

**DIRECTIVES**

**OF THE**

**ETHIOPIA COMMODITY EXCHANGE AUTHORITY**

**DIRECTIVES NUMBER 551/2021 (AS AMENDED)**

**ETHIOPIA COMMODITY EXCHANGE AUTHORITY**  
**DIRECTIVES**

**WHEREAS**, the Ethiopia Commodity Exchange Authority is established by law to regulate the proper functioning of a commodity exchange;

**WHEREAS**, the Authority is entrusted with the responsibility of ensuring the development of an efficient modern trading system; controlling the secure, transparent and stable functioning of a commodity exchange and protecting the interests of the various actors of the system and the public at large;

**WHEREAS**, in order to achieve this, it has become necessary to issue detailed directives;

**NOW, THEREFORE**, in accordance with article 34 sub-article (2) of the Ethiopia Commodity Exchange Authority Proclamation No. 551/2007, it is hereby issued as follows:

## **PART ONE**

### **GENERAL**

#### **1. Short Title**

These Directives may be cited as “**the Commodity Exchange Authority Directives No. 551/ 2021.**”

#### **2. Purpose**

The purpose of these Directives is to establish the fundamentals of trading on the Exchange, the principles of the contracts to be traded on the Exchange and the conditions of membership to Exchange and to ensure that the purchase and sale of these contracts are realized in a secure and stable manner under conditions of free competition.

#### **3. Definitions**

##### **3.1 Authority Proclamation**

**The Ethiopia Commodity Exchange  
Authority Proclamation No. 551/2007**

(as Amended).

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|-----|---------------------------|--|
| 3.2 | Authorized Representative | A person who represents a Member in respect of his business and who is recognized as an Exchange Actor by the Authority.   |
| 3.3 | Associate Member          | A Member sponsored by an Intermediary Member to trade for and manage Clients through such Intermediary Member.   |
| 3.4 | Board                     | The Board of Directors of the Ethiopia Commodity Exchange established under Proclamation No 550/2007.  |
| 3.5 | 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. |
| 3.6 | Clearing House            | The division of the Exchange, or a third party 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.              |
| 3.7 | Clearing Institution      | The Exchange, Clearing House, domestic bank, Exchange Designated Settlement Bank or similar financial institution recognized by the Authority.   |

- 3.8 Client A person on whose behalf a Member trades or from whom the Member accepts instructions to trade.
- 3.9 Commodity A product, which is interchangeable with another product of the same kind.
- 3.10 Commodity Exchange business A business of soliciting or accepting orders for the purchase or sale of Exchange traded contracts on one's behalf or on behalf of others
- 3.11 Contract A 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 the Exchange.
- 3.12 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 the Rules of the Exchange.
- 3.13 Electronic Warehouse Receipt An authorized transferable warehouse receipt issued at the Central depository of the Exchange conferring legal title to commodities received in a Designated Exchange Warehouse to the depositor.

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| 3.14 Exchange                            | The Ethiopia Commodity Exchange established under Proclamation No 550/2007.  |
| 3.15 Exchange Actor                      | Any person recognized by the Authority who engages in the business of buying and selling Exchange traded contracts for others or for his- own account. |
| 3.16 Exchange Designated Settlement Bank | An Exchange approved domestic bank recognized as a Clearing Institution by the Authority who shall settle Member trades executed on the Exchange.      |
| 3.17 Exchange Proclamation               | <b>The Ethiopia Commodity Exchange Proclamation No. 550/2007 (as Amended).</b>   |
| 3.18 Member                              | Any person recognized as an Exchange Actor by the Authority that fulfills the membership requirements of the Exchange.                                 |
| 3.19 Person                              | Any natural or juridical person  |
| 3.20 Warehouse Operator                  | The Exchange or a third party registered with the Ministry or with a regulatory organ delegated for this purpose by the Ministry.                      |

## **PART TWO**

### **COMMENCEMENT OF EXCHANGE OPERATIONS**

1. The Authority may, on application made to it by the Exchange, approve in writing the commencement of Exchange operations if it is satisfied that the Exchange complies with the requirements specified in Sub Article 2 of this Article.
2. The application made under Sub-Article 1 of this Article shall contain such information as may be prescribed and shall be accompanied by a copy of the Rules of the Exchange for the regulation and control of trading on spot and futures contracts of the Exchange and the Rules relating in general to the constitution of the Exchange, and, in particular to:-
  - 1/ The Board of the Exchange, its constitution and powers of management and the manner in which its business is to be transacted;
  - 2/ The powers and duties of the Management of the Exchange;
  - 3/ The admission into the Exchange of various class of Members, the qualifications of Members, and the exclusion, suspension, expulsion and readmission of Members;
  - 4/ The procedure for registration of juridical persons as Members of the Exchange and the nomination and appointment of Authorized Representatives.
3. To obtain and maintain the Authority's approval for commencement of operations, the Exchange shall:
  - 1/ Monitor and enforce compliance with its Rules including the terms and conditions of any Contracts to be traded and any limitations on access to the Exchange;
  - 2/ List on the Exchange only Contracts that are not readily susceptible to manipulation;
  - 3/ Monitor trading to prevent manipulation, price distortion, and disruptions of the delivery process;
  - 4/ Adopt position limitations or position accountability where necessary and appropriate;

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- 5/ Adopt Rules to provide for the exercise of emergency authority, in consultation or cooperation with the Authority, where necessary and appropriate, including the authority to:
    - (a) Liquidate or transfer outstanding obligations in any Contract;
    - (b) Suspend or curtail trading in any Contract; and
    - (c) Require market participants in any Contract to meet special deposit requirements;
  - 6/ Make available to the Authority, market participants, and the public information concerning the:
    - (a) Terms and conditions of the Contracts of the Exchange; and
    - (b) Mechanisms for executing transactions on or through the facilities of the Exchange;
  - 7/ Make public daily price and volume information for Contracts traded on the Exchange;
  - 8/ Provide a competitive, open, and efficient trading platform and mechanism for executing transactions;
  - 9/ Maintain Rules and procedures to provide for the recording and safe storage of all identifying trade information in a manner that enables the Exchange to use the information for purposes of assisting in the prevention of customer and market abuses and providing evidence of any violations of the Rules of the Exchange;
  - 10/ Establish and enforce Rules for the examination and approval of Warehouse Operators;
  - 11/ Establish and enforce Rules for receiving, sampling, grading, weighing and storage of commodities in Exchange Designated Warehouses;

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- 12/ Establish and enforce Rules for the issuance of Electronic Warehouse Receipts;
  - 13/ Establish and enforce Rules for the operations of the Central Depository;
  - 14/ Establish and enforce Rules for operation of the Clearing House;
  - 15/ Establish and enforce Rules to ensure the financial integrity of any Members or Member's Authorized Representatives and the protection of Client funds;
  - 16/ Establish and enforce Rules for the delivery of commodities;
  - 17/ Establish and enforce Rules to protect market participants from abusive practices committed by any party acting as an agent for Exchange Members;
  - 18/ Establish and enforce Rules regarding and provide facilities for alternative dispute resolution, as appropriate, for market participants;
  - 19/ Establish and enforce appropriate fitness standards for directors, members of any Arbitrators, Members of the Exchange (including their Authorized Representatives), and any other persons with direct access to the facility of the Exchange;
  - 20/ Establish and enforce Rules to minimize conflicts of interest in the decision making process of the Exchange and establish a process for resolving such conflicts of interest; and
  - 21/ Maintain records of all activities related to the business of the Exchange in a form and manner acceptable to the Authority for a period of 10 years.
4. The Authority may enter the premises of the Exchange to examine and ensure compliance of the Exchange with its Rules and conditions of its operations stated under Article 3 above.
  5. Approval of commencement of Exchange operations



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- 1/ The Authority shall approve or deny an application for commencement of Exchange operations within 7 (seven) working days of the filing of the application. If the Authority denies an application, it shall specify the grounds for the denial. In the event of a refusal, the Exchange shall be afforded an opportunity for a hearing on the record before the Authority, with the right to appeal an adverse decision after such hearing to the Federal High Court.
  - 2/ The Exchange shall not introduce new Rules or amend any of its existing Rules without the prior approval of the Authority.
  - 3/ The Exchange shall not introduce a new Contract or amend an existing Contract without the approval of the Authority.
  - 4/ An approval of the application to commence operations and every approval of Rules or Contract and amendment thereof under this section, shall be published in an official newspaper and such approval shall have effect as from the date of its publication.
6. Power of the Authority to take action against the Exchange for failure to comply with its Rules, conditions of its operation or provisions of the Authority Proclamation, Directives or orders.
- 1/ Where it is shown that the Exchange, any director, officer, agent, or employee of the Exchange has failed to comply with, observe, enforce or give effect to the Rules and conditions of its operations, or that the Exchange, or any director, officer, agent, or employee thereof, otherwise is violating or has violated any of the provisions of the Authority Proclamation or any of the Directives or orders of the Authority, the Authority may take one or more of the following actions:
    - (a) Direct the Exchange to:
      - (i) Suspend trading on the Exchange;

- (ii) Suspend trading on the Exchange in a particular Contract or Commodity Class;
- (iii) Limit transactions on the Exchange to the closing out of outstanding obligations on Exchange traded Contracts; and
- (iv) Defer for a stated period the delivery date for all Contracts or for a particular Contract or Commodity Class entered into on the Exchange.

A direction under this Sub Article shall only be after a written notice, specifying the grounds for the action, served upon the Board or CEO of the Exchange not less than 7 (seven) working days before such proposed action and a hearing on the record.

- (b) Require the Exchange, any director, officer, agent, or employee of the Exchange to act in a particular manner to enforce or comply with, as the case may be, with any Exchange Rules or Directives or orders of the Authority;
- (c) Reprimand the Exchange or individual concerned; and
- (d) Require the Exchange, director, officer, agent or employee concerned to take such steps as the Authority may direct to remedy or mitigate the effect of such breach.

2/ The Authority shall give the Exchange, director, officer, agent or employee thereof, notice of not less than 15 (fifteen) working days, of its intention to take any of the actions under Sub-Article 1 (b), (c) and (d) of this Article and the notice shall specify the grounds for the action taken.

#### 7. Powers of the Exchange and the Authority to take disciplinary actions

- 1/ The Authority may, if the Exchange fails to take a disciplinary action within the time specified in the Rules of the Exchange or

within a reasonable time for cases where no specific time is provided, order the Exchange in writing to investigate the case and notify the Authority upon taking a disciplinary action or confirming non-violation or undertake its own investigation and suspend, expel, or otherwise discipline any person who is a Member of the Exchange, or deny any person access to the Exchange. Any such action shall be taken solely in accordance with the Rules of the Exchange..

- 2/ Any suspension, expulsion, disciplinary, or access denial procedure established by the Exchange's Rules shall provide for written notice to the Authority and to the person who is suspended, expelled, or disciplined, or denied access, within 30 (thirty) working days, which includes the reasons for the Exchange action. The Exchange shall make public its findings and the reasons for the Exchange action in any such proceeding, including the action taken or the penalty imposed, but shall not disclose the evidence therefor, except to the person who is suspended, expelled, or disciplined, or denied access, and to the Authority.

#### 8. Power of Authority to Review Exchange Disciplinary Actions

- 1/ The Authority may, in its discretion and in accordance with such standards and procedures as it deems appropriate, review any decision by the Exchange whereby a person is suspended, expelled, otherwise disciplined, or denied access to the Exchange. In addition, the Authority may, in its discretion and upon application of any person who is adversely affected by any other Exchange action, review such action.
- 2/ The Authority may affirm, modify, set aside, or remand any Exchange decision it reviews pursuant to Sub Article 1 of this Article, after a determination on the record whether the action of the Exchange was in accordance with the principles of the Exchange and Authority Proclamations and Directives. Subject to review by the Federal High Court, any order of the Authority

entered pursuant to subsection Sub Article 1 of this Article shall govern the Exchange in its further treatment of the matter.

