decision. Upon review, the Board may remand the case to the Business Conduct Committee for further consideration or dispose of the case itself.

15.4.5.2 A Member may appeal all disciplinary decision by the Exchange to the Authority.

15.4.5.3 The Board may, upon request of the Member, order for a stay of the decision of the Exchange until the end of the appeal process.

16. ARBITRATION, CONCILIATION AND EXPERT DETERMINATION

16.1 Arbitration and Conciliation

16.1.1 Seat of Arbitration or Conciliation

The Exchange may provide for different seats of arbitration or conciliation for different Regions of the country either generally or specifically and in such an event the seat of arbitration or conciliation shall be the place so provided by the Exchange. Save as otherwise specified by the Exchange, the seat of arbitration or conciliation shall be Addis Ababa.

16.1.2 Jurisdiction

Unless the Exchange is a party to a dispute, all other disputes shall be submitted to conciliation or Arbitration.

16.1.3 Reference of claim, difference or dispute

16.1.3.1 The applicant shall file a reference of the dispute for conciliation or arbitration with the Exchange or at such other place as may be notified by the Exchange from time to time.

16.1.3.2 The application for reference to arbitration shall be submitted in the prescribed form to the Exchange for processing and approval. The Exchange may initiate steps to resolve the disputes so referred through conciliation, initially and if in the opinion of the Exchange, the conciliation has failed to resolve the dispute, the matter shall be referred by the Exchange for arbitration.

16.1.3.3 Save as otherwise agreed by the parties, if the value of the claim, difference or dispute is more than Birr 50,000 on the date of application, then such claim, difference or dispute shall be referred to a panel of three arbitrators and if the value of the claim, difference or dispute is up to Birr 50,000, then the same shall be referred to a sole arbitrator.

16.1.3.4 Where any claim, difference or dispute arises between Associate Member and Client of the Associate Member, in such claim, difference or dispute, the Member, to whom such Associate Member is affiliated, shall be a party to the dispute.

16.1.4 Conciliation

16.1.4.1 The Exchange shall, with the agreement of the parties to the dispute, refer the case for conciliation before initiating arbitration procedure.

16.1.4.2 The parties shall appoint a Sole Conciliator or a Panel of Conciliators. The provisions of Sub-Articles 16.1.5 and 16.1.6 herein below shall, mutatis mutandis, apply to appointment of Conciliator or conciliators.

16.1.4.3 The conciliator or conciliators shall assist the parties in an independent and impartial manner in their attempt to reach an amicable settlement of their dispute.

16.1.4.4 The purpose of the conciliation is to conciliate the different points of view, and thus to transform a contentious situation into conciliation.

16.1.4.5 The conciliator or conciliators shall, after examination of the case and hearing

of the parties, if necessary, propose to the parties amicable conciliation solution. If an amicable solution is reached, the conciliator or conciliators shall state the agreement of the parties in a report and the parties shall sign it within 7 days and undertake to carry out.

16.1.4.6 If the conciliation attempt fails the conciliator or conciliators shall establish a memorandum of non-conciliation and the parties are obliged to initiate arbitration procedure within 7 days of the release of the report.

16.1.4.7 In a case where the conciliation has failed, the conciliator or conciliators shall not be appointed subsequently as an arbitrator in the same case.

16.1.5 Guiding principles

16.1.5.1 The Arbitrator and conciliator shall be guided by principles of objectivity, fairness and justice, giving consideration to, among other things, the rights and obligation of the parties, the usage of the trade concerned and the circumstance surrounding the dispute, including any previous practices.

16.1.5.2 The parties to the dispute shall be treated with equality and shall give the parties an opportunity of fully stating their views.

16.1.6 Criteria and Procedure for Selection of Arbitrators

16.1.6.1 Eligibility

16.1.6.1.1 For facilitating the appointment of arbitrator, a list of persons eligible to act as arbitrators shall be available by the Exchange from time to time who possess requisite qualification, experience and knowledge as felt appropriate by the Exchange.

16.1.6.1.2 Without prejudice to 16.1.6.1.1 of this Article above, a person who fulfills the following criteria shall be eligible to be included in the list (Roster) of Arbitrators:

- a. Experienced and competent in the resolution of trade disputes; and
- b. Capable of, conducting an orderly hearing, analyzing testimony and exhibits, preparing clear and concise findings and awarding within reasonable time limits.

16.1.6.1.3 Parties shall not have a right to challenge the list of Arbitrator. The Exchange shall have absolute right at any time to add or delete the name of any person from the list of arbitrators.

16.1.7 Procedure for appointment of Arbitrators

16.1.7.1 The Applicant and the Respondent against whom the claim has been made by the Applicant shall each submit to the Exchange in the order of descending preference, names of three persons from amongst the list (Roster) of eligible persons specified by the Exchange. The number of persons to be so selected by the Applicant and the Respondent shall be three panels of Arbitrators.

