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Ethiopian Capital Market Authority

**Capital Market Service Providers Licensing and
Supervision Directive Number 980/2024**



January, 2024

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PREAMBLE

Whereas, a regulatory framework that will allow for an effective and efficient licensing and supervision framework is necessary for the operation of Capital Market Service Providers;

Whereas, a detailed licensing and regulatory framework for service providers is necessary to protect investors and create a fair and transparent market;

Whereas, it is important to distinguish between the various types of Capital Market Services Licenses including functions and authorized activities, and stipulate related ethical and governance principles; and

Now, therefore, the Authority hereby issues the following Capital Market Service Providers Licensing and Supervision Directive in accordance with Articles 55(1), 55(9), 55(10), 58(1) (c) and 108 (2) of the Capital Market Proclamation No.1248/2021



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PART ONE – GENERAL PROVISIONS

1. Short Title

This Directive may be cited as the “Capital Market Service Providers Licensing and Supervision Directive No. 980/2024.”

2. Definitions

Unless the context otherwise required:

1. “Accredited CPE Provider” means a person that is recognized and/or certified by the Authority as having the capacity to administer CPE programs.
2. “Appraisal” means the valuation, judgment or assessment of an asset to estimate the fair market value of such asset.
3. “Arbitration” means the dispute settlement mechanism provided for under Article 111 (2) of the Proclamation.
4. “Authority” means the Ethiopian Capital Market Authority established under the Capital Market Proclamation No.1248/2021.
5. “Beneficial Owner” means any natural person who directly or indirectly through any contract, arrangement or relationship or otherwise has or shares voting, controlling and/or investment power in an entity or property, and ultimately enjoys the rights associated with ownership even though the ownership title is in another name.
6. “Board” means Board of Directors of a Capital Market Service Provider.
7. “Business Days” means Calendar Days excluding Saturdays, Sundays, public holidays in Ethiopia.
8. “Business Organization” shall have the meaning provided for under Article 172 of the Commercial Code of Ethiopia Proclamation No. 1243/2021.
9. “Calendar Days” means consecutive days including Saturdays, Sundays and public holidays in Ethiopia.
10. “Cash balance” means the net amount of liquid funds in a securities brokerage account.
11. “Clients” means users and/or recipients of services or products of a Capital Market Service Provider;



12. "Client Function" means any business unit that interfaces with clients of the Capital Market Service Provider by either providing investment advisory, management of investments, marketing or other client related services.
13. "Continuing Professional Education" or "CPE", means the continuous learning activities a professional engages in to develop and enhance his/her abilities/skills and knowledge in a particular field.
14. "Control Function" means any business unit that is involved in driving, monitoring, detecting, and assessing a Capital Market Service Provider's operational and business Units' compliance with relevant law and required standards.
15. "Corporate Function" means any business unit that is involved in the general running of a Capital Market Service Provider, separate from the Control and Client Functions.
16. "CPE Cycle" means a period of twelve (12) months commencing on the 1st July of every year.
17. "Crowdfunding" means the process of raising funds to finance a project or business from the public through an online platform.
18. "Crowdfunding Platform" means a website, platform, online portal, application, or other similar platform through which a Crowdfunding Intermediary facilitates interaction between investors and entities seeking to raise funds.
19. "Digital Assets" means anything in digital form with value, ownership, and usage rights.
20. "Digital Sub-broker" means a provider of digital platforms for the trading of securities on a licensed securities exchange or over-the-counter trading facility through a licensed Securities Broker or Securities Dealer.
21. "Dispute Resolution Procedure" means a procedure developed and implemented by a Capital Market Service Provider for resolving or settling its disputes with clients in accordance with the Proclamation.
22. "Due Diligence" means a comprehensive appraisal, investigation, audit, or review performed to confirm the facts or details of a matter under consideration or in preparation for a transaction.
23. "Employee" shall mean an individual who has been authorized to perform one or more regulated activity on behalf of a Capital Market Service Provider.
24. "External Auditor" means a public auditor licensed by the pertinent government organ to provide audit service.
25. "False Information" or "Misleading Information" means at the time and in light of the circumstances in which the information was shared, it was false or misleading with respect to any material fact and which the person who shared it knew or reasonably



- ought to have known to be false or misleading; or by reason of the omission of a material fact, it is rendered false or misleading and which the person who shared it knew or ought to have known to be rendered false or misleading by reason of omission of that fact.
26. "Fidelity Guarantee" means an insurance that provides coverage against any financial loss sustained by the Service Provider through acts of fraud, dishonesty, forgery or theft in the course of employees' performance of their duties.
 27. "Financial Year" means the period of twelve months beginning from the 1st day of July every year.
 28. "Fit and Proper Person(s)" means a person or persons who satisfy the criteria laid down under Article 56 of the Proclamation.
 29. "Fundraisers" means entities seeking to raise funds through a Crowdfunding platform.
 30. "Identity Theft" means wrongfully obtaining and using or transferring another person's personal data, such as their name, identification number, or bank account number, without their permission, with the intent to deceive, commit fraud, or to aid or abet any unlawful activity or other crimes.
 31. "Improper Use of Client Funds" means unauthorized use of the client's funds for purposes or transactions other than those instructed by the client or which do not benefit the client.
 32. "Incorporation Document" means a set of legal papers that contains information on the formation and structure of a business organization.
 33. "Insider Trading" means trading or dealing in securities, or their derivatives based on material and non-public information.
 34. "Investment Instruments" means any security approved by the Authority for issuance through a Crowdfunding Portal or Platform from time to time.
 35. "Investment Policy Statement" means a document that largely communicates the plan and conditions for achieving a client's investment goals; putting into consideration the client's risks profile, investment approach, investment restrictions/limitations, tenure of investment, fees payable to the Securities Portfolio Manager, and any other relevant terms of the portfolio investment.
 36. "Know Your Customer/Client (KYC)" is a mandatory process of identifying and verifying the client's identity.
 37. "Months" means consecutive calendar months in Ethiopia, excluding Paguemain as a month; however, the dates in Paguemain will count as dates.
 38. "Net Shareholders' Fund" means the fund available to shareholders after total liabilities have been deducted from total assets.