- 3/ The Authority, in its discretion, may order a stay of any action taken pursuant to Sub Article 1 of this Article pending review thereof.
9. Power of the Authority to call for regular reports and to make direct inquiries
- 1/ The Exchange and its Members shall furnish to the Authority such regular reports relating to its affairs and the affairs of its Members, as the Authority may prescribe.
  - 2/ Where an inquiry in relation to the affairs of the Exchange or the affairs of any of its Members has been undertaken:
    - (a) Every director, manager, officer or employee of the Exchange;
    - (b) Every Member of the Exchange;
    - (c) If the Member is a firm, every partner, manager, officer or employee of the firm; and
    - (d) Every other person or body of persons who has had dealings in the course of business with any of the persons mentioned in clause (a), (b) and (c),

shall be bound to produce before the Authority, all books, accounts, correspondence and other documents in his custody or power relating to, or having a bearing on the subject matter of the inquiry and also to furnish the Authority with any such statement or information relating thereto as may be required of him, within such time as may be specified.

10. The Exchange and every Member shall maintain such books of accounts and other documents as the Authority may specify and the books of

accounts and other documents so specified shall be preserved for a period not exceeding 10 (years) in the case of the Exchange and 5 (five) years in the case of its Members and shall be subject to inspection at all reasonable times by the Authority.

11. The Exchange shall submit to the Authority the following regular reports:

1/ Daily Reports

The Exchange shall record and report, for each business day, the following information separately for each Contract or commodity class

- (a) The total volume of trading;
- (b) For each commodity trading:
  - (i) The highest and lowest bid, the highest and lowest offer and the opening, highest, lowest and closing traded prices.
  - (ii) If there are no transactions, bids, or offers during the opening or closing periods, the Exchange may record as appropriate, the first price (in place of opening price) or the last price (in place of closing price) occurring during the trading session, clearly indicating that such prices are the first and the last price.
- (c) A comparison of the day's closing prices with the preceding day's closing prices.
- (d) Unless otherwise approved by the Authority, the Exchange shall submit to the Authority the information specified in Sub-Article (1) of this Article as follows:
  - (i) Using the format and data transmission procedures approved in writing by the Authority, provided however, the information shall be made

available to the Authority in hard copy upon request, and

- (ii) When each such form of the data is first available but not later than 7:00 a.m. on the business day following the day to which the information pertains.
- (e) The Exchange shall make the information on traded prices and trading volume available to participants in real time on the Exchange trading floor.
- (f) The Exchange shall make the information on trading volume and opening, highest, lowest, and closing traded prices for each commodity trading session readily available to the news media and the general public without charge, in a format that is readily accessible and comprehensible, no later than 7:00 a.m. the business day following the day to which the information pertains.

2/ Monthly, Quarterly and Annual Reports:

- (a) The Exchange shall report, monthly, quarterly and annually, the following information separately for each Contract or Commodity Class on trading movement, including a statement of the quantity of contracts traded, their value, the number of transactions compared with the previous month, quarter or year, the distribution of trading movement amongst the various contracts, the most significant events relating to trading on the Exchange, occurring in the month, quarter or year, their impact on the market, and the proposal of the Board of the Exchange as to remedying the adverse effects of such events.
- (b) The annual report of the Exchange shall contain the balance sheet, the profit and loss account and the

annual financial statements of the Exchange, audited by an Auditor recognized by the Authority, and an economic analysis of trading on the Exchange, within one month of the end of its financial year.

12. Power of the Authority to direct Rules to be made or to be amended.

- 1/ Whenever the Authority considers it expedient to do so, it may, by order in writing, direct the Exchange to make any Rules or to amend any Rules made by the Exchange within such period as it may specify.
- 2/ Notwithstanding anything contained in Sub Article 1 of this Article, where the Board of the Exchange objects to the introduction or amendment of any Rules under this section, it may, within 30 (thirty) working days of the order, apply to the Authority to be heard in the matter.

13. Power of the Exchange to make Rules.

- 1/ The Exchange may, subject to the prior approval of the Authority, make Rules for the regulation of trading on the Exchange.
- 2/ In particular, and without prejudice to the generality of the foregoing power, such Rules may provide for the regulation of:
  - (a) Membership;
  - (b) Trading;
  - (c) The opening and closing of the Exchange and the regulation of the hours of trade;
  - (d) The number and classes of contracts in respect of which settlements shall be made or differences paid through the Clearing House;
  - (e) A Clearing House and Exchange Designated Settlement Banks for the periodical settlement of contracts and differences there under, the delivery of,

and payment for commodities, the passing on of delivery orders and for the regulation and maintenance of such Clearing House and Exchange Designated Settlement Banks;

- (f) Fixing, altering or postponing days for settlement;
- (g) Determining and declaring market prices; including opening, closing, highest and lowest prices for commodities;
- (h) The terms and conditions of Contracts including the prescription of deposit requirements, if any, and conditions relating thereto, and the forms of Contract in writing;
- (i) Regulating the entering into agreements between Members and their Clients and the consequences of default or insolvency on the part of a seller or buyer or Members;
- (j) The admission and prohibition of specific classes or types of commodities or of dealings in commodities by a Member of the Exchange;
- (k) The method and procedure for the settlement of claims or disputes including the settlement thereof by arbitration;
- (l) The levy and recovery of fees, charges and penalties;
- (m) The regulation of the course of business between parties to contracts in any capacity;
- (n) The regulation of fluctuations in rates and prices;
- (o) The emergencies which may arise and the exercise of powers in such emergencies including the power to fix maximum and minimum prices;



- (p) The regulation of dealings by Members for their own account;
- (q) The limitations on the volume of trade done by any individual Member; and
- (r) The obligation of Members to supply such information or explanation and to produce such books relating to their business as the Board of the Exchange may require.

3/ The Rules made under this Article may:

- (a) Specify the Rules, the contravention of any of which, shall make a contract entered into otherwise than in accordance with the Rules or bye-laws void;
- (b) Specify the Rules the contravention of any of which shall make a contract entered otherwise than in accordance with the Rules or bye-laws illegal; and
- (c) Provide that the contravention of any of the Rules shall:
  - i. Render the Member concerned liable to fine; or
  - ii. Render the Member concerned liable to expulsion or suspension from the Exchange or to any penalty of a like nature not involving the payment of money.

4/ Any Rules made under this section, when approved by the Authority, shall be published, unless the Authority, in the interest of the trade or in the public interest, by order in writing, dispenses with the condition of previous publication.

### **PART THREE**

### **FUNCTION AND RECOGNITION OF CLEARING INSTITUTIONS**

1. The Exchange shall clear and settle all transactions internally through the Exchange Clearing House or Exchange Designated Settlement Banks or other Authority recognized Clearing Institutions.

2. Function of the Exchange Clearing House:

The function of the Exchange Clearing House will include the organization and administration of Exchange clearing and settlement and counter party risk management process, in particular:

- 1/ Examining the financial status of a Member in respect of his ability to timely discharge obligations arising from Exchange transactions;
- 2/ Processing matched transactions and acting as a counter party for the net liability of Members;
- 3/ Granting consent for the conclusion of the settlement of matched transactions by the Exchange Designated Settlement Banks.
- 4/ ensuring that all net obligations of intermediary or Limited Intermediary Members have been settled to the respective client through the exchange designated Settlement banks in compliance with its instructions. In addition, he has to ensure that each client's deposited buy funds have been used solely to the client's own transactions, and, it is disbursed directly to the client in cases where it is determined to withdraw it before any transaction, upon the request of his intermediary or limited intermediary member. The details shall be determined by the Exchange's bylaws.

3. Function of the Exchange Designated Settlement Banks:

The function of the Exchange Designated Settlement Banks will include the facilitation of settlement of Exchange transactions, in particular:

- 1/ Facilitating the collection of funds on Members accounts associated with trading between Members;

- 2/ Transfer of funds per instructions from the Exchange Clearing House at settlement; and
- 3/ Sharing of information with the Exchange in regards to Members' account status.

4. Application for Recognition by the Exchange Clearing House

The Exchange Clearing House shall submit an application to the Authority for recognition as a Clearing Institution and must include in the application a showing that it complies with the conditions set forth in Article 25 of the Authority Proclamation and demonstrate that it will continue to comply with the requirements of that Article.

5. Application Procedures:

- 1/ The Exchange Clearing House shall file an application for recognition with the Authority.
- 2/ The application must include the following:
  - (a) A representation by the Exchange Clearing House that it will operate in accordance with the definition of a Clearing Institution contained in Article 2/1 of the Authority Proclamation and this Article;
  - (b) A copy of the Exchange Clearing House Rules;
  - (c) A demonstration of how the Exchange Clearing House is able to satisfy each of the requirements specified under Article 25 of the Authority Proclamation;
  - (d) Any agreements entered into or to be entered into with Exchange Designated Settlement Banks or otherwise, that will enable the Exchange Clearing House to comply with the requirements specified under Article 25 of the Proclamation. The agreements must identify the services that will be provided. If a submitted agreement is not final and executed, the application

must include evidence that will demonstrate that such services will be provided as soon as operations require;

(e) Descriptions of system test procedures, tests conducted or test results, that will enable the applicant to comply with the requirements specified under Article 25 of the Authority Proclamation; and

(f) Where the applicant with sufficient particularity identifies information in the application it deems confidential, a request for confidential treatment and with evidence to support such request.

## 6. Review Period

1/ Except as provided for under Sub Article 2 of this Article, the Authority shall review the application for recognition as an Exchange Clearing House within 7 (seven) working days of the filing of the application. The Authority may approve or deny an application or if deemed appropriate, recognize the Exchange Clearing House subject to conditions. If the Authority notifies the Exchange Clearing House the application is incomplete and specifies the deficiencies in the application, the process date will be stayed until the application is resubmitted in complete form.

2/ The Authority may grant temporary recognition to the Exchange Clearing House on an expedited basis. The temporary recognition under this Sub-Article may be subject to conditions and an expiry date as the Authority may stipulate.

3/ The Exchange Clearing House shall apply for permanent recognition when conditions of its recognition are met and before the expiry of the temporary recognition.

## 7. Application for Recognition of Exchange Designated Settlement Bank

An Exchange Designated Settlement Bank shall submit an application to the Authority for recognition as a Clearing Institution and must show in its application that it complies with the requirements and conditions of

Exchange Designated Settlement Banks set forth by the Exchange and demonstrate that it will continue to comply with said requirements.

8. Application Procedure for Recognition as Exchange Designated Settlement Bank:

- 1/ An Exchange Designated Settlement Bank shall file an application for recognition with the Authority.
- 2/ The application must include the following:
  - (a) The particulars of the applicant's proposed affiliation with the Exchange;
  - (b) A representation by the Exchange Designated Settlement Bank that it will operate in accordance with the definition of a Clearing Institution contained in Article 2/1 of the Authority Proclamation;
  - (c) A copy of the rules of the Exchange Designated Settlement Bank relating to settlement of Exchange transactions;
  - (d) A demonstration of how the Exchange Designated Settlement Bank is able to satisfy each of the requirements specified under Article 25 of the Authority Proclamation;
  - (e) Any agreements entered into or to be entered into with the Exchange or otherwise, that will enable the Exchange Designated Settlement Bank to comply with the requirements specified under Article 25 of the Authority Proclamation. The agreements must identify the services that will be provided. If a submitted agreement is not final and executed, the application must include evidence that will demonstrate that such services will be provided as soon as operations require;
  - (f) Descriptions of system test procedures, tests conducted or test results, that will enable the applicant

to comply with the requirements specified under Article 25 of the Authority Proclamation; and

- (g) Where the applicant with sufficient particularity identifies information in the application it deems confidential, a request for confidential treatment and with evidence to support such request.