16.1.7.2 Each party shall be entitled to appoint one Arbitrator from the three Arbitrators he has submitted in descending preference. If a common Arbitrator is identified from both lists of the parties, that common Arbitrator shall be appointed as a President. If there is no common Arbitrator, the Chairperson shall be appointed by the parties from the list of the Exchange and if the parties fail to agree on the

- appointment of the President the appointment shall be made by the Exchange.
- 16.1.7.3 In the case of a sole Arbitrator, the Exchange shall identify the most common arbitrator to whom the highest preference has been given by both the Applicant and the Respondent. If no common arbitrator is identifiable, the Exchange shall select an arbitrator from the lists of persons eligible to act as arbitrators excluding the persons selected by the Applicant and the Respondent.
- 16.1.7.4 In the event of the failure of Applicant and the Respondent to submit any names of eligible persons to act as arbitrators the Exchange shall select the panel of arbitrators from the lists of persons eligible to act as arbitrators.
- 16.1.8 Challenge of Arbitrators
- 16.1.8.1 A prospective Arbitrator shall disclose to any circumstance likely to give rise to unjustifiable doubts as to his impartiality and independence in connection with his possible appointment.
- 16.1.8.2 A party may challenge the arbitrator appointed by him only for reasons of which he becomes aware after the appointment has been made.
- 16.1.9 Cost of Arbitration
- 16.1.9.1 The parties to the claim, difference or dispute shall bear cost of arbitration. For this purpose, both the parties to arbitration shall make a deposit with the Exchange for defraying the costs that may be incurred for conducting the arbitration proceeding, provided when there is failure, neglect or refusal by Respondent to make a deposit accordingly, the Applicant shall be responsible for making such deposit without prejudice however to its right to recover the same from such Respondent in terms of the award.
- 16.1.9.2 The Exchange shall have the right to recover the deposit from the Member from the moneys due to it if the Member fails to make the deposit. In case of failure by the party making the reference to provide such deposit or if the amount lying with the Exchange to the account of the member being insufficient to meet the requirement, the arbitration proceedings may be suspended up to a period of 15 days and where such suspension continues beyond such period by reason of non-payment, the proceedings shall be terminated forthwith in respect of the claim or counter claim as the case may be.
- 16.1.9.3 Without prejudice to provisions of Sub Article 16.1.9.1 above, in any claim, difference or dispute to which an Associate Member is a party, if the Associate Member fails to make the deposit with the Exchange in accordance with the provisions of Sub Article 16.1.9.1 above, then the Member to whom such associate Member is affiliated shall be liable to make the deposit with the Exchange.
- 16.1.9.4 The amount of deposit, which has to be deposited by the parties to the dispute shall be as determined by the Exchange from time to time keeping in view the amount of claim and the cost of arbitration and such amount shall be deposited by the parties in equal shares towards the cost of arbitration.
- 16.1.9.5 The balance if any after adjusting the cost of arbitration there from shall be returned to respective party or parties. All deposits towards costs and expenses shall be made with the Exchange and no payment shall be released to the arbitrators directly by the parties.
- 16.1.9.6 Notwithstanding what is mentioned at 16.1.9.3 above, the Exchange may call for such additional deposits as it may deem fit if in its opinion the deposits

already made will be insufficient to defray the expenses of arbitration. Such additional deposits shall partake the character of deposit and shall be dealt with accordingly.

16.1.10 Procedure for Arbitration

16.1.10.1 The Applicant shall submit to the Exchange application for arbitration in the Form prepared by the Exchange, (three copies in case of sole arbitrator and five copies in case of panel of arbitrators) along with the following enclosures:

- a. The Statement of Claim (containing the names and addresses of the parties as well as all the relevant facts about the dispute and relief sought);
- b. The Statement of Accounts; and
- c. Copies of the relevant contract notes, Invoice and any other relevant document.

16.1.10.2 The Applicant shall also submit to the Exchange the following along with the application:

- a. A cheque/pay order/demand draft for the deposit payable at the seat of arbitration in favor of the Exchange; and
- b. List of names of the persons eligible to act as arbitrators.

16.1.10.3 If any deficiency/defect in the application is found, the Exchange shall call upon the Applicant to rectify the deficiency/defect and the Applicant shall rectify the deficiency/defect within 15 days of receipt of intimation from the Exchange. If the Applicant fails to rectify the deficiency/defect within the prescribed period, the Exchange shall return the deficient/defective application to the Applicant. However, the Applicant shall have the right to file a revised application, which shall be considered as a fresh application for all purposes and dealt with accordingly.

16.1.10.4 Upon receipt of the application, the Exchange shall forward a copy of the Statement of Claim and related documents to the Respondent.

16.1.10.5 The Respondent shall, upon receiving the Statement of Claim, submit to the Exchange within 7 days, three copies in case of sole arbitrator and five copies in case of panel of arbitrators, along with the following enclosures:

- a. The Statement of Reply (containing all available defenses to the claim);
- b. Copies of the relevant Contract Notes, Invoice and Delivery and any other relevant document;
- c. Statement of the set-off or counter claim along with statements of accounts and copies of relevant contract notes and bills; and
- d. A cheque/pay order/demand draft for the deposit payable at the seat of arbitration in favor of the Exchange.