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39. "Net-worth" means the total value that remains, after the total liabilities of an individual has been deducted from the total assets of such an individual.
40. "Nominee Account" means the account of a person in whose name securities are recorded on a book-entry register and held for the beneficial owner of the securities under a custodial agreement with the beneficial owner.
41. "Non-Permissible Investment Instrument" means any investment instrument other than those explicitly defined as permissible under the crowd funding agreement.
42. "Person" means any natural or juridical person.
43. "Pre-Certification Inspection" means the physical visit to the office of a prospective Capital Market Services Provider to assess its readiness to commence operation pursuant to the applicable provisions of this Directive.
44. "Private Limited Company" shall have the meaning provided for under Article 495 of the Commercial Code of Ethiopia Proclamation No. 1243/2021.
45. "Proclamation" means the Capital Market Proclamation No. 1248/2021.
46. "Public Accountant" means an accountant licensed and registered as a certified public accountant by the pertinent government organ to provide accounting services.
47. "Qualifying Capital" means the acceptable components of the minimum capital to help maintain stability and ensure that Capital Market Service Providers are competitive both domestically and globally.
48. "Regulatory Authority" means an independent body or institution established by a legislative act or in line with a legislative act, other than the Authority; and is responsible for issuing Directives or setting standards in a specific field of activity, or operations, and enforcing those standards.
49. "Restitution" means a gain-based recovery to a client who has suffered pecuniary losses because of the act of a Capital Market Service Provider.
50. "Securities" shall have the meaning provided for under Article 2 (62) of the Proclamation. In this regard, digital assets are also regarded as securities in line with the provisions of Article 2 (62)(g) of the Proclamation.
51. "Securities Appraisal Firm" means an entity licensed by the Authority to provide appraisal and valuation services with respect to the assets of Collective Investment Schemes and that of any other capital market related activity as may be specified by the Authority, consistent with the provisions of the Proclamation.
52. "Securities Custodian" shall have the meaning provided for under Article 2 (16) of the Proclamation.



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53. "Securities Investment Advisor" shall have the meaning provided for under Article 2(36) of the Proclamation.
54. "Securities Market Maker" shall have the meaning provided for under Article 2(42) of the Proclamation.
55. "Securities Portfolio Manager" means an entity, which pursuant to a contract with a client advice, directs or undertakes on behalf of the client the management of a portfolio of securities of the client for a fee.
56. "Securities Robo Adviser" means a securities investment adviser that provides services through digital channels and conducts analysis using algorithms to provide advice after identifying the risk profile, income level and investment objectives of the client.
57. "Securities Shariah Adviser" means an independent professional or entity that advises on the compliance of Securities with Shariah or Islamic law.
58. "Senior Executive Officer" means a Senior Personnel or any officer of a Capital Market Service Provider, without regard to his/her title or designation, who has the deputy to the General Manager or Chief Executive Officer, directly reporting to the Board of Directors or its Committees, or who holds the title or performs the function of one or more of the following positions (without regard to title, salary, or compensation): chief operating officer, chief financial officer, chief risk officer or chief investment officer. Senior Executive Officer also includes any other person identified by the Capital Market Service Provider or the Authority in writing as an individual who exercises significant influence over, or participates in, major policy making decisions.
59. "Services License" means a license issued by the Authority to undertake capital market activities.
60. "Significant Influence" means the power to participate in or influence the operational and financial decisions of an entity. In this regard, persons, or entities with significant influence include substantial shareholders, Directors, Chief Executive Officer and Senior Executive Officers of a Capital Market Service Provider.
61. "Share Certificate" means a written document signed on behalf of a company that serves as legal proof of the identified person's ownership of the number of shares indicated.
62. "Share Company" shall have the meaning provided for under Article 245 of the Commercial Code of Ethiopia Proclamation No. 1243/2021.
63. "Substantial Shareholder" shall have the meaning provided for under Article 56 (4) of the proclamation.
64. "Sub-underwrite" means to agree with an Underwriter to take up a proportion of any Security underwritten by the Underwriter.



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65. "Succeeding Securities Custodian", "Succeeding Securities Portfolio Manager", "Succeeding Investment Bank" or "Succeeding Securities Broker" means the licensed Securities Custodian, Securities Portfolio Manager, Investment Bank, or Securities Broker, respectively, to which has been transferred the clients' accounts of another Securities Custodian, Securities Portfolio Manager, Investment Bank or Securities Broker, respectively, that has relinquished its Services License or voluntarily exited the market.
66. "Target Securities Custodian", "Target Securities Portfolio Manager", "Target Investment Bank" or "Target Securities Broker" means the licensed Securities Custodian, Portfolio/Manager, Investment Bank or Securities Broker, respectively, to which a client has requested for its client's account to be transferred.
67. "Third Degree Relationship" means relatives up to and including: parents, children, grandchildren, siblings, uncles, aunts, nephews, nieces, grandparents and great-grandparents.
68. "Trading instrument" means security, money market instrument, derivative, or other similar product.
69. "Voluntary Exit" means to relinquish the Services License granted by the Authority to carry out business in any regulated capital market activities and services in Ethiopia.
70. In this Directive, any expression in the masculine gender includes the feminine.
71. Any term defined in this Directive shall have the meaning assigned to it in the Proclamation.

3. Scope of Application

This Directive shall be applicable to any person who applies to obtain or obtains a capital market service license.



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PART TWO: LICENSING OF CAPITAL MARKET SERVICE PROVIDERS

4. Prohibition

No person shall carry out regulated capital market activities unless it has been issued the applicable Services License by the Authority.

5. List of Capital Market Service Providers

The following have been designated by the Authority as Capital Market Service Providers that require a capital market service license.