## 9. Review Period

- 1/ Except as provided for under Sub Article 2 of this Article, the Authority shall review the application for recognition as an Exchange Designated Settlement Bank within 7 (seven) working days of the filing of the application. The Authority may approve or deny an application or if deemed appropriate, recognize an Exchange Designated Settlement Bank subject to conditions. If the Authority notifies the Exchange Designated Settlement Bank the application is incomplete and specifies the deficiencies in the application, the process date will be stayed until the application is resubmitted in complete form.
- 2/ The Authority may grant temporary recognition to the Exchange Designated Settlement Bank on an expedited basis. The temporary recognition under this Sub-Article may be subject to conditions and an expiry date as the Authority may stipulate.
- 3/ An Exchange Designated Settlement Bank shall apply for permanent recognition when conditions of its recognition are met and before the expiry of the temporary recognition.

## 10. Denial of Application for Recognition as a Clearing Institution

If the Authority denies an application, it shall specify the grounds for the denial. In the event of a refusal to recognize as a Clearing Institution, any person that has made an application for recognition shall be afforded an opportunity for a hearing on the record before the Authority, with the right to appeal an adverse decision after such hearing to the Federal High Court.

#### 11. Suspension or revocation of Recognition as a Clearing Institution

The Authority is authorized to suspend for a period not to exceed 30 days or to revoke the recognition of a Clearing Institution on a showing that:

- 1/ The Clearing Institution is not enforcing or has not enforced its operations, standards, procedures and rules made a condition of its recognition as a Clearing Institution set forth under Article 25 of the Authority Proclamation; or
- 2/ The Clearing Institution, or any director, officer, agent, or employee of such Clearing Institution, is violating or has violated any of the provisions of Article 25 of the Authority Proclamation or any of the Directives, or orders of the Authority.

#### 12. Opportunity for hearing and right of appeal

- 1/ In the event of a denial of recognition or suspension or revocation in accordance with Article 26 of the Authority Proclamation, any person that has made an application for recognition or a Clearing Institution whose recognition has been suspended or revoked shall be afforded an opportunity for a hearing on the record before the Authority, with the right to appeal an adverse decision after such hearing to the Federal High Court.
- 2/ The testimony and evidence taken or submitted before the Authority, duly filed as per these Directives as part of the record, shall be considered by the Federal High Court as evidence in the case.
- 3/ The Federal High Court may affirm or set aside the order of the Authority or may direct it to modify its order. No such order of the Authority shall be modified or set aside by the Federal High Court unless it is shown by the Clearing Institution that the order is unsupported by the weight of the evidence or was issued without the appropriate notice and a reasonable opportunity for a hearing.

### 13. Withdrawal of application

An application for recognition may be withdrawn by filing with the Authority such a request. Withdrawal of an application for registration shall not affect any action taken or to be taken by the Authority based upon action, activities, or events occurring during the time the application was pending with the Authority.

### 14. Power of Authority to approve amendment of constitution and business rules of a Clearing Institution

1/ If a Clearing Institution proposes to make:

- (a) Any amendment to its constitution having impact on its function as a Clearing Institution;
- (b) Any business rules having impact on its function as a Clearing Institution; or
- (c) Any amendments to its existing business rules having impact on its function as a Clearing Institution,

The Clearing Institution shall, as soon as practicable, give a written notice in accordance with Sub Article 2 of this Article to the Authority.

2/ The notice shall:

- (a) Set out the text of the proposed amendment or business rules;
- (b) State the date on which the amendment or business rules are proposed to be put into force; and
- (c) Contain an explanation of the purpose of the proposed amendment or business rules.

3/ The Authority shall, within 30 (thirty) days or such longer period as may be agreed between the Authority and the Clearing Institution after the receipt of anything submitted under Sub



Article 1 of this Article, notify the Clearing Institution in writing of its decision on the proposed amendment or the proposed business rules, as the case may be.

- 4/ Where the Authority does not approve any proposed amendment or business rule, the notice under Sub Article 6 of this Article shall identify or specify it.
  - 5/ In addition to the power conferred upon the Authority under Sub Article 3 of this Article, the Authority may, by notice in writing to the Clearing Institution, amend the Clearing Institution's constitution or any of its business rules.
  - 6/ A notice by the Authority to the Clearing Institution under Sub Article 5 of this Article:
    - (a) May contain provisions as to the manner in which the amendments made by the Authority shall take effect; and
    - (b) Shall state when the amendments shall take effect.
  - 7/ A Clearing Institution shall comply with a notice given to it under Sub Article 5 of this Article.
15. Power of the Authority to take action against a Clearing Institution for failure to comply with its Rules, conditions of its recognition or provisions of the Authority Proclamation, Directives or orders.
- 1/ Where it is shown that a Clearing Institution, any director, officer, agent, or employee of a Clearing Institution has failed to comply with, observe, enforce or give effect to the Rules and conditions of its recognition, or that the Clearing Institution, or any director, officer, agent, or employee thereof, otherwise is violating or has violated any of the provisions of the Authority Proclamation or any of the Directives or orders of the Authority, the Authority may take one or more of the following actions:
    - (a) Direct the Clearing Institution to suspend the business of such Clearing Institution as it relates to the

Exchange. A direction under this Sub Article shall only be after a written notice, specifying the grounds for the action, served upon the Board or CEO of the Clearing Institution not less than 7 (seven) working days before such proposed action and a hearing on the record;

- (b) Require the Clearing Institution, any director, officer, agent, or employee of the Clearing Institution to act in a particular manner to enforce or comply with, as the case may be, with any Clearing Institution Rules or Directives or orders of the Authority;
- (c) Reprimand the Clearing Institution or individual concerned; and
- (d) Require the Clearing Institution, director, officer, agent or employee concerned to take such steps as the Authority may direct to remedy or mitigate the effect of such breach.

2/ The Authority shall give the Clearing Institution, director, officer, agent or employee thereof, notice of not less than 15 (fifteen) working days, of its intention to take any of the actions under Sub-Article 1 (b), (c) and (d) of this Article and the notice shall specify the grounds for the action taken.

#### 16. Request to terminate recognition

A recognized Clearing Institution may terminate its recognition under Article 24 of the Authority Proclamation by filing such a request with the Authority. Termination of recognition shall not affect any action taken or to be taken by the Authority based upon action, activities, or events occurring during the time the application was pending with the Authority.

#### 17. Clearing Institutions shall maintain records and submit to the Authority regular reports as follows:

- 1/ The Exchange Clearing House shall monthly submit a report showing transactions matched and approved for settlement by it; and
- 2/ Each Exchange Designated Settlement Bank which receives from Members funds either belonging to a Member or his Clients, shall monthly submit a report showing separately for each Member, the dates when such funds were received, the identity of the depositor, the dates such funds were debited, withdrawn or disposed of otherwise, together with the facts and circumstances of such debit, withdrawal or disposition, including the authorization thereof.

#### **PART FOUR**

#### **COMMENCEMENT OF CENTRAL DEPOSITORY OPERATIONS**

1. The Authority may, on application made to it by the Exchange, approve in writing the commencement of the Central Depository operations if it is satisfied that the Central Depository has adequate systems and safeguards for the issuance and transference of Electronic Warehouse Receipts and to prevent manipulation of records and transactions and it complies with the requirements specified in Article 2 of this Part.
2. In considering an application made under Article 1 of this Part, the Authority shall take into account all matters which are relevant for the efficient and orderly functioning of the Central Depository and in particular whether the:
  - 1/ rules of the Central Depository have been approved by the Board of Directors of the Exchange;

- 2/ Central Depository has systems to open and maintain separate accounts in the name of each Depositor;
- 3/ changes in Depositors' account are supported by electronic instructions or any other mode of instructions received from the Clearing House and Designated Exchange Warehouses;
- 4/ Central Depository has adequate mechanisms for the purposes of reviewing, monitoring and evaluating its internal accounting controls and systems;
- 5/ Central Depository has a system to reconcile records of every Depositor on a daily basis;
- 6/ automatic data processing systems of the Central Depository are protected against unauthorized access, alteration, destruction, disclosure or dissemination of records and data;
- 7/ network through which electronic means of communications are established between the Central Depository, the Clearing House, Designated Exchange Warehouses is secure against unauthorized entry or access;
- 8/ Central Depository has established standard transmission and encryption formats for electronic communications of data between the Central Depository, the Clearing House, Designated Exchange Warehouses;
- 9/ Central Depository has established adequate procedures and facilities to ensure that its records are protected against loss or destruction and arrangements have been made for maintaining back up facilities at a location different from that of the Central Depository;
- 10/ physical or electronic access to the premises, facilities, automatic data processing systems, data storage sites and facilities including back up sites and access to the electronic data communication network connecting the Central Depository, the Clearing House, Designated Exchange Warehouses is controlled, monitored and recorded;

- 11/ Central Depository has an operations manual explaining all aspects of its functioning, including the interface and method of transmission of information between the Central Depository, the Clearing House, Designated Exchange Warehouses;
  - 12/ Central Depository has, either through the Exchange or otherwise, made adequate arrangements including insurance for indemnifying the Depositors for any loss that may be caused to such Depositors by the wrongful act, negligence or default of the Central Depository or any employee of the Central Depository;
  - 13/ Central Depository has a mechanism in place to ensure that the interest of Depositors are adequately protected and to register the transfer of an Electronic Warehouse Receipts in the name of the transferee only after the Central Depository is satisfied that payment for such transfer has been made;
  - 14/ Central Depository has adequate mechanisms for the purposes of reviewing, monitoring and evaluating its controls, systems, procedures and safeguards; and
  - 15/ Central Depository has adequate mechanisms to ensure that the integrity of the automatic data processing systems is maintained at all times and all precautions necessary to ensure that the records are not lost, destroyed or tampered with and in the event of loss or destruction, ensure that sufficient back up of records is available at all times at a different place.
3. Records to be maintained by the Central Depository
- 1/ The Central Depository shall maintain the following records and documents:
    - (a) Records of every Electronic Goods Received Notes received, Electronic Warehouse Receipt created and Delivery Notices issued and cancellations thereof;
    - (b) Names of transferors, transferees, and the dates of transfer of Electronic Warehouse Receipts;

- (c) Records of requests received from and sent to the Designated Exchange Warehouses and Clearing House; and
    - (d) Details of Depositors.
  - 2/ The Central Depository shall disclose to the Authority the place where the records and documents are maintained.
  - 3/ The Central Depository shall preserve records and documents for a minimum period of 10 (ten) years.
4. External monitoring, review and evaluation of systems and controls and reports to the Authority

The Central Depository shall cause an inspection of its controls, systems, procedures and safeguards to be carried out annually and forward a copy of the report to the Authority.

5. Inspection

- 1/ Authority may undertake inspection of the books of accounts, records, documents and infrastructure, systems and procedures, or to investigate the affairs of the Central Depository, the Clearing House or Designated Exchange Warehouses, for any of the following purposes:
  - (a) to ensure that the books of account are being maintained by the Central Depository in the manner specified in these Directives;
  - (b) to look into the complaints received from Depositors;
  - (c) to ascertain whether the systems, procedures and safeguards being followed by the Central Depository, Clearing House and Designated Exchange Warehouses, or their agents are adequate to enable the Central Depository to carry out its purpose; and

- (d) to ensure that the affairs of Central Depository are being conducted in a manner which are in the interest of the Depositors and the public.
- 2/ The Authority shall give the Central Depository, Clearing House and Designated Exchange Warehouses, as the case may be, not less than 10 (ten) days notice before ordering or conducting an inspection or investigation.
- 3/ Notwithstanding anything contained in Sub Article 2 of this Article, where the Authority is satisfied that in the interest of Depositors no such notice should be given, it may, by an order in writing direct that such inspection be taken up without such notice.