16.1.10.6 If the Respondent fails to submit his response within the prescribed time, then the arbitrator may proceed with the arbitral proceedings and make the award ex-parte.

16.1.10.7 Upon receiving the response from the Respondent the Exchange shall forward one copy to the Applicant. The Applicant shall within ten days from

the date of receipt of copy of the response, submit to the Exchange, a reply to any counterclaim, if any, which may have been raised by the Respondent in its reply to the Applicant. The Exchange shall forward the reply to the Respondent.

16.1.10.8 The time period to file any pleading referred to herein may be extended for such further periods as may be decided by the Exchange in consultation with the arbitrator depending on the circumstances of the matter.

16.1.11 Requirement for hearing for Arbitration

16.1.11.1 No hearing shall be required to be given to the parties to the dispute if the value of the claim difference or dispute is Birr 1,000 or less. In such a case the arbitrator(s) shall proceed to decide the matter on the basis of documents submitted by both the parties provided however the arbitrator for reasons to be recorded in writing may hear both the parties to the dispute.

16.1.11.2 If the value of claim, difference or dispute is more than Birr 1,000 the arbitrators shall offer to hear the parties to the dispute unless both parties waive their right for such hearing in writing.

16.1.12 Discretion to pass interim orders

The arbitrator(s) may issue such orders or directions as may be deemed necessary including orders or directions for safeguarding, interim custody, preservation, protection, storage, sale or disposal of the whole or part of the subject matter of the dispute or for its inspection or sampling without prejudice to the rights of the parties or the final determination of the dispute.

16.1.13 Notice of hearing

Unless otherwise specified, the Exchange shall in consultation with the arbitrator determine the date, the time and place of the first hearing. Notice for the first hearing shall be given at least ten days in advance, unless the parties shall, by their mutual consent, waive the notice. The arbitrator shall determine the date, the time and place of subsequent hearings of which the Exchange shall give a notice to the parties concerned.

16.1.14 Attendance at hearing

The arbitrator(s) may commence, proceed with, continue or conclude the reference notwithstanding any failure by a party to comply with any of the directions of the arbitrator/s and may also proceed with the arbitral proceedings in the absence of any or both the parties who fail or neglect to attend at the time and place appointed by the arbitrator/s, in spite of due notice.

16.1.15 Adjournment of hearing

16.1.15.1 If any party to the reference wants to make an application for adjournment of hearing by the arbitrator, the party shall make an application in writing giving reasons for seeking adjournment to the Exchange sufficiently in advance to enable the Exchange to forward such request to the arbitrator.

16.1.15.2 The arbitrator at his discretion may grant the adjournment subject to such conditions as deemed fit by him.

- 16.1.15.3 Any person representing a party in the arbitral proceedings shall be permitted to do so on production of a power of attorney duly executed and notarized by the party in his favor, provided however in case of a Member, he shall appear in the hearings on his own or through his authorized representative. For the purpose of this Regulation, an authorized representative in case of a Member who is:
- a. an individual - an employee or authorized person;
 - b. a partnership firm - any partner or employee or authorized person; or
 - c. a company - any director or employee or authorized person.
- 16.1.16 Arbitral award on agreed terms
- If after the appointment of an arbitrator, the parties settle the dispute, then the arbitrator shall record the settlement in the form of an arbitral award on agreed terms.
- 16.1.17 Making arbitral award
- 16.1.17.1 In arbitral proceedings with more than one arbitrator, any decision shall be made by majority vote.
- 16.1.17.2 The arbitral award shall be in writing and made in three originals duly dated and signed by the sole arbitrator or in case of a panel of arbitrators by all the three arbitrators.
- 16.1.17.3 The arbitrator shall file all the three original awards with the Exchange, which shall arrange to send one original each to the parties to the dispute and the Exchange shall retain the stamped original award.
- 16.1.18 Counter claim and reply to counter claim
- 16.1.18.1 The Respondent in an arbitration proceeding may make a counter-claim against the Claimant provided the counter-claim arises under the same transaction as the original claim. The Respondent shall submit the counterclaim with full details supported by all documents and information forming the basis of counterclaim within 10 days (for submission of the defense statement/reply to the original claim).
- 16.1.18.2 The original Claimant may, within such period, or within such extended time as may be permitted by the arbitrator/s, submit a statement in reply to the counter-claim. Copy of the reply to the counter-claim and all appended documents, if any, shall be sent to the party making the counter claim for information.
- 16.1.18.3 The arbitrator or the panel of arbitrators as the case may be, appointed to adjudicate upon the original claim shall also adjudicate upon the counterclaim and there will be no change in the number and/or the persons constituting the arbitral tribunal for adjudicating the original claim.
- 16.1.19 Interest
- 16.1.19.1 The arbitrator may include in the sum for which the award is made interest at such rate on such sum and for such period, as the arbitrator deems reasonable.
- 16.1.19.2 A sum directed to be paid by an award shall, unless the award otherwise

directs, carry interest at the prevailing commercial rate per annum from the date of the award to the date of payment.