- (1) Securities Brokers;
- (2) Securities Dealers;
- (3) Securities Digital Sub-Brokers;
- (4) Investment Banks;
- (5) Securities Investment Advisers;
- (6) Securities Shariah Advisers;
- (7) Securities Robo Advisers;
- (8) Collective Investment Scheme Operators;
- (9) Crowdfunding Intermediaries;
- (10) Securities Market Makers;
- (11) Securities Custodians;
- (12) Securities Portfolio Managers;
- (13) Credit Rating Agencies;
- (14) Securities Appraisal Firms; and
- (15) Appointed Representatives.

6. Application Procedures

- (1) An application for a Services License shall:
 - a. be made in accordance with the provisions of the Proclamation, this Directive and other Directives of the Authority;
 - b. be made in accordance with the procedure prescribed thereof by the Authority as in effect on the date of filing the application; and



- c. be submitted via an application form prescribed by the Authority.
- (2) All applications and accompanying documents shall be filed with the Authority in the English or Amharic languages. If any information or document to be filed with the application is in any other language, then it shall be accompanied by an authenticated translated version to English or Amharic.
- (3) All application information and documents or copies of such information and documents, in so far as practicable, shall be type-written, and in all cases shall be clear and easily readable.
- (4) Notwithstanding payment of the prescribed application fees and compliance with some registration requirements, an application for a Services License may be terminated by the Authority where the applicant fails or neglects to continue with the processing of the application for a period of sixty (60) consecutive calendar days without due notification to and approval of the Authority.

7. Licensing Requirements and Documents Accompanying Applications

- (1) Unless otherwise stipulated by the Authority in this Directive, an application by a share company, private limited company, one-person private limited company, general partnership, limited partnership, or limited liability partnership for a Services License shall be accompanied by the following:
 - a. Evidence of payment of the fees prescribed by the Authority;
 - b. A copy of the Certificate of commercial registration or investment permit issued by the relevant government organ;
 - c. Applicable incorporation documents, including the Memorandum and Articles of Association and amendments thereof showing the shareholders, directors or partners, as may be applicable, and capital of the applicant;
 - d. Where the applicant has a business organization as an investor or substantial shareholder, Memorandum and Articles of Association and amendments thereof and Commercial Registration Certificate showing the details of such investor or shareholders of such investor;
 - e. Board resolution or Partners' approval relating to the decision to obtain the Services License;
 - f. List of individuals and entities with significant influence in the applicant business organization; A Business Plan which shall contain corporate profile of the applicant; the Business Strategy and Objectives of the applicant stating the long term objectives of the business organization and services to be rendered; Board charter of the applicant, where applicable; Address of the applicant's registered office and proposed Head Office (if different from its registered office); and any



other office the applicant intends to operate from Organogram of the applicant clearly delineating the reporting lines.;

- g. Undertaking by the applicant and its proposed Appointed Representatives that it will comply with the Code of Conduct for Capital Market Service Providers, their Employees and Persons with Significant Influence and other capital market laws and Directives;
- h. Where the applicant has operated as a business for a period of twelve (12) months or more as at the date of filing the application – Audited Financial Statements for the financial year immediately preceding the date of filing the application and a Management Account as at the end of the month immediately preceding the date of filing the application where a period of three (3) or more months has passed since the end of the aforementioned financial year. The Management Account shall be duly signed by a Public Accountant;
- i. Where the applicant has operated for a period of less than twelve (12) months as at the date of filing the application – Audited Statement of Affairs as at the end of the month immediately preceding the date of filing the application;
- j. Details of the applicant's personnel, including proposed Appointed Representatives, who meet the fit and proper criteria for their role or function as specified by the Authority in this Directive or any other law as may be in effect at the time of filing the application;
- k. Evidence of compliance with the minimum capital requirements specified by the Authority in this Directive or any other law as may be in effect;
- l. Status of compliance with technology, internal control and risk management requirements specified by the Authority in this Directive or any other law as may be in effect at the time of filing the application;
- m. Sample of client account opening forms, where applicable, which shall include but not be limited to the KYC requirements in accordance with the provisions of the KYC Framework for Capital Market Services Providers as may be in effect at the time of filing the application;
- n. Where the applicant is a foreign company, letter(s) of good standing issued by the applicable regulatory authority(ies) in the foreign jurisdiction(s);
- o. Evidence of compliance with any other regulatory and supervisory requirements specified by the Authority in this Directive or any other law as may be in effect at the time of filing the application;
- p. Tax documentations issued by the relevant government organ, including:



- i. Tax Clearance Certificate for the financial year during which the application was received, if applicable; and
 - ii. Tax Identification Number (TIN) Certificate;
 - iii. VAT Registration Certificate
 - q. Any other material information as required by the Authority from time to time.
- (2) An application by an individual, excluding a prospective Appointed Representative, for a Services License shall, at minimum, be accompanied by the following:
- a. Evidence of payment of the fees prescribed thereof by the Authority as in effect on the date of filing the application;
 - b. A copy of the Certificate of commercial registration as a Sole Trader and/or investment permit issued by the relevant government organ;
 - c. Valid means of personal identification, evidencing that the applicant is at minimum, eighteen (18) years of age as at the date of filing the application;
 - d. Curriculum Vitae of the applicant and evidence of educational and professional qualifications;
 - e. Undertaking by the applicant to comply with the Code of Conduct for Capital Market Service Providers, their Employees and Persons with Significant Influence;
 - f. Evidence of compliance with the minimum net worth requirements specified by the Authority in this Directive or any other law as may be in effect at the time of filing the application;
 - g. Status of compliance with technology and risk management requirements specified by the Authority in this Directive or any other law as may be in effect at the time of filing the application;
 - h. Sample of client account opening forms which shall include the KYC requirements in accordance with the provisions of the KYC Framework for Capital Market Services Providers;
 - i. Evidence of compliance with any other regulatory and supervisory requirements specified by the Authority in this Directive or any other law as may be in effect at the time of filing the application;
 - j. A Business Plan which shall contain the Business Strategy and Objectives of the applicant stating the long-term objectives of the individual and services to be rendered;