#### **PART FIVE**

#### **EXCHANGE ARBITRATION TRIBUNAL**

- 1. The Exchange shall establish and enforce rules regarding and provide facilities for an Arbitration Tribunal as appropriate for Members and Clients.
- 2. The Exchange shall provide Arbitration facilities that are fair and equitable and make them available, either directly or through another organization, to Members.
- 3. The Exchange Arbitration facility should:
  - 1/ Provide each party with an opportunity to have his or her claim decided by an objective and impartial decision-maker;
  - 2/ Provide each party with the right to be represented by counsel, at the party's own expense;
  - 3/ Provide each party with adequate notice of the claims presented against him or her, an opportunity to be heard on all claims, defenses and permitted counterclaims, and an opportunity for a prompt hearing;

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- 4/ Authorize prompt, written, final settlement awards that are not subject to appeal within the Exchange, and
  - 5/ Notify the parties of the fees and costs that may be assessed.
4. The use of such Arbitration facilities should be voluntary for Clients.
  5. The Exchange's Arbitration facilities for the resolution of disputes that do not involve Clients (i.e., Member-to-Member disputes) must be independent of and shall not interfere with or delay the resolution of Client's claims or grievances.
  6. The Exchange shall maintain a list of neutral arbitrators.
  7. The arbitrators eligible to serve on the Exchange Arbitration facility should have completed training provided or required by the Exchange or have experience equivalent to:
    - 1/ A law degree and 5 (five) years service as arbitrators; or
    - 2/ Masters degree in any other discipline relevant to the business of the Exchange and 5 (five) years experience as arbitrators.
  8. The Exchange may delegate to another organization or to the National Exchange Actors Association, recognized by the Authority its responsibility to provide for Client dispute resolution mechanisms, provided, however, that, if the Exchange does delegate that responsibility, the Exchange shall in all respects treat any decision issued by such other organization or National Exchange Actors Association as if the decision were its own including providing for the appropriate enforcement of any award issued against a delinquent Member.

## **PART SIX**

### **RECOGNITION OF EXCHANGE ACTORS**



1. It shall be unlawful for any person to solicit orders or accept orders for the purchase or sale of any Exchange traded contracts, on or subject to the Rules of the Exchange, unless recognized as an Exchange Actor by the Authority.
2. Any person seeking recognition as an Exchange Actor shall submit an application in the appropriate Form 1 or 2 to the Authority for recognition, specifying the category of recognition sought and must include in the application a showing that the person complies with the conditions set for in Article 17 of the Authority Proclamation where applicable and demonstrate that the person will continue to comply with the requirements of that Article.
3. Categories of Exchange Actors to be recognized
  - 1/ Member: Without prejudice to the definitions provided for in the bylaws of the Exchange, it shall mean a Trading Member, an Intermediary Member, Limited Trading Member or Limited Intermediary Member, or any other Member to be specified in the Rules of the Exchange.
  - 2/ Associate Member; and
  - 3/ Member's Authorized Representative.
4. Member Recognition
  - 1/ Unless recognized as a Member, a person shall not:
    - (a) Trade in Exchange traded contracts for on his own account or for the account of others; or
    - (b) Represent that the person carries on a Commodity Exchange business.
  - 2/ No juridical person shall carry on a Commodity Exchange business unless every director or employee who in his capacity as such director or employee, is duly authorized by the

corporation to act for or on behalf of that corporation for the purpose of trading in Exchange traded contracts.

5. Member's Authorized Representative Recognition

- 1/ Unless recognized as a Member's Authorized Representative, a representative of a Member shall not act on behalf of a Member in a Commodity Exchange business.
- 2/ A person is said to act as a Member's Authorized Representative if the person acts:
  - (a) As an employee, agent, on behalf of, on account of, or for the benefit of a Member;
  - (b) In connection with a Commodity Exchange business carried on by a Member;
  - (c) While the person is a Member's Authorized Representative; and
  - (d) Other than in the course of work ordinarily done by accountants, clerks or cashiers.
- 3/ Without prejudice to the provisions mentioned above, no Member shall have more than 4 Floor Representatives unless he is permitted otherwise under special conditions.
- 4/ No Member shall have more than 2 Floor Representatives operating in a single trading session unless he is permitted otherwise by the Exchange under special conditions.

6. Recognition Requirements for Members

1/ Approval by the Exchange

No person shall be recognized as a Member unless such person produces evidence that the Exchange has, subject to recognition by the Authority, approved such person's application for

Membership in the Exchange. The Exchange's membership approval shall include approval of all the Member's Authorized Representatives.

2/ Financial requirements for Members

No person shall be recognized as a Member unless such person affirmatively demonstrates to the satisfaction of the Authority that it complies with the financial requirements of the Exchange. Each person seeking recognition as a Member must be in compliance with this section at all times and must be able to demonstrate such compliance to the satisfaction of the Authority.

- (a) A Member must maintain net worth equal to Birr 500,000 (Five hundred thousand) if only trading on his own account, or Birr 1,000,000 (One Million) if he is trading for his own account and for the account of others, and fulfill other requirements as stated under Article 17 of Proclamation No.551/2007.
- (b) A Member who is not in compliance with this Sub-Article, or is unable to demonstrate such compliance, must transfer all Client accounts in accordance with the Rules of the Exchange and cease doing business immediately as a Member until such time as the person is able to demonstrate such compliance and notify same to the Authority in writing. A Member under liquidation shall not undertake business in the Exchange unless he requests and is permitted otherwise by the Authority under special conditions to trade for a specified period for liquidation purposes only. Further, if the Member immediately demonstrates to the satisfaction of the Authority the ability to achieve compliance, the Authority may in its discretion allow such Member for 30 (thirty) working days in which to achieve compliance without having to transfer accounts and cease doing business as required above. Nothing in this Sub-Article shall be construed as preventing the Authority from taking action against the Member for

non-compliance with any of the provisions of this Sub-Article.

3/ Certification requirement

A person seeking to be recognized as a Member and in the case of a juridical person, the officers and directors of such person must pass the appropriate Member Certification Examination administered by the Exchange. Such person must also attend any training or periodic continuing education provided by the Exchange, and continue to comply with the examination requirements of the Exchange designed to ensure that the applicant understands his responsibilities to the Exchange, Authority and public, under the Authority Proclamation and these Directives or Rules of the Exchange.

4/ Background check requirement

Each person seeking recognition as a Member, and in the case of a juridical person, the officers and directors of such person, must demonstrate to the satisfaction of the Authority that such person has never been convicted of any financial offense or any offense which undermines the integrity of such person.

5/ Membership of National Exchange Actors Association

Each person seeking recognition as member shall be a member of the National Exchange Actors Association established in accordance with the Authority Proclamation.

6/ Trade License and Certificate of Competence

- (a) Any Member seeking recognition shall furnish a trade license corresponding to the trade he is engaged in. Where the trade license he has furnished relates to a certain commodity for which a certificate of competence is required by some other laws, he shall also attach such certificate of competence therewith.

- (b) Any recognized Member shall not trade on his own account any commodity for which a certificate of competence is required unless he has furnished the certificate of competence pertinent thereto.
- (c) The provisions of the preceding sub articles shall not preclude any recognized Intermediary or Limited Intermediary Member from trading a commodity on behalf of his client who has been issued a certificate of competence.

## 7. Recognition as a Member's Authorized Representative

### 1/ Approval by the Exchange

No person shall be recognized as a Member's Authorized Representative unless such person produces evidence that the Exchange has, subject to recognition by the Authority, approved such person's application to act as a Member's Authorized Representative in the Exchange. The Exchange's approval shall include approval of the Member for whom the Member's Authorized Representative will act.

### 2/ Certification requirement

A person seeking to be recognized as a Member's Authorized Representative must pass the appropriate Certification Examination administered by the Exchange. Such Member's Authorized Representative must also attend any training or periodic continuing education provided by the Exchange, and continue to comply with the examination requirements of the Exchange designed to ensure that the applicant understands his responsibilities to the Exchange, Authority and public, under the Authority Proclamation and these Directives or Rules of the Exchange.

### 3/ Background check requirement

Each person seeking to be recognized as a Member's Authorized Representative must demonstrate to the satisfaction

of the Authority that such person has never been convicted of any financial offense or any offense which undermines the integrity of such person.

#### 8. Application Procedure for Recognition as an Exchange Actor

- 1/ A person seeking to be recognized as an Exchange Actor shall file an application for recognition together with any relevant annexure with the Authority.
- 2/ The application must include the following:
  - (a) A completed Form 1 or 2 as the case may be;
  - (b) A completed Exchange Membership application, with all attachments and the relevant Exchange Pre-approval letter;
  - (c) A representation by the applicant that it will operate in accordance with the provisions contained in Part Three of the Authority Proclamation and these Directives;
  - (d) A representation that such person has not committed or been convicted of any financial offense or any offense which undermines the integrity of such person; and
  - (e) Where the applicant with sufficient particularity identifies information in the application it deems confidential, a request for confidential treatment with evidence to support such request.

#### 9. Review Period

- 1/ Except as provided for under Sub Article 2 of this Article, the Authority shall review the application for recognition as an Exchange Actor within 7 (seven) working days of the filing of the application. The Authority may approve or deny an application or if deemed appropriate, recognize an Exchange Actor subject to conditions. If the Authority notifies the person the application is incomplete and specifies the deficiencies in the application,

the process date will be stayed until the application is resubmitted in complete form.

- 2/ The Authority may temporary recognition to an Exchange Actor on an expedited basis. The temporary recognition under this Sub-Article may be subject to conditions and an expiry date as the Authority may stipulate
- 3/ An Exchange Actor shall apply for permanent recognition when conditions of such person's recognition are met and before the expiry of the temporary recognition.

#### 10. Denial of Application for Recognition

- 1/ The Authority may deny an application for recognition by an Exchange Actor on showing that:
  - (a) The application was not made in accordance with Part Three of the Authority Proclamation and Articles 6 and 7 of these Directives;
  - (b) The applicant has failed to comply with any requirements of the Authority Proclamation or these Directives;
  - (c) The applicant has failed to provide the Authority with information which the Authority requires relating to the applicant or any person employed by or associated with the applicant for purposes of the applicant's business or to any circumstances likely to affect the applicant's business;
  - (d) The applicant is bankrupt or in the case of a juridical person is wound up;
  - (e) The Authority is not satisfied that the applicant's, or its officers', directors', agents' or employees', qualifications are adequate with regard to the nature of the duties of an Exchange Actor;

- (f) The applicant, or its directors, officers, agents or employees have been convicted any financial offense or any offense which undermines the integrity of such person or is otherwise convinced the applicant is not of good moral character;
  - (g) The applicant does not meet the financial requirements set out by the Exchange; or
  - (h) Recognition of the applicant is not in the public interest.
- 2/ The Authority shall specify the grounds for the denial. In the event of a refusal to recognize as an Exchange Actor any person that has made an application for recognition shall be afforded an opportunity for a hearing on the record before the Authority, with the right to appeal an adverse decision after such hearing to the Federal High Court.

## 11. Renewal of Recognition

- 1/ Any Exchange Actor seeking to renew his recognition shall, within four months after the expiry date of the three year valid recognition, file an application to the Authority upon fulfilling the necessary requirements and completing the prescribed application form.
- 2/ Any Exchange Actor who has not filed an application for renewal of recognition within the time specified under Sub-Article 1 of this Article shall, unless permitted otherwise by the Authority under special conditions, cease doing business immediately and file his application within the next two months upon fulfilling the necessary requirements and subject to a fine of Birr 2,000 (two thousand) for the delay of each month or a part thereof.
- 3/ Any application for renewal of recognition filed by any Exchange Actor after the expiry of the period specified under Sub-Articles 1 and 2 of this Article shall be rejected unless the applicant justifies that his delay was due to reasons out of his control and is permitted by the authority under special conditions.