16.1.20 Arbitration fees, charges and costs

16.1.20.1 The fees and expenses payable to arbitrator shall be as determined by the Exchange from time to time.

16.1.20.2 All fees and charges relating to the appointment of the arbitrator and conduct of arbitration proceedings shall be borne by the party who lost the case unless the arbitrator/s find it just to apportion such costs between the parties in such proportion as it may be deemed proper.

16.1.20.3 The costs, if any, to be awarded to either of the party in addition to the fees and charges that have to be borne by the parties for conducting the arbitration shall be decided by the arbitrator.

16.1.20.4 Unless the arbitrator directs otherwise each party shall bear their own expenses of traveling and other incidental expenses incurred.

16.1.21 Other fees and expenses incurred

The arbitrator/s shall be entitled to allow fees and expenses of witnesses, expenses connected with the selection and carriage of sample and examination of goods, certifying agencies' charges, conveyance, hire, cost of legal or technical advice or proceedings in respect of any matter arising out of the arbitration and any other incidental expenses and charges in connection with or arising out of the reference or award as the arbitral tribunal may, in its absolute discretion, think fit.

16.1.22 Combining claims

Where there are two or more applications for arbitration and the issue involved in the dispute arises out of similar transactions, the Exchange may, if in his opinion it is proper to do so, with the consent of the parties, fix the hearings of the disputes to be heard jointly or refer the applications for separate hearings where the parties do not so consent. Where the applications are heard jointly, the awards, however, shall be given separately for each dispute.

16.1.23 Administrative assistance to be provided by the Exchange

The Exchange shall:

16.1.23.1 Maintain a register of references;

16.1.23.2 receive all applications for arbitration and communications addressed by the parties before or during the course of arbitration proceedings or otherwise in relation thereto;

16.1.23.3 receive payment of all costs, charges, fees and other expenses;

16.1.23.4 give notices of hearing and all other notices to be given to the parties before or during the course of the arbitration proceedings or otherwise in relation thereto;

16.1.23.5 communicate to the parties all orders and directions of the arbitrator;

16.1.23.6 receive and record all documents and papers relating to the reference and keep in custody all such documents and papers except such as the parties are allowed to retain;

- 16.1.23.7 communicate the award on behalf of the arbitrator; and
- 16.1.23.8 generally do such things and take all such steps as may be necessary to assist the arbitrator in the execution of their function.
- 16.1.24 Duty of the parties to the dispute
- 16.1.24.1 The parties shall do all acts necessary to enable the arbitral tribunal to make an award expeditiously and shall not do or cause or allow to be done, any act which may delay the proceedings or prevent arbitral tribunal from making an award expeditiously, and if any party does cause or allow to be done any act that may cause such delay, that party shall pay such costs as the arbitral tribunal deems reasonable.
- 16.1.24.2 The parties shall abide by the arbitral award which shall be final and non-appealable.
- 16.1.25 Expert advice
- The arbitrator/s shall have discretion at any time before making the final award and at the expense of the parties concerned, to consult and obtain the opinion of any person having special knowledge relating to the particular industry, commodity, produce or branch of trade concerned in the reference or any expert or qualified accountant and may also at the expenses of the parties, consult solicitors, counsel or advocates upon any technical question of law, evidence, practice or procedure arising in the course of the reference and the Arbitrator may rely upon such advice and shall be at liberty to determine, on merits, the question of requesting the expert for participating in the oral hearing and to testify thereat on the points at issue.
- 16.1.26 Language
- The language of the arbitration proceedings and the award shall be Amharic. If any documents filed by the parties are in a language other than Amharic, the party filing such documents shall simultaneously furnish an Amharic translation of the documents.
- 16.1.27 Mode of communication
- 16.1.27.1 Any communication sent by the Exchange to either of the parties shall be deemed to have been properly delivered or served, even if such communication is returned to the Exchange as unclaimed / refused / undelivered, if the same is sent to the ordinary business address or ordinary place of residence or last known address of the party, in any one or more of the following ways: -
- a. Fax;
 - b. Post;
 - c. Telegram;
 - d. Hand delivery;
 - e. Advertising it in at least one prominent daily newspaper having countrywide circulation or having circulation in the area where the last known address of the parties; or
 - f. Affixing it on the door at the last known business or residential address.

- 16.1.27.2 Any communication sent by either of the parties to the Exchange shall be made in any one or more of the following ways.
- a. Fax;
 - b. Post;
 - c. Telegram;
 - d. Hand delivery;
 - e. Advertising it in at least one prominent daily newspaper having countrywide circulation or having circulation in the area where the last known address of the parties; or
 - f. Affixing it on the door at the last known business or residential address.

16.2 Expert Determination

16.2.1 Grade Appeal Procedures for All Commodities except Coffee

16.2.1.1 The depositor or buyer may make an appeal as to the grade of a commodity to be stored in Exchange warehouse.

16.2.1.2 A request for an appeal regarding grading must be made in writing, using an Exchange appeal form, to the respective warehouse manager within one day following receipt of the statement of the original grade.