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- k. Applicant's home address, work address and any other office the applicant intends to operate from; and
 - l. Any other material information as may, from time to time, be required by the Authority.
- (3) An applicant licensed by the National Bank of Ethiopia may be exempted from the requirements of Article 6 (1)(b) to (g) and (l), provided that such an applicant submits as part of its application, a no-objection from the National Bank of Ethiopia to obtain a Services License.
 - (4) An applicant that is a share company or a private limited company shall be required to have a Board of Directors that will be responsible for its governance in line with the provisions of Article 15(4) of this Directive.
 - (5) All questions on the application form(s) shall be answered truthfully and correctly, and an undertaking to this effect sworn by the Company Secretary or General Manager of a corporate applicant, or by the individual applicant. This shall be provided as part of the application process.
 - (6) The individual applicant or a business organization's proposed Appointed Representatives may be required to undergo an interview session with representatives of the Authority.
 - (7) Where necessary, a business organization's promoters, members of the Board of Directors (where applicable), and/or top management may also be required to undergo an interview session with representatives of the Authority.
 - (8) An application for a Services License will only be considered as having been filed when all complete document(s)/information have been submitted and the Authority confirms the application.

8. Fees

Every applicant for a Services License shall pay such fees and, in such manner, as specified herein and in the Fee directives of the Authority, inclusive of the following:

- (1) A non-refundable application fee, evidence of which shall be provided at the date of filing the application;
- (2) A non-refundable Capital Market Service Provider Licensing Fee, upon approval of the License; and
- (3) A non-refundable licensing fee for each of the applicant's proposed Appointed Representatives, evidence of which shall be provided before the Authority conducts a pre-certification inspection on the applicant.



9. Pre-certification Inspection

- (1) Upon meeting the requirements set forth in Article 7 of this Directive, the Authority shall conduct a pre-certification inspection on the applicant.
- (2) An applicant licensed by the National Bank of Ethiopia may be exempted from the requirements of Sub-Article (1) of this Article provided that such an applicant satisfies the applicable provisions of Sub-Article (3) of this Article.
- (3) Prior to the pre-certification inspection, applicants shall satisfy the following:
 - a. in the case of a business organization:
 - i. provide evidence of payment of the applicable licensing fees as stipulated in Article 8 of this Directive;
 - ii. provide the Authority with any information relating to changes in its operations or structure, or additional details with respect to the application for a Services License;
 - iii. provide evidence of compliance with technology, internal control and risk management requirements specified by the Authority in this Directive or any other law as may be in effect at the time of requesting for the pre-certification inspection;
 - iv. provide evidence of compliance with the establishment of a dispute resolution procedure;
 - v. provide evidence that it has obtained a no-objection from a relevant Self-Regulatory Organization recognized by the Authority, where applicable;
 - vi. provide evidence that its proposed Appointed Representatives have successfully completed the applicable Appointed Representatives licensing examination and interviews in line with Articles 121 and 122 of this Directive;
 - vii. provide a Police Clearance Certificate, issued by the applicable regulatory authority, for each of its Directors, Appointed Representatives and other employees as may be prescribed or required by the Authority;
 - viii. providing evidence of contribution to the Compensation Fund in line with the Compensation Fund Regulation and Directive; and
 - ix. provide evidence that it has obtained a fidelity guarantee of at least twenty percent (20%) of its total shareholder's fund.
 - b. in the case of an individual:



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- i. provide evidence of payment of the applicable licensing fees as stipulated in Article 8 of this Directive;
- ii. provide the Authority with any information relating to changes in its operations or structure, or additional details with respect to the application for a Services License;
- iii. provide evidence of compliance with technology, internal control and risk management requirements specified by the Authority in this Directive or any other law as may be in effect at the time of requesting for the pre-certification inspection;
- iv. provide evidence of compliance with the establishment of a dispute resolution procedure;
- v. provide evidence that it has obtained a no-objection from an industry association recognized as a Self-Regulatory Organization by the Authority, where applicable;
- vi. provide evidence that it has obtained a fidelity guarantee of at least twenty percent (20%) of net worth;
- vii. provide evidence that its proposed Appointed Representatives have successfully completed the applicable Appointed Representatives licensing examination and interviews in line with Articles 121 and 122 of this Directive;
- viii. providing evidence of contribution to the Compensation Fund in line with the Compensation Fund Regulation and Directive; and
- ix. provide a Police Clearance Certificate issued by the applicable regulatory authority.

10. Denial of a License Application

- (1) The Authority may refuse to grant a license only in accordance with Article 58 of the Proclamation.
- (2) Every applicant shall be provided with an opportunity to be heard by the Authority before a decision to refuse to grant a license.
- (3) Notwithstanding sub article (1) and (2) of this Article, the Authority may, in the interest of the public, may temporarily suspend accepting license applications where it is necessary to limit the number of capital market service providers for an effective and efficient market and fair competition.



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11. Timeline for Processing an application

- (1) Except otherwise stated in this Directive, the Authority shall within fifteen (15) business days of the occurrence of the following, whichever occurs last, communicate a pre-certification inspection date to the applicant:
 - a. Receipt of a complete application as specified under Article 7 of this Directive, including the submission of additional documents as may be requested by the Authority; or
 - b. Successful completion of the applicable licensing examination and interviews by the proposed Appointed Representatives of the applicant in line with Articles 121 and 122 of this Directive.
- (2) The pre-certification inspection date shall not be later than ten (10) business days after notifying the applicant of the pre-certification inspection date.
- (3) An applicant may, within five (5) business days of receiving the notice of a pre-certification inspection from the Authority, request a re-scheduling of the pre-certification inspection.
- (4) The Authority, after conducting the pre-certification inspection, shall issue or refuse to issue a Services License.
- (5) These timelines specified herein shall reset once the Authority communicates the status of, or a deficiency on the application.