- 4/ The applicant shall have the right to transfer his membership seat of the Exchange if his recognition is not renewed in accordance with the provisions of Sub-Articles 1, 2, and 3 of this Article or he does not seek to renew his recognition. The transfer of membership seat shall be determined in accordance with the procedures of the relevant provisions of the Rules of the Exchange.

## 12. Suspension or Revocation of Recognition

The Authority may suspend for a period not to exceed 180 (one hundred eighty) days or to revoke the recognition of an Exchange Actor on a showing that:

- 1/ The Exchange Actor is not enforcing or has not enforced a condition of its recognition as an Exchange Actor; or
- 2/ The Exchange Actor, or any of its directors, officer, agent, or employee is violating or has violated any of the provisions of the Authority Proclamation or any of the Directives, or orders of the Authority.

## 13. Opportunity for hearing and right of appeal

- 1/ In the event of a denial of recognition or suspension or revocation in accordance with Article 19 of the Authority Proclamation, any person that has made an application for recognition or an Exchange Actor whose recognition has been suspended or revoked shall be afforded an opportunity for a hearing on the record before the Authority.
- 2/ A denial of recognition or suspension or revocation of recognition shall be final and conclusive unless the Exchange Actor appeals such denial, suspension or revocation of recognition to the Federal High Court within 30 (thirty) days.

- 3/ The testimony and evidence taken or submitted before the Authority, duly filed as part of the record, shall be considered the Federal High Court as evidence in the case.

14. Withdrawal of application

An application for recognition may be withdrawn by filing with the Authority such a request. Withdrawal of an application for registration shall not affect any action taken or to be taken by the Authority based upon action, activities, or events occurring during the time the application was pending with the Authority.

15. Request to terminate recognition

A recognized Exchange Actor may terminate its recognition under Article 16 of the Authority Proclamation by filing such a request with the Authority. Termination of recognition shall not affect any action taken or to be taken by the Authority based upon action, activities, or events occurring during the time the application was pending with the Authority.

16. Authority to publish a Register of Exchange Actors

The Authority shall cause a Register of Exchange Actors who have been recognized, suspended, or whose recognition has been revoked, to be published, by the National Exchange Actors Association, or official news publication, or other means of dissemination as the Authority may deem necessary, on a monthly basis.

## **PART SEVEN**

### **BUSINESS CONDUCT OF EXCHANGE ACTORS**

1. Each Exchange Actor shall observe the following general standards of professional ethics and conduct.
  - 1/ Professionalism

Each Member shall conduct business in a manner displaying the highest degree of professional behavior, bringing credit to the profession, the industry, and the Exchange. Member shall speak truthfully and act in accordance with accepted principles of honesty and integrity.

## 2/ Responsibility to Clients

Any Member shall:-

- (a) enter into a contract with his client based on the fundamental principles of the rules of the Exchange before executing any transaction in the name of his client ;
- (b) pursue the legitimate objectives of his clients diligently and honestly. He shall not place his own needs and desires above those of his client in the performance of his duties;
- (c) make sure that his client's net sell payments have been credited to the latter's account within the period specified by the Rules of the Exchange;
- (d) ensure that the client's deposit buy funds had been used only to transactions instructed by the client and that any unused buy fund returned to him timely;
- (e) submit, in writing, a monthly report to all of his clients regarding the financial account of all transactions made on their behalf;
- (f) consult his client regularly or at the agreed period on the transactions of the Exchange and the procedures thereto.

## 3/ Conflict of Interest

Each Intermediate Member shall fully disclose to the Client any known conflict of interest between him and the Client. Each

Intermediate Member shall use every reasonable means to resolve such conflicts. No Intermediate Member shall permit a conflict of interest to remain undisclosed, nor shall he create any appearance of impropriety.

4/ Confidentiality

Each Member shall maintain as confidential any legitimate business information provided in confidence until and unless given permission to disclose it by the source, or for the length of time that confidentiality is legally required.

5/ Fair Dealing

Each Intermediate Member shall endeavor to deal fairly with his Clients. No Intermediate Member shall take unfair advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of material facts, or any other unfair dealing practice.

6/ Continuing Education

Each Member shall endeavor to remain knowledgeable in the business of the Exchange by taking steps to stay abreast of new developments in business and attending any training offered by the Exchange.

7/ Compliance with Laws

Each Member shall comply with all Federal and Regional and Local (Municipal) laws and regulations, as well as any human rights statutes concerning the properties managed, apprising property owners as appropriate.

2. Each Exchange Actor shall diligently supervise its employees and agents in the conduct of their Commodity Exchange activities for or on behalf of the Exchange Actor.

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3. Each Exchange Actor shall maintain adequate books and records necessary and appropriate to conduct its business including, without limitation, the records of:
    - 1/ Client name, address, occupation and controller of the Client's account
    - 2/ A daily computation of the total amount of Client funds on deposit in segregated accounts and the amount of the Exchange Actor's residual interest in such Client's accounts
    - 3/ A financial ledger record which will show separately for each Client all charges against and credits to such Client 's account, including but not limited to Client funds deposited, withdrawn, or transferred, and charges or credits resulting from losses or gains on closed transactions as well as commissions charged by the Exchange Actor.
    - 4/ Full, complete, and systematic records, together with all pertinent data and memoranda, of all transactions relating to its business dealing in Exchange contracts. Included among such records shall be all orders (filled, unfilled, or canceled), trading cards, signature cards, journals, ledgers, canceled checks, copies of confirmations, copies of statements of purchase and sale, and all other records, data and **memoranda**, which have been prepared in the course of its business of dealing in Exchange contracts
    - 5/ When subject to minimum financial requirements, prepare financial reports according to the accounting standards required to be filed by the Exchange and within the time specified by the Exchange, and file the same with the Authority.
    - 6/ All books and records required to be kept by these Directives shall be kept for a period of five years from the date thereof and shall be accessible. All such books and records shall be open to inspection by any representative of the Authority.
  4. Reports:

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Each Exchange Actor shall make reports from the records maintained in accordance to the requirements of Article 3 of this Part, at such times and at such places and in such forms as the Authority may prescribe by Directive or order.

5. In addition to actions prescribed under Article 26 of the Authority Proclamation, no Exchange Actor Shall:
  - 1/ Cheat, defraud or deceive, or attempt to cheat, defraud or deceive, any Commodity Exchange Client;
  - 2/ Make or cause to be made to a Client a false report, or enter or cause to be entered for a Client a false record, in or in connection with any Exchange contract;
  - 3/ Disseminate or cause to be disseminated, false or misleading information, or knowingly make inaccurate report, that affects or tends to affect the price of any commodity that is the subject of an Exchange contract;
  - 4/ Embezzle, steal or knowingly convert any money, or other property received from or accruing to a client in connection with an Exchange Contract;
  - 5/ Act in any capacity requiring recognition under the Authority Proclamation and these Directives unless the person is registered in that capacity;
  - 6/ Represent or imply in any manner whatsoever that such Exchange Actor has been sponsored, recommended or approved, or that such Exchange Actor's abilities have in any respect been passed upon by the Authority. However, this rule shall not prohibit an Exchange Actor from stating the fact of recognition by the Authority if the effect of recognition is not misrepresented, or from discussing or explaining the functions and purposes of recognition;
  - 7/ Use the Client's money for the Member's own transactions or for transactions of such other Client or for any purpose other than

the deposit and pay in relating to transactions entered into by such Client paying the deposit.

- 8/ Willfully make or cause to be made to the Authority, the Exchange or any other Governmental body any false report or statement, or willfully to enter or cause to be entered any false record;
6. Each Exchange Actor shall cooperate promptly and fully with any investigation, inquiry, audit, examination or proceeding lodged by the Authority or the Exchange, regarding compliance with Authority requirements or any disciplinary proceedings. Each Exchange Actor shall comply with any order issued by the Authority.
7. No Exchange Actor shall exercise discretion over a Clients Commodity Exchange account other than the purpose of the deposit. Each Exchange Actor shall maintain records which clearly identify accounts of his Clients.
8. No Exchange Actor shall accept an order from a third party, not a Client of the Exchange Actor, without first obtaining a copy of a written authorization or acknowledgment from such person that such authorization has been given.
9. Communication with the public
  - 1/ No Exchange Actor shall make any communication with the public which:
    - (a) Operates as a fraud or deceit;
    - (b) Employs or is part of a high-pressure approach; or
    - (c) Makes any statement that trading in Exchange contracts is appropriate for all persons.
  - 2/ No Exchange Actor shall use any promotional material which:
    - (a) Is likely to deceive the public;

- (b) Contains any material misstatement of fact or which the Exchange Actor knowingly omits a fact which makes the promotional material misleading;
  - (c) Mentions the possibility of profit unless accompanied by an equally prominent statement of the risk of loss'
  - (d) Includes any reference to actual past trading profits without **mentioning** that past results are not necessarily indicative of future results;
  - (e) Includes a statement opinion included in promotional material must be clearly identifiable as such and must have a reasonable basis in fact.
10. Any Exchange Actor who violates or fails to comply with any Authority requirement shall be subject to appropriate disciplinary action in accordance with these Directives.

## **PART EIGHT**

### **RECOGNITION OF NATIONAL EXCHANGE ACTORS ASSOCIATION**

#### 1. Recognition

- 1/ The Authority may recognize a National Exchange Actors Association (herein after the " Association") for the purpose of upholding and maintaining the standards of integrity, professionalism, and skills of Exchange Actors. Such Association shall not become operational unless recognized by the Authority in accordance with Article 20 of Authority Proclamation.
- 2/ Without limiting the generality mentioned in Sub-Article 1 of this Article, the Association shall:



- (a) ensure that Exchange Actors observe the laws, directives, rules and by-laws of the Authority and the Exchange;
- (b) provide professional ethics education for Exchange Actors regarding spot and futures markets and to support Exchange Actors in maintaining the integrity of the market place, their business conduct and appropriate supervision of their employees in the conduct of their Commodity Exchange business activities;
- (c) serve as an advocate of Exchange Actors and a bridge between Exchange Actors, the Exchange and Authority;
- (d) report and furnish to the Authority information required under Article 2 herein below and such other information pertaining to such Exchange Actors Association as may be required by the Authority and the Exchange, as the case may be.

## 2. Recognition Requirements

### 1/ Registration Statement

The Association desiring recognition by the Authority shall file with the Authority for review and approval, a registration statement, in such form as the Authority may prescribe setting forth the information and accompanied by the documents specified below:

- (a) copies of its articles and memorandum of association under the relevant provisions of the Civil Code, with all amendments thereto, and of its by-laws, and of any rules or instruments corresponding thereto;
- (b) data as to its organization, membership, and rules of procedure, and such other information as the Authority

may by directives require as necessary or appropriate in the public interest;

- (c) training standards and proficiency testing; and
- (d) a program to audit and enforce compliance with the following standards:
  - i) Minimum capital, segregation of accounts, and other financial requirements applicable to Exchange Actors, and
  - ii) Minimum standards governing the trading practices of Exchange Actors and persons associated therewith for transactions subject to the provisions of the Authority Proclamation.