16.2.1.3 Should they be unable to agree, a sample drawn by an inspector of the ECAE in the presence of both parties and their representatives shall be deemed as binding. The first appeal shall be based on the file sample kept by the warehouse manager.

16.2.1.4 An authorized representative of the ECAE shall examine the sample drawn as soon as possible and issue a Grade Certificate. The certificate issued by ECAE shall supersede the Grade Certificate originally issued and shall determine the grade of the commodity.

16.2.1.5 The cost of tests by the appeal shall be borne by the party against whom the appeal is determined.

16.2.1.6 Unless the commodity is required by law to be exclusively traded on the Exchange, owner of a commodity or his agent shall not be obliged to store the commodity in question with the Exchange warehouse after the appeal. However, if an owner chooses to store any commodity with the warehouse then the commodity shall be accepted in accordance with the grade that is finally determined on appeal.

16.2.2 Grade Appeal Procedures for Coffee

In case of coffee, Coffee Quality Liquoring and Inspection Center under the Ministry of Agriculture (Hereinafter 'MOA-CLU') shall resolve disputes on quality or grade between a depositor or buyer and the Exchange in accordance with the following provisions. However, claims to down grade the Exchange given grade to a local grade coffee shall not be accepted.

16.2.2.1 Submission of complaints

- 16.2.2.1.1 All parties shall always endeavor to resolve their differences by negotiation before resorting to Expert Determination.
- 16.2.2.1.2 Without prejudice to the necessity of attempting negotiation as a first resort, unless prevented by force majeure, the depositor or buyer who has complaint on grade shall file his complaint with the MOA-CLU for Expert Determination within 24 hours from the moment the claimant is notified of the grade and quality assigned to the deposited coffee by the Exchange'. A complaint shall be filed by filling out a complaint form created by the Exchange.
- 16.2.2.1.3 As soon as a complaint is lodged, the MOA-CLU shall, within a maximum of three working days:
- a. Retrieve the reference sample of the commodity in dispute from the Exchange;
 - b. Organize quality expert panel by assigning three qualified experts from its staff and calling one expert from the Exchange and the complainant each, in order to make a panel of five members in totality; provided however that, where the complainant or the Exchange is unable and/or unwilling to assign an expert, the MOA-CLU may assign one or more additional expert or experts, as the case may be, to compose an odd numbered panel; and
 - c. Administer the expert determination process, and notify the applicant and the Exchange of the outcome of the determination in writing.
- 16.2.2.2 Upon arrival of the sample retrieved as per sub article 16.2.2.1.3 (a) above to the MOA-CLU, the latter's designated officer shall entirely remove marks, sack numbers, truck names, and quantity indications, if any, from the sample and substituting it by a symbol, the identity of which shall in no way be known to any person except the designated officer. The purpose of this step is to conceal from the experts the owner of the commodity in question.
- 16.2.2.3 The Quality Expert Panel
There shall be an ad-hoc Quality Expert Panel (hereinafter referred to as "the panel") composed of three experts appointed by the MOA-CLU and two experts from the Exchange and the complainant each assigning one as per Article 16.2.2.1.3 (b) above.
- 16.2.2.4 Governing Standard
The basis of the sample evaluation shall be the quality standard applied by the Exchange's CLU.
- 16.2.2.5 The process
- 16.2.2.5.1 The MOA-CLU shall accompany the sample in dispute with two dummy coffee samples of the same grade and forward to the panel.

The evaluation of the samples shall be conducted in one laboratory at the same time within three hours.

16.2.2.5.2 Each expert so appointed shall individually and without consultation with the others determine the grade of the coffee solely by raw and cup evaluation.

16.2.2.5.3 After all the panel members have finished their raw and cup evaluation, the chairperson of the panel, shall consolidate the findings of each expert and determine the quality dispute in line with the majority's finding. Where majority cannot be obtained, or in case of a tie, the chairperson shall cast the deciding vote. For the purpose of this provision, majority shall mean the concurrence of findings of two or more experts.

16.2.2.6 Role of the experts

16.2.2.6.1 Each expert shall determine the grade/quality dispute as an expert in accordance with these Rules and applicable law, if any.

16.2.2.6.2 The parties (the Exchange and the Member) agree that:

a. The experts are not arbitrators of the matters in dispute and are deemed not to be acting in an arbitral capacity;

b. The process is not arbitration within the meaning of any law.

16.2.2.7 Conduct of the parties during the process

Without prejudice to the right of experts of the Exchange and the member to participate in the MOA-CLU expert determination panel, it shall be absolutely prohibited for the parties to appear before the MOA-CLU once the experts start their evaluation.

16.2.2.8 Custody of the coffee in dispute

16.2.2.8.1 Where the dispute is between the Exchange and the depositor, the coffee which is the basis of the dispute shall remain on the truck as loaded in the premises of the Exchange warehouse until the quality dispute is resolved by MOA-CLU. In such a case, the Exchange may re-seal the truck carrying the disputed coffee until the dispute is resolved by MOA-CLU.