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PART THREE: GENERAL OBLIGATIONS AND RESPONSIBILITIES

12. Activities of a Capital Market Service Provider

- (1) Capital Market Service Providers shall be restricted to performing the functions and engaging in the provision of services for which they are licensed.
- (2) Where an activity has been clearly delineated as an unauthorized activity, no Capital Market Service Provider shall be permitted to engage in such an activity.
- (3) The Authority reserves the right to classify authorized and unauthorized activities, and approval shall be sought from the Authority before engaging in activities not expressly stated in the Proclamation or this Directive.
- (4) Fees charged by Capital Market Service Providers with respect to capital market activities shall be governed by the applicable provisions of Part Twenty of this Directive.
- (5) Every Capital Market Service Provider shall ensure that its activities comply with the provisions of the Proclamation, this Directive and other applicable laws on advertisement, competition and consumer protection.

13. Operation of a Nominee Account

- (1) Only the following categories of Capital Market Service Provider shall be eligible to act as nominees and in this regard, operate nominee accounts:
 - a. Securities Brokers;
 - b. Securities Dealers;
 - c. Investment Banks; and
 - d. Securities Custodians.
- (2) A Capital Market Service Provider that intends to maintain a nominee account shall:
 - a. Ensure that the name to be used for the nominee account is duly registered and has obtained a certificate of commercial registration or investment permit issued by the relevant government organ;
 - b. Obtain a no-objection from the Authority in advance, in the format specified by the Authority;
 - c. Maintain documented policies, procedures and internal control measures that ensure the effective management of the nominee account(s) and clients' assets are safeguarded and segregated;



- d. Put in place appropriate risk management controls and procedures that provide substantial assurance of continuity of its nominee business for the foreseeable future; and
 - e. Ensure that any report on compliance by the Capital Market Service Provider with the directives relating to clients' assets covers the nominee account(s).
- (3) A Capital Market Service Provider that intends to use a nominee account to hold its clients' investments shall:
- a. Notify the Authority in advance of the name of the nominee(s) the Capital Market Service Provider intends to use;
 - b. Seeks the client's consent before using a nominee account;
 - c. Ensure that instructions carried out on the nominee accounts are done only in accordance with clients' instructions; and
 - d. Accept responsibility to its clients for the nominees appointed in writing.

14. Capital Requirement

- (1) A Capital Market Service Provider shall always maintain adequate financial resources to meet its capital requirements and to withstand the risks to which its business is subject.
- (2) A Capital Market Service Provider shall always hold Net Liquid Capital which complies with the minimum requirements calculated in accordance with Part 17 of this Directive, sufficient to meet its base requirement and its risk requirement.
- (3) Every Capital Market Service Provider shall not later than one (1) month after the end of a financial year provide the Authority with evidence that it has obtained a fidelity guarantee of at least twenty percent (20%) of its total shareholder's fund or net worth.

15. Governance and Appointed Representatives

- (1) Appointed Representatives shall be licensed by the Authority as stipulated in Part Sixteen of this Directive.
- (2) Except otherwise stated in this Directive, a business organization, other than a general partnership, limited partnership, limited liability partnership or one-person private limited company, which has been issued a Services License to operate as a Capital Market Service Provider, shall comply with the provisions of the minimum operating requirements of its Self-Regulatory Organization, and shall at minimum have three (3) Appointed Representatives including the following:

a. Chief Compliance Officer;



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- b. General Manager/Chief Executive Officer; and
 - c. Any other personnel as may be specified in this Directive, or any other Directives as may be issued by the Authority from time to time.
- (3) A general partnership, limited partnership, limited liability partnership or one-person private limited company which has been issued a Services License to operate as a Capital Market Service Provider, shall comply with the provisions of the minimum operating requirements of its Self-Regulatory Organization, and shall at minimum have two (2) Appointed Representatives including the following:
- a. General Manager, in line with the Commercial Code of Ethiopia Proclamation No. 1243/2021, and
 - b. Chief Compliance Officer.
- (4) Every Capital Market Service Provider that is a share company or a private limited company, shall have a Board of Directors responsible for governance, and shall comply with the provisions of this Directive on Corporate Governance for Capital Market Service Providers.

16. Fit and Proper Requirements

- (1) In determining whether a Capital Market Service Provider, its Appointed Representatives and Directors are fit and proper, the Authority shall take into consideration their compliance with the criteria for fit and proper persons stipulated under Article 56 of the Proclamation.
- (2) All Capital Market Service Providers shall obtain a Police Clearance Certificate, issued by the applicable regulatory authority, for each of its Directors, Appointed Representatives and other employees.
- (3) The Police Clearance Certificate referenced in Sub-Article (2) of this Article shall be obtained prior to appointing or employing the applicable individuals.
- (4) As a condition for the issuance of a Services License, a Capital Market Service Provider shall, within six (6) months of being issued a Services License, become and remain a member of an association recognized as a Self-Regulatory Organization by the Authority, where applicable.
- (5) A Capital Market Service Provider, its Appointed Representatives and Directors shall be deemed to have fulfilled the fit and proper criteria if they:
 - a. Comply fully with the provisions of the Competency Framework for Capital Market Service Providers;



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- b. Have not been convicted of any offence relating to fraud, theft, breach of trust, or market abuse;
- c. Have not been adjudged guilty of misconduct relating to capital market activities by any court of competent jurisdiction;
- d. Have not been declared bankrupt;
- e. Have not been placed under liquidation;
- f. Have never been disqualified or expelled for cause from membership of any professional association, organization, or any trade group/association, or had a practicing/operating license revoked;
- g. Have not been expelled from any Securities Exchange; and
- h. Have not been found to be incapacitated on grounds of mental or physical illness by a court of competent jurisdiction.