2/ The Association shall not be recognized unless the Authority finds that:

- (a) The Association is in the public interest and that it will be able to comply with the provisions of this Article;
- (b) The rules adopted by the Association provide that the Association shall advise the Authority and the Exchange in cases where the Association finds it appropriate, in the public interest, that the Authority and Exchange take action against such Exchange Actor. The Association, shall submit its finding to the Authority and the Exchange with its recommendation for action.
- (c) The rules of the Association assure a fair representation of Exchange Actors in the adoption of any rule of the Association or amendment thereto, the selection of its officers and directors, and in all other phases of the administration of its affairs;

- (d) The rules of the Association provide for the equitable allocation of dues, if any, among Exchange Actors, to defray reasonable expenses of administration;
- (e) The rules of the Association provide a fair and orderly procedure with respect to the recommendation of disciplining of Exchange Actors by the Exchange or Authority. In any proceeding to determine whether the Association should recommend that any Exchange Actor shall be disciplined, such rules shall require that specific charges be brought; that such Exchange actor or person be notified of and be given an opportunity to defend against such charges; that a record be kept; and that the determination include:
  - i) a statement setting forth any act or practice in which such Exchange Actor may be found to have engaged, or which such Exchange Actor may be found to have omitted;
  - ii) a statement setting forth the specific rule or rules of the Exchange of which any such act or practice, or omission to act, is deemed to be in violation;
  - iii) a statement whether the acts or practices prohibited by such rule or rules, or the omission of any act required thereby, are deemed to constitute conduct inconsistent with just and equitable principles of trade; and
  - iv) a statement setting forth the penalty recommended.

### 3. Right of hearing

In any proceeding to determine whether the Association should report or recommend a fine, suspension, expulsion of an Exchange Actor to the Exchange or the Authority, the rules of the Association shall provide that

the person shall be notified of, and be given an opportunity to be heard; that a record shall be kept; and that the determination shall set forth the specific grounds upon which the discipline action is taken.

4. Fair representation

- 1/ The Association provides for meaningful representation on the governing board of such Association of a diversity of Exchange Actor interests.
- 2/ Such Association provides on all major disciplinary committees for a diversity of Exchange Actors, sufficient to ensure fairness and to prevent special treatment or preference for any person in the conduct of disciplinary proceedings and the assessment of penalties.

5. Denial of recognition

Upon filing of an application for recognition pursuant to Article 23 of Authority Proclamation, the Authority may by order grant such recognition if the requirements of this section are satisfied. If, after appropriate notice and opportunity for hearing, it appears to the Authority that any requirement of this section is not satisfied, the Authority shall by order deny such recognition.

6. Suspension of recognition

The Authority may, after notice and opportunity for hearing, suspend the recognition of the Association if it finds that the rules thereof do not conform to the requirements of the Authority, and any such suspension shall remain in effect until the Authority issues an order determining that such rules have been modified to conform with such requirements.

7. Withdrawal from recognition; notice of withdrawal

The Association may, upon such reasonable notice as the Authority may deem necessary in the public interest, withdraw from recognition by filing

with the Authority a written notice of withdrawal in such form as the Authority may by directive prescribe.

8. Power of Authority to review procedures of Association for recommendation of disciplinary actions

The Authority shall review the rules and procedures of the Association and the implementation thereof, to determine whether such rules and procedures were applied in a fair, objective and consistent manner and in line with the purpose of the Authority and Exchange Proclamations, the Directives and orders of the Authority and the rules of the Exchange.

9. Additions to association rules

- 1/ The Authority may in writing request, in the public interest, the Association to adopt any specified alteration or supplement to its rules with respect to any of the matters.
- 2/ If the Association fails to adopt such alteration or supplement within a reasonable time, the Authority is authorized by order to alter or supplement the rules of such Association in the manner theretofore requested, or with such modifications of such alteration or supplement as it deems necessary if, after appropriate notice and opportunity for hearing, it appears to the Authority that such alteration or supplement is necessary or appropriate in the public interest.

## **PART NINE**

### **AUTHORITY INVESTIGATIONS**

1. Scope and applicability

This part applies to investigatory proceedings conducted by the Authority or its staff pursuant to Article 6 (10) and 7 (3) of Authority Proclamation to determine whether there have been violations of laws concerning the regulation of a commodity Exchange or related business. Except as

otherwise specified herein, the rules will apply to the conduct of investigation.

2. Authority to conduct investigations

- 1/ The Director of the Department of Enforcement (the "Department") and members of the Authority staff acting pursuant to his authority and under his direction may conduct such investigations as he deems appropriate to determine whether any persons have violated, are violating, or are about to violate the provisions of the Authority and Exchange Proclamations, the Directives and rules there under. For this purpose, the Director may obtain evidence through voluntary statements and submissions, through exercise of inspection powers over persons required by law to be recognized by the Authority, or when authorized by order of the Authority, through the issuance of summons.
- 2/ The Director shall report to the Director General of the Authority the results of his investigations and recommend to the Authority such enforcement action, as he deems appropriate. In particular matters, the Director of the Department of Clearing and Intermediary Oversight and the Chief Economist and Director of the Department of Market Oversight, and members of their staffs acting within the scope of their respective responsibilities, are also authorized to investigate, report and recommend to the Authority in accordance with these rules.
- 3/ All information and documents obtained during the course of an investigation, whether or not obtained pursuant to summon, and all investigative proceedings shall be treated as non-public by the Authority and its staff except to the extent that:
  - (a) the Authority directs or authorizes the public disclosure of the investigation; and

- (b) the information or documents are made a matter of public record during the course of an adjudicatory proceeding.

### 3. Summons

1/ The Authority, its staff or any member of the Authority Board who, by order of the Authority, has been authorized to issue summons in the course of a particular investigation may issue a summon directing the person named therein to appear before a designated person at a specified time and place to testify or to produce documentary evidence, or both, relating to any matter under investigation.

2/ An order of the Authority authorizing one or more of its staff or members of the Authority Board to issue summons in the course of a particular investigation shall include:

- (a) A general description of the scope of the investigation;
- (b) The authority under which the investigation is being conducted; and
- (c) A designation of the staff of the Authority authorized by the Authority to issue summons.

3/ Service of summons issued for investigative purposes shall be effected in the following manner:

- (d) Delivery of a copy of a summon to a natural person may be effected by:
  - (i) Handing it to the person;
  - (ii) Leaving it at his office or residence with the person in charge thereof after obtaining the signature of such person;
  - (iii) Mailing it by registered or certified mail to him at his last known address; or

- (iv) Any other method whereby actual notice is given to him.
  - (e) When the person to be served is not a natural person, delivery of a copy of the summon may be effected by:
    - (i) handing it to any officer, director, or agent in charge of any office of such person after obtaining the signature;
    - (ii) mailing it by registered or certified mail to any such representative at his last known address; or
    - (iii) any other method whereby actual notice is given to any such representative.
- 2/ Witnesses appearing pursuant to summon shall be paid fees as may be determined by the Authority.

#### 4. Transcripts

Transcripts of testimony taken in the course of an investigative proceeding shall be recorded by an official reporter or other person or by other means authorized by the Authority or by its staff conducting the investigation for the Authority.

#### 5. Oath; false statements; reporting of criminal offenses

- 1/ At the discretion of the member of the Authority or staff member conducting the investigation, testimony of a witness may be taken under oath.
- 2/ Any person making false statements under oath during the course of an Authority investigation shall be held criminally responsible. Any person who knowingly and willfully makes false or fraudulent statements, whether under oath or otherwise, or who falsifies, conceals or covers up a material fact, or submits any false writing or document, knowing it to contain false,



fictitious or fraudulent information, shall be held criminally responsible.

- 3/ Any criminal offense mentioned in the Authority Proclamation or other criminal offense which is discovered during the process of investigation shall be reported to the appropriate judicial organ.

## 6. Rights of witnesses

- 1/ Any person upon whom a summon has been served to furnish documentary evidence or testimony in an investigation shall, upon his request, be permitted to examine a copy of the Authority's order pursuant to which the summons has been issued. However, a copy of the order shall not be furnished for his retention unless the person seeking to retain a copy has proved to the satisfaction of the responsible officer of the Authority that his retention of a copy would be consistent both with the protection of privacy of persons involved in the investigation and with the unimpeded conduct of the investigation.
- 2/ A person required to submit data or evidence in the course of an investigatory proceeding shall be entitled to retain or, upon payment of appropriate fees as set forth in the Schedule of Fees for records services, procure a copy or transcript thereof, except that the witness may for good cause be limited to inspection of the official transcript of his testimony.
- 3/ A person who appears in person by request or permission of the Authority or its staff during an investigation, may be accompanied, represented, and advised by counsel. The right to be accompanied, represented and advised by counsel shall mean the right of a person testifying to have an attorney present with him during any aspect of an investigative proceeding and to have this attorney advise his client before, during and after the conclusion of such examination.

- 4/ With due regard for the rights of a witness, the Authority may for good cause exclude a particular attorney from further participation in any investigation in which the Authority has found the attorney to have engaged in, obstructionist conduct. The person conducting an investigation may report to the Authority instances of apparently dilatory, obstructionist or contumacious conduct on the part of an attorney. After due notice to the attorney, the Authority may take such action as the circumstances warrant based upon a written transcript evidencing the conduct of the attorney in that investigation or such other or additional written or oral presentation as the Authority may permit or direct.
- 5/ A witness testifying or otherwise giving information in an investigation may refuse to answer questions on the basis of the right against self-incrimination granted by the Constitution of the FDRE.

## 7. Sequestration

- 1/ All witnesses and potential witnesses shall be sequestered and prohibited from being present during the examination of any other witness unless otherwise permitted in the discretion of the person conducting the investigation.
- 2/ When a reasonable basis exists to believe that an investigation may be obstructed or impeded, directly or indirectly, by an attorney's representation of more than one witness during the course of an investigation, the member of the Authority or of the Authority's staff conducting the investigation may prohibit that attorney from being present during the testimony of any witness other than the witness on whose behalf counsel first appeared in the investigatory proceeding. To the extent practicable, consistent with the integrity of the investigation, the attorney will be advised of the reasons for his having been sequestered.

## 8. Procedure Relating to the Recommendation of Enforcement Proceedings

- 1/ The Department, in its discretion, may inform persons who may be named in a proposed enforcement proceeding of the nature of the allegations pertaining to them. The Department, in its discretion, may advise such persons that they may submit a written statement prior to the consideration by the Authority of any staff recommendation for the commencement of such proceeding. Unless otherwise provided for by the Director of the Department, such written statements shall be submitted within 14 days after persons are informed by the Department.
- 2/ Unless otherwise directed by the Director of the Department, such written statements shall be submitted within 14 days after persons are informed by the Department of the nature of the proposed allegations pertaining to them and shall be no more than 20 pages, double spaced on A4 size paper, setting forth their views of factual, legal or policy matters relevant to the commencement of an enforcement proceeding. A person with personal knowledge of such fact must swear to any statement of fact included in the submission. Statements shall be forwarded to the Director of the Department with copies to the staff conducting the investigation, shall clearly identify the specific investigation, and, if desired, may request that the statement be forwarded to the Authority.
- 3/ Similarly, persons who become involved in an investigation, and submit a written statement on their initiative, should follow the relevant procedures described above. In the event the Department recommends the commencement of an enforcement proceeding to the Authority, any written statement will be forwarded to the Authority if so requested. The Authority may, in its discretion, consider all, any portion or none of the submission when it considers the staff recommendation to commence an enforcement proceeding.

## 9. Investigation reports

- 1/ The enforcement staff of the Authority shall submit a written investigation report to the Director of Enforcement of the Authority in every instance in which the enforcement staff has determined that a reasonable basis exists for finding a violation. The investigation report shall include the reason the investigation was initiated, a summary of the complaint, if any, the relevant facts, the enforcement staff's conclusions and a recommendation as to whether the Department of Enforcement should proceed with the matter.
- 2/ If after conducting an investigation the enforcement staff has determined that no reasonable basis exists for finding a violation, it shall prepare a written report including the reason the investigation was initiated, a summary of the complaint, if any, the relevant facts, the enforcement staff's conclusions. The report shall become part of the investigation file which thereafter may be closed.
- 3/ The enforcement staff of the Authority may recommend the issuance of a warning letter to a person under investigation. A warning letter issued in accordance with this Article is not an administrative measure or an indication that a finding of a violation has been made. A copy of such warning letter issued by the enforcement staff shall be included in the investigation report required by Sub-Articles 1 or 2 of this Article.