16.2.2.8.2 At delivery of the coffee to the buyer, the Exchange shall draw a representative sample from each bag of the coffee, a comprehensive average three kg sample for each lot, after it has been loaded on truck in the presence of the buyer or his agent and of a designated MOA-CLU employee at the Exchange warehouse, before the truck leaves the Exchange's warehouse compound. The sample shall be divided into three parts, one to be kept by the Exchange as working sample, the second part to be kept in a secure container of the Exchange that shall be jointly managed by the Exchange and designated MOA-CLU employee as a reference sample, and the third part to be given to the buyer or his agent as a consignment

sample at delivery.

16.2.2.8.3 Upon arrival of the coffee in the buyer's premises, the buyer may challenge the quality determination of the coffee, based on the consignment sample only, within five days of picking-up of his coffee from the Exchange's warehouse by bringing his case to the MOA-CLU.

16.2.2.8.4 If the dispute is between the Exchange and a buyer, the expert determination proceeding is conducted based on the working sample taken under Sub-Article 16.2.2.8.2 and transferred by the Exchange to MOA-CLU.

16.2.2.8.5 If the consignment sample should differ from the working sample, the expert determination proceeding is conducted based on the reference sample mentioned under Sub-Article 16.2.2.8.2.

16.2.2.8.6 When the expert determination is finalized, the coffee shall be accepted as per the grade assigned to it through the expert determination.

16.2.2.9 Waiver of right to appeal

Without prejudice to the right of the Exchange to re-grade the coffee where it has good reason to believe that its quality has deteriorated during the expert determination proceeding, the determination of the experts on quality disputes per these Rules shall be final and binding. The parties (the Exchange and the Member) undertake that there shall not lie appeal to any other body from the MOA-CLU Expert determination.

16.2.2.10 Costs

16.2.2.10.1 The Cost of the expert determination process which shall cover all administrative expenses shall be calculated at the rate of one thousand (1,000) Birr per hour for the duration of the quality examination as per Sub Article 16.2.2.5.1 above.

16.2.2.10.2 The party against whom the decision is given shall bear the cost of the expert determination process.

16.2.2.10.3 If the Expert Determination decides against the Exchange under Sub-Article 16.2.2.5 of the Rules, besides its obligation to cover the cost of Expert Determination, the Exchange shall compensate the buyer for the difference in value between the coffee delivered and the coffee purchased by the buyer. The compensation shall be calculated based on the average price of similar coffee on the date of purchase of the disputed coffee at the Exchange. If such coffee was not traded on such date the average price of the nearest preceding date shall be taken as a basis of calculation of the compensation.

16.2.2.11 Samples

After the conclusion of the expert determination process, unused samples sent to the MOA-CLU for the expert determination purposes shall be returned to the Exchange's warehouse.

16.2.2.12 Other applicable laws

The Exchange Arbitrators' Code of Conduct, the Exchange Rules, and other relevant laws, if any, apply, mutatis mutandis, to expert determination under

these Rules.

16.2.2.13 Fraudulent conduct

Without prejudice to its power to impose penalties on its members as per its discipline and penalty rules, the Exchange shall have the power to inform the public prosecutor and/or the Exchange Authority of any suspicion of the commission of fraud in relation to the expert determination proceeding.

17. INSPECTION

17.1 Inspecting Authority

17.1.1 Where the Exchange deems it necessary, the Exchange may undertake inspection of books of accounts, other records and documents of the Members for any of the purposes specified in the Rules of the Exchange.

17.1.2 The purposes referred to in Rule above shall be as follows, namely:

- a. to ensure that the books of accounts and other books are being maintained in the manner required;
- b. to ensure that provisions of the Authority Proclamations are being complied with;
- c. to ensure that various provisions of Exchange Rules and any directions or instructions issued there under are being complied with;
- d. to investigate into the complaints received from Clients, other Members of the Exchange or any other person on any matter having a bearing on the activities of the Member;
- e. to investigate on its own motion, for any reason where circumstances so warrant an inspection into the affairs of the Member in the interest of the public;
- f. to examine whether any notices, circulars, instructions or orders issued by the Exchange from time to time relating to trading and other activities of Members are being complied with; and
- g. to comply with any of the directives issued by the Authority, any regulating authority, including the Government of Ethiopia.

17.2 Notice

17.2.1 Before undertaking any inspection under this Rule, the Exchange shall give a reasonable notice to the Member for that purpose. Notwithstanding anything contained in this Rule, where the Exchange is of the opinion that no such notice should be given, it may direct in writing that the inspection of the affairs of the Member be taken up without such notice.

17.2.2 Exchange officials shall undertake the inspection and the Member against whom an inspection is being carried out shall be bound to discharge his obligations as provided below.