17. Chief Compliance Officer

- (1) The Chief Compliance Officer shall be licensed by the Authority as an Appointed Representative of a Capital Market Service Provider in line with Part Sixteen of this Directive.
- (2) The Chief Compliance Officer shall immediately and independently report to the Authority any violation of, or non-compliance with, this Directive, the Proclamation or any other relevant law, policies or regulations observed by him.
- (3) The Chief Compliance Officer shall be responsible for organizing annual training for other members of staff on compliance related issues; and undertake such additional functions may be required from time to time to effectively discharge his/her duty as a Chief Compliance Officer.
- (4) Every Capital Market Service Provider shall seek and obtain the prior approval of the Authority before the dismissal or reassignment of a Chief Compliance Officer.
- (5) Under no circumstances shall the position of a Chief Compliance Officer be vacant, and a Capital Market Service Provider shall have an effective succession plan to this effect by internally identifying employees who can act as the Chief Compliance Officer, immediately the position becomes vacant.
- (6) An individual, licensed as a Capital Market Service Provider shall adequately monitor and ensure that they comply with the Proclamation, this Directives as well as other applicable legislations.



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18. Changes in Control, Ownership Structures and Significant Influence

- (1) Every Capital Market Service Provider shall seek and obtain the prior approval of the Authority before:
 - a. A change to its shareholding structure or partnership structure;
 - b. The appointment of an Appointed Representative;
 - c. A change to its business name; and
 - d. The appointment of a director.
- (2) Every Capital Market Service Provider shall notify the Authority:
 - a. Not later than five (5) business days prior to the reassignment of an Appointed Representative, excluding a Chief Compliance Officer;
 - b. Not later than five (5) business days prior to the effective date of resignation of an Appointed Representative or Director (or its equivalent), or within ten (10) business days of receipt of a notice of resignation from the Appointed Representative or Director (or its equivalent), whichever occurs first;
 - c. Not later than five (5) business days after the dismissal of an Appointed Representative or removal of a director (or its equivalent), excluding a Chief Compliance Officer; and
 - d. Not later than five (5) business days after becoming aware of the demise of an Appointed Representative or a Director (or its equivalent).

19. Offices of a Capital Market Service Provider

- (1) A Capital Market Service Provider shall seek and obtain a no-objection letter from the Authority before relocating its head office and comply with the provisions of Sub-Article (3) (b) of this Article.
- (2) A Capital Market Service Provider shall seek and obtain the prior approval of the Authority before the establishment of a new branch office.
- (3) Where a Capital Market Service Provider intends to close or relocate any of its branch offices, it shall:
 - a. give the Authority not less than thirty (30) calendar days' notice of its intention to close or relocate the branch office with reasons; and
 - b. provide evidence that its clients and the public have been given a minimum of thirty (30) calendar days' notice of its intention to close or relocate its office. Notifications shall be made via the electronic mail addresses of clients,



publication on the website of the Capital Market Service Provider, and publications in two (2) physical newspapers (one (1) in Amharic and one (1) in English) of wide circulation in Ethiopia.

- (4) All branch offices of a Capital Market Service Provider shall be managed by an Appointed Representative.
- (5) All Capital Market Service Providers shall display, in a conspicuous place, the Services License issued by the Authority in their head offices and branches.

20. Records to be Maintained

- (1) A Capital Market Service Provider shall:
 - a. keep and maintain books, records, and detailed and accurate accounts that reflect transactions or transfers of ownership of related assets of the Capital Market Service Provider, in accordance with accounting standards set out by the applicable regulatory authority;
 - b. maintain proper, complete, accurate and secure records in relation to the services rendered to its clients;
 - c. maintain records concerning client identity and records that permit tracing of funds and assets related to clients' transactions;
 - d. have appropriate procedures and systems in place to store and retrieve, in a manner safe from destruction, a record of all communications relating to a service rendered to a client, including instructions given by the client to the Capital Market Service Provider, transaction documentation relating to clients; and contractual arrangements between the Capital Market Service Provider and its clients.
- (2) The client records in Sub-Article (1) (d) of this Article may be kept in a combination of printed, electronic or voice recorded format, but must be maintained in an organized manner and capable of reproduction in hard printed form.
- (3) The records of the Capital Market Service Provider shall be segregated from those of the clients.
- (4) Capital Market Service Providers are required to take precautions necessary to ensure that continuity in record keeping is not lost or destroyed and that sufficient back-up of records is available outside the principal place of business.
- (5) A Capital Market Service Provider shall maintain proper and adequate records of all its transactions and provide the Authority with information regarding how and where the books of account, records and documents are kept.



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- (6) A Capital Market Service Provider shall maintain the records, books and accounts for ten (10) years from the day of preparation thereof, or until any dispute between the Capital Market Service Provider and a client is resolved, whichever is later, during which they should be available for review upon request.

21. Know Your Customer (KYC)

Every Capital Market Service Provider shall ensure compliance with the provisions of the KYC Framework for Capital Market Services Providers and any other applicable Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) legislation.

22. Maintenance of Clients Accounts and Non-Commingling of Clients' Assets

- (1) Every Capital Market Service Provider shall keep such books and records as shall be necessary to show and distinguish, in connection with its business as a Capital Market Service Provider:
 - a. Monies received from or on account of clients, and monies paid to or on account of clients; and
 - b. Monies received from or on account of the Capital Market Service Provider, and monies paid to or on account of the Capital Market Service Provider.
- (2) Under no circumstance shall a Capital Market Service Provider commingle its monies and/or assets with that of a client.
- (3) Under no circumstance shall a Capital Market Service Provider prohibited from receiving clients' funds engage in the maintenance or management of investors' funds.
- (4) A Capital Market Service Provider which is authorized to receive funds directly from a client shall, at minimum, maintain two (2) bank accounts, including:
 - a. A client bank account, clearly delineated as such, with respect to monies referenced in Sub-Article (1) (a) of this Article; and
 - b. An operational bank account, clearly delineated as such, with respect to monies referenced in Sub-Article (1) (b) of this Article.