#### 10. Review of investigation report

- 1/ The Director of Enforcement to whom the report has been submitted under Article 9 shall promptly review each investigation report. In the event the Director determines that additional investigation or evidence is needed, it shall promptly direct the enforcement staff to conduct its investigation further.
- 2/ Within a reasonable period of time not to exceed 15 days after the receipt of a completed investigation report, the Director shall take one of the following actions:

- (a) If no reasonable basis exists for finding a violation or that adjudicating of the case is otherwise unwarranted, he may direct that no further action be taken. Such determination must be in writing and contain a brief statement setting forth the reasons therefor.
  - (b) If a reasonable basis exists for finding a violation which should be adjudicated, the Director of Enforcement shall submit a recommendation to the General Director of the Authority in accordance with the provisions of Article 2 (2) of this Part and where he obtains the consent of the General Director shall, representing the Authority, direct that the case be instituted before the Administrative Tribunal.
- 3/ The right of the Authority to bring an action before the Administrative Tribunal shall be barred unless such action is brought within two years from the time of the commission of the offense is known but in any event not more than ten years from the commission of the offense.

#### 11. Temporary injunction

- 1/ If the Authority finds, after causing an inquiry to be made, that any person has violated, or is likely to violate any provisions of the Authority Proclamation or any directives made hereunder, the Authority may pass an order enjoining such person from committing such violations.
- 2/ An injunction directed to legal persons shall be binding on the legal person itself as well as on all members, officers and directors thereof whose personal actions it seeks to restrain.

### **PART TEN**

#### **PROCEDURES FOR ADJUDICATING CASES BY THE AUTHORITY ADMINISTRATIVE TRIBUNAL**

### 1. Administrative Tribunal

An Administrative Tribunal established by the Authority shall determine whether violations have been committed and set and impose appropriate administrative measures.

### 2. Powers and Duties of Administrative Tribunal

- 1/ Pursuant to Articles 6 (10) and 7 of the Authority Proclamation, the Administrative Tribunal of the Authority shall hear and decide cases of violations of laws concerning the regulation of the Exchange and related business in accordance with the following procedures.
- 2/ The Administrative Tribunal shall be responsible for the fair and orderly conduct of the proceeding and shall have the authority to:
  - (a) Administer oaths and affirmations;
  - (b) Issue summons;
  - (c) Rule on admission of evidence;
  - (d) Receive relevant evidence;
  - (e) Examine witnesses;
  - (f) Regulate the course of the hearing;
  - (g) Consider and rule upon all motions;
  - (h) Make decisions; and
  - (i) Take such action as is just or appropriate, if a party or agent of a party fails to comply with an order issued by the Administrative Tribunal.

### 3. Separation of functions

- 1/ The Administrative Tribunal will not be responsible for or subject to the supervision or direction of any officer, employee, or agent of

the Authority in carrying out its adjudicatory functions and responsibilities.

- 2/ No officer, employee or agent of the Authority who is engaged in the performance of investigative or prosecuting functions in connection with any proceeding shall, in that proceeding or any factually related proceeding, participate or advise in the decision of the Administrative Tribunal or the Authority except as witness or counsel in the proceeding, without the express written consent of the respondents in the proceeding.

#### 4. Withdrawal of Judges

An Administrative Tribunal Judge may withdraw from any proceeding when he considers himself to be disqualified on the grounds of personal bias, conflict or similar bases. In such event he shall immediately notify the Authority and each of the parties of his withdrawal and of his reason for such action.

#### 5. Predetermined administrative measures

The Authority may adopt rules, which set specific maximum administrative measures for particular violations. If the rules of the Authority establish predetermined administrative measures, the Administrative Tribunal shall have discretion in each case whether to employ the predetermined administrative measures. If the predetermined administrative measure is employed, it shall be stated in the charges. In such case, after a hearing on a denied charge where a respondent is found to have committed the violation charged, the Administrative Tribunal shall impose the predetermined administrative measure or an appropriate lesser administrative measure.

#### 6. Charges

The charges shall:

- 1/ State the acts, practices, or conduct in which the person is alleged to have engaged;

- 2/ State the rule alleged to have been violated (or about to be violated);
- 3/ State the predetermined administrative measure, if any;
- 4/ Prescribe the period within which a hearing on the charges may be requested;
- 5/ Advise the person charged that:
  - (a) He is entitled, upon request, to a hearing on the charges;
  - (b) Failure to appear within the period prescribed in the charge, except for good cause, shall be deemed a waiver of the right to a hearing; and
  - (c) Failure in an answer to deny expressly a charge shall be deemed to be an admission of such charge.

#### 7. Right to representation

Upon being served with a charge, the respondent shall appear in person, if a natural person, or through an authorized agent, if it is a juridical person or be represented by legal counsel in all succeeding stages of the proceeding.

#### 8. Answer to charges

- 1/ The respondent shall be given a reasonable period, as dictated by the circumstances or complexity of the case of time to file an answer to the charges.
- 2/ The answer must be in writing and include a statement that the respondent admits, denies or does not have and is unable to obtain sufficient information to admit or deny each allegation. A statement of a lack of sufficient information shall have the effect of a denial of an allegation.



- 3/ Where the respondent fails to file an answer on a timely basis, the Administrative Tribunal shall render decision after referring the charge and documentary evidences with the relevant law.
- 4/ Failure in an answer to deny expressly a charge shall be deemed to be an admission of such charge.

9. Admission or failure to deny charges

- 1/ If the respondent admits or fails to deny any of the charges the Administrative Tribunal may find that the rule violation alleged in the charges for which the respondent admitted or failed to deny any of the charges has been committed.
- 2/ The Administrative Tribunal shall impose an administrative measure no greater than the predetermined administrative measure, if any, stated in the charges for the corresponding violation found to have been committed.
- 3/ If no predetermined administrative measure was stated, the Administrative Tribunal shall impose an administrative measure for each violation found to have been committed.
- 4/ The Administrative Tribunal shall promptly notify the respondent in writing of any administrative measure to be imposed pursuant to Sub-Articles 1, 2 and 3 of this Article and shall advise him that he may request a hearing on such administrative measure within a reasonable period of time, which shall be stated in the notice, but that except for good cause shown no hearing shall be permitted on an administrative measure imposed pursuant to Sub-Article 2 of this Article.
- 5/ The rules of the Authority may provide that if a respondent fails to request a hearing within the period of time stated in the notice he shall be deemed to have accepted the administrative measure.

## 10. Denial of charges and right to hearing

In every instance where the respondent has requested a hearing on a charge which is denied, or on an administrative measure set by the Administrative Tribunal under Sub-Article 3 of Article 9, he shall be given an opportunity for a hearing in accordance with the requirements of Article 11. The Authority rules may provide that, except for good cause, the hearing shall be concerned only with those charges denied and/or administrative measures set by the Administrative Tribunal under Sub-Article 3 of Article 9, for which a hearing has been requested.

## 11. Appearances and Hearing

1/ The parties may appear in person or by counsel.

2/ The following minimum requirements shall apply to any hearing:

- (a) The hearing shall be fair and shall be conducted before members of the Administrative Tribunal. The hearing may be conducted before all of the members of the Administrative Tribunal or a panel thereof, but no member of the Administrative Tribunal may serve on the panel if he or any person or firm with which he is affiliated has a financial, personal, or other direct interest in the matter under consideration.
- (b) The respondent shall be entitled in advance of the hearing to examine all books, documents, or other tangible evidence in the possession or under the control of the Authority which are to be relied upon by the enforcement staff in presenting the charges contained in the charges or which are relevant to those charges.
- (c) The hearing shall be promptly convened after reasonable notice to the respondent.
- (d) The procedures for the hearing may not be so informal as to deny a fair hearing.

- (e) The enforcement staff shall be a party to the hearing and shall present its case on those charges and administrative measures, which are the subject of the hearing.
- (f) The respondent shall be entitled to cross-examine any persons appearing as witnesses at the hearing.
- (g) The respondent shall be entitled to call witnesses and to present such evidence as may be relevant to the charges.
- (h) The Authority shall require persons who are called as witnesses to appear at the hearing and to produce evidence.
- (i) A substantially verbatim record of the hearing shall be made and shall become a part of the record of the proceeding. The record must be one that is capable of being accurately transcribed; however, it need not be transcribed unless the transcript is requested by the Authority staff or the respondent.

3/ The cost of transcribing the record of the hearing shall be borne by the party who requests the transcript.

4/ The Administrative Tribunal may summarily impose upon any person whose actions impede the progress of a hearing.

## 12. Public hearings.

All hearings shall be public, except that upon application of a respondent or affected witness, the Administrative Tribunal Judge may direct that specific documents or testimony be received and retained non-publicly in order to prevent unwarranted disclosure of trade secrets or sensitive commercial or financial information or an unwarranted invasion of personal privacy.

## 13. Summons.

1/ Any party may apply to the Administrative Tribunal for the issuance of a summons requiring a person to appear and testify

at the hearing. All requests for the issuance of a summons shall be submitted in duplicate and in writing.

- 2/ An application for a summons requiring a person to produce specified documentary or tangible evidence at any designated time or place may be made by any party to the Administrative Tribunal. All requests for the issuance of a summons shall be submitted in duplicate and in writing.
- 3/ The Administrative Tribunal considering any application for a summons shall issue the summons requested if he is satisfied the application complies with this section and the request is not unreasonable, oppressive, excessive in scope or unduly burdensome.
- 4/ In the event the Administrative Tribunal determines that a requested summons or any of its terms are unreasonable, oppressive, excessive in scope, or unduly burdensome, it may refuse to issue the summons, or may issue it only upon such conditions as it determines fairness requires.

#### 14. Record of hearing

Hearings for the purpose of taking evidence shall be recorded and transcribed in written form under the supervision of the Administrative Tribunal by a Proceeding Clerk. The original transcript shall be a part of the record and shall be the sole official transcript.

#### 15. Dismissal of cases

Where the Administrative Tribunal finds that no case has been found against the respondent, it shall dismiss the case

#### 16. Withdrawal of Charges

The **Director of Enforcement Department** may, after consultation with the **General Director of the Authority** and before the Administrative Tribunal renders a decision, withdraw by himself or through the Enforcement staff

any charge at any stage of the proceeding upon filing a written application approved by him.

#### 17. Decision of the Administrative Tribunal

Promptly following a hearing conducted in accordance with Article 11, the Administrative Tribunal shall render a written decision based upon the weight of the evidence contained in the record of the proceeding and shall provide a copy to the respondent. The decision shall include:

- 1/ The charges or a summary of the charges;
- 2/ The answer, if any, or a summary of the answer;
- 3/ A brief summary of the evidence produced at the hearing or, where appropriate, incorporation by reference of the investigation report;
- 4/ A statement of findings and conclusions with respect to each charge, including the specific rules which the respondent is found to have violated; and
- 5/ A declaration of any administrative measure imposed and the effective date of such administrative measure.

#### 18. Appeal

- 1/ A respondent may promptly appeal an adverse decision of the Administrative Tribunal in all or in certain classes of cases. A respondent's notice of appeal shall be in writing and specify the findings, conclusions, and/or administrative measure to which objection is taken.
- 2/ The appeal shall be initiated by serving and filing with the Proceedings Clerk a notice of appeal within 15 days after service of the initial decision or other order terminating the proceeding; where service of the initial decision or other order terminating the proceeding is effected by mail or commercial carrier, the time within which the party served may file a notice of appeal shall be increased by 3 days.