17.2.3 Obligations of a Member on Inspection:

- a. It shall be the duty of every director, officer and employee of the Member, who is being inspected, to produce to the inspecting Exchange officials such books, accounts and other documents in his custody or control or arrange to produce where such books, accounts and other documents when they are in any other person's custody or control and furnish him such statements and information within such time

- as the said inspecting Exchange official may require.
- b. The Member shall allow the inspecting Exchange official to have reasonable access to the premises occupied by him or by any other person on his behalf and also extend reasonable facilities for examining any books, records, documents and computerized data in his possession or any other person and also provide copies of documents or other materials which in the opinion of the inspecting Exchange official are relevant.
 - c. The inspecting Exchange official, in the course of inspection shall be entitled to examine or record statements of any member, director, officer and employee of the Member.
 - d. It shall be the duty of every director, officer and employee of the Member to give to the inspecting Exchange official all assistance in connection with the inspection, which the Member may be reasonably expected to give.
 - e. The inspecting Exchange official shall be entitled to examine the records relating to the Member's financial affairs held with its bankers or any other agency, which the inspecting Exchange official may find it relevant.
 - f. The inspecting Exchange official shall have access to accounts and other records relating to the Member.

17.3 Submission of Report

17.3.1 The inspecting Exchange official shall, as soon as possible submit an inspection report to the Exchange.

17.3.2 The inspecting Exchange official on behalf of the Exchange may retain all documents, papers, returns or copies thereof submitted to the inspecting Exchange official. The inspecting Exchange official shall maintain complete confidentiality and no disclosure of any information contained therein shall be made to any person, firm, company or authority unless required by any law in force at the time and without approval of the Exchange in this regard.

- a. The Exchange shall after consideration of the inspection report communicate the findings to the Member to give him an opportunity of being heard before any action is taken by the Exchange on the findings of the inspecting Exchange official.
- b. On receipt of the explanation, if any, from the Member the Exchange may call upon Member to take such measures as the Exchange may deem fit in interest of the public.
- c. Notwithstanding anything contained in this Rule, where the Exchange is of the opinion that no such hearing should be provided in certain circumstances, it may take action forthwith without giving an opportunity of being heard.

17.4 Collection and Dissemination of Information

17.4.1 The Exchange may call upon the Members to furnish such information and /or explanation with regard to any constitution, dealings, settlement, account and/or other related matters.

17.4.2 The Exchange shall maintain the details of the Clients of the members in confidence and that it shall not disclose to any person/ entity such details of the Client as mentioned

in the Client registration form or any other information pertaining to the Client except as required under the law or by any authority.

17.4.3 Notwithstanding anything contained in any of the Rules, the Exchange may at its discretion disseminate to regulatory authorities or to the general public, any information including information relating to any trades, dealings, settlement of dealings, accounting, disciplinary action initiated/taken against Members and/or other matters relevant for enforcement or regulatory purposes.

18. LIMITATION OF LIABILITY

The Exchange shall not be liable for any activities of its Members or of any other person, authorized or unauthorized, acting in the name of any Member, and any act of commission or omission by any one of them, either singly or jointly, at any time shall not be in any way construed to be an act of commission or omission by any one of them, as an agent of the Exchange. Unless and otherwise specifically provided in these Rules of the Exchange, the Exchange shall not incur or shall not be deemed to have incurred any liability and accordingly, no claim or recourse shall be lodged against the Exchange, any member of the Board of Directors/or committee and Management duly appointed by it or any other authorized person acting for and on behalf of the Exchange, in respect of or in relation to any transactions entered into through the Exchange made by its Members and any other matters connected therewith or related thereto, which are undertaken for promoting, facilitating, assisting, regulating, or otherwise managing the affairs of the Exchange to achieve its objects as defined in the Exchange Proclamation or the Rules of the Exchange.

19. EMERGENCIES

19.1 Whenever the CEO, or any individual designated by the CEO and approved by the Board of Directors, determines that an Emergency exists, the CEO or such designee, as the case may be, may take or place into immediate effect a temporary emergency action or rule in consultation or cooperation with the Authority. Any such rule may remain in effect for up to 24 hours, after which time it must be approved by the Board of Directors to remain in effect. Any such action or rule may provide for, or may authorize the Exchange, the Board of Directors or any Committee thereof to undertake actions necessary or appropriate to respond to the Emergency, including such actions as:

- a. suspending trading;
- b. suspending or curtailing trading in a Class/Types of Contracts;
- c. canceling or amending a Contract;
- d. limiting trading to liquidation only, in whole or in part;
- e. extending the time of delivery, changing delivery points or the means of delivery provided in the rules governing any Contract;
- f. permitting any merchantable lot of a particular commodity equal to or superior to the commodity as specified in any Contract to be tendered subject to appropriate conditions as

- to compensation;
- g. imposing or modifying position or price limits with respect to any Contract;
- h. giving directions to Members to act in such manner as will in its opinion correct or assist in overcoming the situation or practice including, but not limited to, directions in relation to Open Positions;
- i. ordering the transfer of Contracts, and the funds securing such Contracts, held on behalf of clients by any Member to one or more other Members willing to assume such Contracts or obligated to do so;
- j. extending, limiting or changing hours of trading;
- k. suspending or curtailing trading in any or all Contracts or modifying circuit breakers;
- l. requiring Members or clients to meet special deposit requirements; or
- m. Modifying or suspending any provision of the Rules of the Exchange or the Rules of the Clearing House.