23. Reporting Obligations

- (1) A Capital Market Service Provider and its employees shall report to the Authority any violations of this Directive within twenty-four (24) hours of becoming aware of such violation and propose the appropriate remedy thereto.
- (2) A Capital Market Service Provider shall:



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- a. Within twenty-four (24) hours, disclose to the Authority any dealings in a security valued above the threshold set on executed single deal or multiple deals on behalf of its clients; and
 - b. Report any suspected market manipulation or insider dealing to the Authority within twenty-four (24) hours of becoming aware or suspicion of the occurrence of such activity;
 - c. Report any material, public and non-public, information that may reasonably have any significant effect on its business or function or on the integrity of the capital market within twenty-four (24) hours.
 - d. Submit Quarterly Financial Statements and Annual Audited Financial Statements to the Authority;
 - e. Any other reports that may be required by the Authority from time to time.
- (3) Every Capital Market Service Provider which manages client's assets or provides brokerage services shall provide each client with:
- a. Quarterly reports showing all transactions on behalf of the client including the statement of account for the period; and
 - b. Quarterly reports detailing the client's portfolio.
- (4) Notwithstanding the provisions of Sub-Article (3) of this Article, every Capital Market Service Provider shall provide to a client, on demand, a statement of account.

24. Submission of Financial Reports to the Authority

- (1) Every business organization which has been issued a Services License to operate as a Capital Market Service Provider shall prepare the following financial statements in line with the applicable international financial reporting standards, and submit to the Authority:
 - a. Quarterly Financial Statements within thirty (30) days after the end of the quarter;
 - b. Annual Financial Statements Audited by an external Auditor authorized by the Authority within ninety (90) calendar days after the end of a financial year; and
 - c. Any other periodic report within the period stipulated may be required by the Authority.
- (2) The Audited Financial Statements shall include an opinion from an external auditor approved by the Authority, reporting on the following where applicable:



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- a. Whether the minimum capital has been maintained during its financial year;
 - b. Going concern status of the Capital Market Service Provider. That is, whether in the opinion of the External Auditor, the financial position of the Capital Market Service Provider is such as to enable it to conduct its business on sound lines, having regard to the nature and volume of the business transacted during its past financial year as shown by its Books of Accounts and Records; and
 - c. Whether the accounts contain misstatements.
- (3) A Capital Market Service Provider shall disclose in its Audited Financial Statement:
- a. A list of shareholders with five percent (5%) or more of its capital; and
 - b. Contraventions and fines, if any, during the year.
- (4) Every individual who has been issued a Services License, excluding Appointed Representatives, shall file annual reports to the Authority, in the format specified by the Authority from time to time.

25. Code of Conduct

All Capital Market Service Providers and their Appointed Representatives shall comply with the Code of Conduct provisions in this Directive.

26. Systems and Controls

- (1) A Capital Market Service Provider shall have proper and adequate internal control procedures and satisfactory risk management systems, and compliance systems aimed at preventing, detecting, and correcting securities law violations.
- (2) A Capital Market Service Provider that uses or relies on any technological tool, system or application for carrying out its operations and activities shall ensure that:
 - a. Data privacy laws are considered in the development and implementation of such technological tool, system or application;
 - b. Its digital channels have interfaces that are user-centric with the user experience prioritized; and
 - c. Vulnerability assessment and penetration tests are conducted on a semi-annual basis.
- (3) A Capital Market Service Provider shall provide prior written notification to the Authority before making material variations to an existing system. In this regard, the required notice period and what constitutes a proposed variation shall be as may be



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defined in the guidelines and other instruments that the Authority may issue consistent with the Proclamation.

27. Supervision and Inspection by the Authority

- (1) The Authority may conduct off-site supervision as well as routine and special on-site examinations, with or without prior notice, on Capital Market Service Providers with unfettered access to all necessary books and records.
- (2) In order to carry out its off-site supervision or on-site inspection, the Authority may use, in addition to its staff, law enforcement officers, and auditors.

28. Cooperation in Connection with Inspections and Investigations

- (1) Capital Market Service Providers and their personnel shall cooperate fully with all inspections or investigations conducted by the Authority and shall respond to inquiries made by the Authority promptly.
- (2) The Authority reserves the right to request such information as the Authority may require for the purpose of the inspection or investigation.

29. Contribution to the Compensation Fund

Pursuant to the applicable provision of the Proclamation, all Capital Market Service Providers, excluding Securities Market Makers, shall contribute to the Compensation Fund, in line with Compensation Fund Regulation and Directives.

30. Renewal of License

- (1) Except otherwise stated in the Directive, Capital Market Service Providers shall renew their Services Licenses annually and applications for such renewal must be made to the Authority not later than one (1) month before the expiry of the existing license.
- (2) A Capital Market Service Provider applying for renewal of license shall pay a renewal fee as contained in the fee directive of the Authority.
- (3) The Authority may refuse to renew the license of a Capital Market Service Provider in accordance with Article 58 of the Proclamation.
- (4) The Authority may not refuse to renew the license without first giving the Capital Market Service Provider the opportunity of a fair hearing.
- (5) A Capital Market Service Provider which fails to renew or fulfill the conditions for the renewal of its Services License shall be subject to the sanctions specified under Schedule Three (1) (G) of this Directive.



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- (6) A Securities Market Maker shall not be subject to an annual renewal of a Services License.



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PART FOUR: ENFORCEMENT AND ADMINISTRATIVE MEASURES

31. Administrative Measures and Others

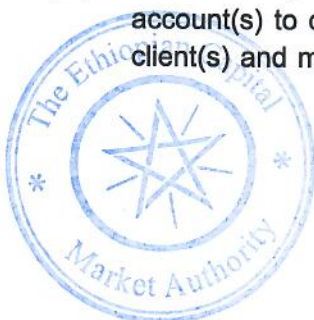
- (1) The Authority shall have powers to impose any or a combination of the following administrative measures for misconducts on a Capital Market Service Provider, its Appointed Representatives and other employees:
 - a. Issue a public or private warning;
 - b. Revoke a Services License;
 - c. Suspend a Services License;
 - d. Order the dismissal or suspension of Senior Executive Officers;
 - e. Order the dismissal or suspension of Board Directors;
 - f. Blacklist employees and Appointed Representatives;
 - g. Impose fine;
 - h. Issues a restitution and/or compensation order;
 - i. Require the payment of administrative charges; and/or
 - j. Any other sanction which the Authority may prescribe from time to time.
- (2) The Authority shall exercise its powers of enforcement in accordance with the Proclamation and Schedule Three of this Directive.
- (3) Applicable penalties and fines shall be contingent upon regular administrative review as the Authority may deem it fit and necessary.