- 3/ The Proceedings Clerk shall confirm the filing of a notice of appeal to each other party.
- 4/ The appeal shall be perfected through the filing of an appeal brief. And the appeal brief shall be filed within 30 days after filing of the notice of appeal.
- 5/ Within 30 days after service of the appeal brief upon any other party that party may file an answering brief.
- 6/ Within 14 days after service of an answering brief, the party that filed the first brief may file a reply brief.
- 7/ No further briefs shall be permitted, unless so ordered by the Authority on its own motion.
- 8/ If the appeal brief is not filed within the time specified the opposing party may move for dismissal of the appeal.
- 9/ Upon hearing an appeal, the Authority Board may, on its own initiative, order review of a decision by the Administrative Tribunal within a reasonable period of time after the decision has been rendered.

#### 19. Decision of the Authority Board

- 1/ The Authority Board shall issue a written decision and shall provide a copy to the respondent. The decision shall include a statement of findings and conclusions with respect to each charge or administrative measure reviewed, including the specific rules which the respondent was found to have violated by the Administrative Tribunal, and a declaration of any administrative measure imposed and the effective date of such administrative measure.
- 2/ The decision of the Authority Board shall become the final decision of the Authority.

#### 20. Hearing Opportunity to be Afforded for Exchange Actors

- 1/ Any person who has the right to be heard in accordance with the relevant provisions of the Authority Proclamation and Directives may be afforded this opportunity upon filing an application to the Administrative Tribunal within 30 days from the receipt of the decision of the Authority in which he is aggrieved.
- 2/ The Administrative Tribunal shall, after hearing the parties in accordance with the provisions of this Part, confirm, vary or reverse the decision of the Authority or remand the case to the appropriate department for reconsideration.
- 3/ Any party who is aggrieved by the decision of the Administrative Tribunal rendered in accordance with Sub-Article (2) of this Article may appeal to the Board of the Authority.
- 4/ Any grievance filed to the Administrative Tribunal shall be in writing and the proceeding shall be conducted in accordance with the relevant provisions of this Part.

## **PART ELEVEN**

### **VIOLATIONS AND PENALTIES**

1. The Authority may suspend or withdraw the recognition of any person found liable under this Part.
2. The Authority may impose a penalty not less than Birr 5,000 (five thousand) and not more than 100,000 (one hundred thousand) for each charge he is found guilty but which in any event may not exceed Birr 200,000 (two hundred thousand) if:
  - 1/ A person knowingly violates the Authority Proclamation or directives issued pursuant to the Proclamation.
  - 2/ A person who is recognized or is required to be recognized by the Authority, embezzles, steals, appropriates to such person's

use, any money or property having value in excess of Birr 100, which was received by such person to deposit, guarantee, or secure the trades or contracts of any client or accruing to such Client as a result of such trades or contracts or which was received from any Client in connection with the Commodity Exchange business of such person. The word "value" as used in this Article means face or market value, or cost price, either wholesale or retail, whichever is greater.

- 3/ A person who knowingly makes, or causes to be made, any statement in any application, report, or document required to be filed under the Authority Proclamation or these Directives or any order of the Authority or in connection with an application for membership in the Exchange or to become associated with a member thereof, which statement was false or misleading with respect to any material fact, or knowingly omitting any material fact required to be stated therein or necessary to make the statements therein not misleading.
  - 4/ A person willfully falsifies, conceals, or covers up a material fact, make any false, fictitious, or fraudulent statements or representations, or make or use any false writing or document knowing the same to contain any false, fictitious, or fraudulent statement or entry to the Exchange.
3. Where it is shown that the Exchange, any director, officer, agent, or employee of the Exchange has failed to comply with, observe, enforce or give effect to the Rules and conditions of its operations, or that the Exchange, or any director, officer, agent, or employee thereof, otherwise is violating or has violated any of the provisions of the Authority Proclamation or any of the Directives or orders of the Authority, the Authority may:
- (a) In respect of the Exchange, impose a penalty in proportion to the severity and gravity of the breach, not less than Birr 5,000 (five thousand) and not more than 150,000 (one hundred fifty thousand) for each charge it is found guilty but which in any



event may not exceed Birr 750,000 (seven hundred fifty thousand); and

- (b) In respect of a director, officer, agent, or employee of the Exchange, impose a penalty in proportion to the severity and gravity of the breach, but which in any event may not exceed Birr 10,000 (ten thousand).
- 4. Where it is shown that a Clearing Institution, any director, officer, agent, or employee of a Clearing Institution has failed to comply with, observe, enforce or give effect to the Rules and conditions of its recognition, or that the Clearing Institution, or any director, officer, agent, or employee thereof, otherwise is violating or has violated any of the provisions of the Authority Proclamation or any of the Directives or orders of the Authority, the Authority may:
  - (a) In respect of the Clearing Institution, impose a penalty in proportion to the severity and gravity of the breach, not less than Birr 5,000 (five thousand) and not more than 150,000 (one hundred fifty thousand) for each charge it is found guilty but which in any event may not exceed Birr 750,000 (seven hundred fifty thousand) ; and
  - (b) In respect of a director, officer, agent, or employee of the Clearing Institution, impose a penalty in proportion to the severity and gravity of the breach, but which in any event may not exceed Birr 10,000(ten thousand).
- 5. Where it is shown that an exchange actor or an agent or employee of an exchange actor is violating or has violated the Authority Proclamation or directives issued pursuant to the Proclamation or orders of the Authority, the Authority may:
  - (a) In respect of an Exchange Actor, impose a penalty in proportion to the severity and gravity of the breach, not less than Birr 5,000 (five thousand) and not more than Birr 100,000 (one hundred

thousand) on each charge he is found guilty but which in any event may not exceed Birr 500,000 (five hundred thousand);and

- (b) In respect of an agent or employee of an exchange actor, impose a penalty in proportion to the severity and gravity of the breach, but which in any event may not exceed birr 10,000(ten thousand).
6. Whenever it appears to the Authority that the Exchange, any Clearing Institution, Exchange Actor or other person has engaged, is engaging, or is about to engage in any act or practice constituting a violation of any provision of the Authority Proclamation, Directives or orders thereunder, the Authority may issue an order to enjoin such act or practice, or to enforce compliance with the Authority Proclamation, Directives thereunder.
  7. In determining the amount of the money penalty assessed under Articles 2, 3, 4 and 5 above, the Authority shall consider the appropriateness of such penalty to the gravity of the violation.
  8. Unless the person against whom a money penalty is assessed under Articles 2, 3, 4 and 5 above shows to the satisfaction of the Authority within 15 (fifteen) days from the expiration of the period allowed for payment of such penalty that either an appeal as authorized by these Directives has been taken or payment of the full amount of the penalty then due has been made, at the end of such 15-day period and until such person shows to the satisfaction of the Authority that payment of such amount with interest thereon to date of payment has been made, if such person is recognized by the Authority, such recognition shall be suspended automatically.
  9. If a person against whom a money penalty is assessed under Articles 2, 3, 4 and 5 above takes an appeal and if the Authority prevails or the appeal is dismissed, unless such person shows to the satisfaction of the Authority that payment of the full amount of the penalty then due has been made by the end of 30 (thirty) days from the date of entry of

judgment on the appeal, if such person is recognized by the Authority, such recognition shall be suspended automatically.

10. If the person against whom the money penalty is assessed fails to pay such penalty after the lapse of the period allowed for appeal or after the affirmation of such penalty, the Authority may refer the matter to the appropriate governmental body who shall recover such penalty by action in the appropriate judicial body.

## **PART TWELVE**

### **EMERGENCY POWERS OF THE AUTHORITY**

1. In accordance with Article 32 of the Authority Proclamation, whenever the Authority has reason to believe that an emergency exists, it may take such action as it considers necessary to maintain or restore orderly trading on the Exchange.
2. The emergency powers of the Authority shall include the powers to:
  - 1/ Liquidate or transfer outstanding obligations in any Contract;
  - 2/ Suspend or curtail trading in any Contract;
  - 3/ Require market participants in any Contract to meet special deposit requirements;
  - 4/ Direct the Exchange to close for a period not exceeding 5 (five) working days;
  - 5/ Direct the Exchange to modify trading days or hours not amounting to a closure of the Exchange for any one day; and
  - 6/ Direct the Exchange to modify or suspend the application of any of the business rules of the Exchange.

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3. The Authority may extend the closure of the Exchange under Sub Article 2 (4) of this Part for further periods each not exceeding 5 (five) days.
  4. The Authority shall specify the grounds for the directions given or actions taken under Article 2 and the grounds for any extension of closure under Article 3 of this Part.
  5. When it is not feasible to convene a quorum of the Authority Board, the Chairman of the Authority Board and in his absence, the Director General of the Authority, subject to the right of the full Authority Board to review any action under this Article, may take emergency action on behalf of and in the name of the Authority in accordance with the procedures set forth in this Article.
  6. The Chairman or Director General shall not, however, exercise the emergency powers of the Authority:
    - 1/ Without consultation with such other Member of the Authority Board, as may be available at the time in Addis Ababa, and without a reasonable attempt to consult, by telephone, with other Members of the Authority Board; and
    - 2/ Unless, in the opinion of the Chairman or Director General (after consulting with the Director General, in the case of the Chairman, the General Counsel or his deputy or associate, and such other members of the Authority staff as the Chairman or Director General deems appropriate) the public interest requires that action be taken immediately.
  7. The Chairman or Director General shall report to the quorum of the Authority Board, such exercise of emergency powers of the Authority within 1 (one) working day after such action is taken and shall cause the Secretary of the Authority to record the action taken in the official record of the Authority.

8. The Authority Board may, under the following conditions, review any action taken by the Chairman or Director General under this Part and may affirm, modify, alter or set aside the decision.
  - 1/ Upon the request of any Member of the Board of the Authority, or
  - 2/ In its discretion, upon petition by any other person.
9. In this Part, "emergency" means a situation or the occurrence of any event including:
  - 1/ An act of god, war or terror, a force majeure event, civil disorder, fire, flood, or explosion, natural disaster affecting the business of the Exchange;
  - 2/ An economic, financial or political crisis or any similar circumstance in Ethiopia affecting the business of the Exchange;
  - 3/ Any major market disturbance, howsoever caused, which prevents the markets from fairly reflecting the forces of supply and demand for such Exchange traded contracts; and
  - 4/ Any other undesirable market situation or practice, which, in the opinion of the Authority, is likely to affect the proper operation of the Clearing House, Exchange Designated Settlement Banks or any other Clearing Institution or is likely to affect or cause a disruption to the orderly trading of Exchange traded contracts on the Exchange.

**PART THIRTEEN**  
**PUBLICATION OF NOTICES**

1. The Authority shall cause notices to be published in an official newspaper or otherwise, in a manner as the Authority sees fit.

2. Without prejudice to the generality of Article 1 of this part, the Authority shall cause notice of the following to be published:
  - 1/ Issuance of Directive adopted as authorized by law and policy statements or interpretations formulated and adopted by the Authority and amendments thereof,
  - 2/ Register of Exchange Actors, categorized by status; and
  - 3/ Schedule of fees.

**PART FOURTEEN**  
**SCHEDULE OF FEES**

1. For recognition of Clearing Institutions.....Birr 500
2. For recognition of Exchange Actors.....Birr 200
3. For recognition National Exchange Actors Association.....Birr 100

**PART FIFTEEN**  
**MISCELLANEOUS PROVISIONS**

1. Inapplicable Laws  
No directive, rule or practice shall, in so far as it is inconsistent with these Directives, be applicable with respect to matters covered under these Directives.
2. Effective Date  
These Directives shall take effect upon being approved by the Ethiopia Commodity Exchange Authority Board.

**Done at Addis Ababa, March 10, 2008.  
Ethiopia Commodity Exchange Authority Board**