19.2 Any such action placed into effect in accordance with the preceding sentence may be reviewed by the Board of Directors at any time and may be revoked, suspended or modified by the Board of Directors, and any such rule placed into effect in accordance with the preceding sentence shall be reviewed by the Board of Directors as soon as practicable under the circumstances, and may be revoked, suspended or modified by the Board of Directors.

19.3 Emergency Defined

19.3.1 An Emergency is a situation or practice which threatens or may threaten fair, orderly and transparent trading in, or liquidation, settlement, exercise or delivery of, any Contract or class/type thereof, and may, without affecting the generality this sentence, be:

- a. A Physical Emergency (such as a fire or other casualty, bomb threats, terrorist acts, substantial inclement weather, power failures, or transportation breakdowns);
- b. Systems or communications failure causing a general loss of access to the Exchange's trading and/or clearing systems;
- c. A situation or practice which is contrary to the maintenance of a fair, orderly and transparent (such as a market corner or crisis in the nature of manipulation, squeeze); and
- d. action or proposed action by a government, government instrumentality, exchange or any other body, or any exceptional or unforeseen circumstance, which is at variance with or which threatens or may threaten just and equitable principles of trading or the public interest.

19.4 Notification and Recording

The Exchange will notify the Authority of any action taken, or proposed to be taken, pursuant to this Rule in accordance with Authority Directives. Such notice shall be made immediately before such action is taken, when practicable, or otherwise immediately thereafter. The decision-making process with respect to, and the reasons for, any such action will be recorded in writing. Notice for the purposes of this Article shall mean, a telephone call

followed by a written notice, fax or electronic mail.

19.5 Conflicts of Interest

The conflict of interest provisions set forth under these Rules and the related documentation requirements set forth in these Rules shall apply, with any such modifications or adaptations as may be necessary or appropriate under the circumstances, to the taking of any action under this Rule by the CEO, or his or her designee.

20. CONFIDENTIALITY

- 20.1 No member of the Board of Directors or any committee established by the Board of Directors or the Rules of the Exchange shall use or disclose any material non-public information, obtained in connection with such Board member's participation in the Board or such committee, for any purpose other than the performance of his or her official duties as a member of the Board or such committee.
- 20.2 No officer, employee or agent of the Exchange shall (i) trade in any commodity if such officer, employee or agent has access to material non-public information concerning such commodity or (ii) disclose to any other Person material non public information obtained in connection with such employee's, officer's or agent's employment, if such employee, officer or agent could reasonably expect that such information may assist another Person in trading any commodity.
- 20.3 For purposes of this Rule, the terms "employee," "material information," "non-public information," "related commodity interest" and "commodity interest" shall have the meanings ascribed to them in Authority directives.
- 20.4 The Exchange acknowledges that any Member's information relating to its Outstanding Obligations, Exchange trading history, and details of the clients of the Members as mentioned in the client registration form or any other information pertaining to the client, other than information which is in the public domain, is confidential to that Member. The following conditions shall apply to any such information received by the Exchange, regardless of the source of that information:
- a. the Exchange will be entitled to use any such confidential information internally for the purposes of discharging any of its functions or obligations under law, directive, rule or direction of the Authority, any court or governmental body having jurisdiction with respect to the Exchange; and
 - b. the Exchange will not use, distribute, supply, provide, make available, sell or otherwise deal with such confidential information to or for the benefit of any third party, including any third party that has, or whose Director(s), employee(s) or consultant(s) has had, any trading interests upon the Exchange.

21. AMENDMENTS TO THESE RULES

- 21.1 The Exchange may from time to time amend these Rules and notify Members by issuing an Amendment Notice. Any such amendment shall take effect on the day falling 14 days after the date of approval of the amendment by the Authority.
- 21.2 Any Member who does not wish to be bound by an Amendment Notice may resign from his membership in the Exchange by written notice to the Exchange within 14 days after the date

of that Amendment.

22. SEVERABILITY

If at any time any provision of these Rules becomes invalid or unenforceable in any respect, the remaining provisions of these Rules shall in no way be affected or impaired thereby.

23. NOTICES

23.1 Any notice shall be sent via:

- a. Fax; or
- b. Post; or
- c. Telegram; or
- d. Hand delivery, or
- e. Electronic means - electronic transmission of information that has been encoded digitally;
or
- f. Advertising it in at least one prominent daily newspaper having countrywide circulation or having circulation in the area of the last known address of the parties.

23.2 The addressee of a notice deemed delivered in accordance with this Article shall act in accordance with the terms of that notice unless he can prove that he did not receive that notice.

24. EFFECTIVE DATE OF THESE RULES

These revised Rules shall take effect immediately after being approved by the Authority in accordance with Article 6(3) of the Ethiopia Commodity Exchange Authority Proclamation No. 551/2007.

**Approved by the Board of the Ethiopia Commodity Exchange Authority at
Addis Ababa, on 23rd day of October, 2014**