32. Suspension of Services License

- (1) The Authority may not suspend a Services License without first giving the Capital Market Service Provider the opportunity of a fair hearing.
- (2) Where the Authority or the Capital Market Tribunal determines that a Capital Market Service Provider has contravened any of the provisions of this Directive in line with Schedule Three, or has been found guilty by a court of law with competent jurisdiction having violated financial or capital market related laws, the Authority may publish the facts and circumstances of such violation and/or, by order, suspend the Services License of such offender.



- (3) The Capital Market Service Provider shall be notified in writing by the Authority the cause of the suspension and measures needed to rectify the shortcomings that led to the suspension.
- (4) Suspension of a Services License may be because of a failure of the Capital Market Service Provider to do any of the following:
 - a. Discharge obligations as specified under the Proclamation or regulations or directives of the Authority;
 - b. Pay fines as levied by the Authority, the Capital Market Tribunal or a court;
 - c. Provide timely and accurate information upon the request of the Authority;
 - d. Comply with conditions or restrictions applicable in respect of the Services License or provisions in the Proclamation or regulations or directives of the Authority;
 - e. Carry out the activity for which it was licensed within twelve (12) months following the granting or renewal of the Services License; and
 - f. Set up precautionary procedures to make sure employees do not violate the Proclamation, and other relevant Regulations and Directives.
- (5) Upon a suspension, the Capital Market Service Provider shall:
 - a. Within two (2) business days of the suspension, notify all its clients via their registered email addresses, or any other communication channel approved by the Authority, of their suspension, and the notice shall contain the steps by which the clients can transfer their client accounts to another Capital Market Service Provider, as may be applicable;
 - b. Be subject to the Directives of the Authority with regard to any records, documents or securities that may be in its custody or control relating to its activities as a Capital Market Service Provider; and
 - c. Within five (5) business days from the date of receipt of notice of the suspension, provide the Authority with the following, as applicable:
 - i. List of all its clients;
 - ii. Client, trading and/or operational bank account statements; and
 - iii. Any other information or document as specified by the Authority.
- (6) The Authority may, upon receipt of the information above, direct the transfer of such account(s) to other licensed Capital Market Service Provider(s) as requested by the client(s) and may take such other steps as may be appropriate, including appointing



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an individual or body to oversee the affairs of a suspended Capital Market Service Provider in the interest of the public.

- (7) A Capital Market Service Provider whose Services License has been suspended by the Authority shall be prohibited from engaging in any capital market activity relating to the suspended Services License starting from the effective date of suspension of its license and may also be prohibited from any other capital market activity as the Authority may deem fit.
- (8) Unless exempted from doing so by the Authority, the Capital Market Service Provider shall:
 - a. Continue to comply with all post-licensing obligations applicable to it; and
 - b. Submit quarterly reports pertaining to the prevailing state of affairs of the Capital Market Service Provider.

33. Revocation of Services License

- (1) The Authority may revoke the license of a Capital Market Service Provider in accordance with Article 60(1) of the Proclamation.
- (2) A License shall be revoked due to ceasing to carryout licensed activities only when the licensee ceases to carry out licensed activities by its own choice for a period of eighteen (18) months or more within two (2) financial years.
- (3) Upon revocation of the license, the Capital Market Service Provider shall, with immediate effect, cease to carry on any capital market activity as a Capital Market Service Provider and shall be subject to the Directives of the Authority with regard to the transfer of any records, documents or securities that may be in its custody or control relating to its activities as a Capital Market Service Provider.
- (4) The Authority, before deciding to revoke the Services License pursuant to Sub-Article (1) of this Article, shall notify the Capital Market Service Provider by a letter to submit his objection in writing, if any, within thirty (30) business days of receipt of the Authority's letter.
- (5) If the objection of the Capital Market Service Provider is not found to be reasonable or the Capital Market Service Provider fails to submit its objection within the timeline stipulated in Sub-Article (4) of this Article, its Services License shall be revoked.
- (6) The decision to revoke the license of a Capital Market Service Provider shall be published by the Authority in a newspaper of wide circulation in Ethiopia.
- (7) The revocation of the Services License shall be effective on the date of its publication or on any other date as the Authority may specify.



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34. Liability of Appointed Representatives

- (1) Without prejudice to any law or Directive, every Capital Market Service Provider shall be responsible for all the actions of its Appointed Representatives and employees conducted in the name of the Capital Market Service Provider.
- (2) Notwithstanding the foregoing, if an Appointed Representative ceases to be employed by the Capital Market Service Provider, he shall be liable individually, including suspension or revocation of his Services License if the Appointed Representative:
 - a. Has been declared a defaulter in their personal capacity by a securities exchange and not re-admitted as an Appointed Representative within a period of six (6) months;
 - b. Has been found not to be a fit and proper person by the Authority;
 - c. Has been declared bankrupt;
 - d. Has been convicted by a court of competent jurisdiction for an offence involving moral turpitude;
 - e. Fails to comply with the rules and bylaws of the Self-Regulatory Organization which their firm is a member of or participant on;
 - f. Fails to cooperate with the Authority during examinations, inspections or investigations;
 - g. Fails to pay a penalty imposed by the Authority;
 - h. Has a prima facie case of willful blindness established against it by the Authority;
 - i. Indulges in insider trading, fraudulent and/or unfair trade practices in violation of the applicable provisions of the Proclamation;
 - j. Commits a violation of any of the provisions for which financial penalty or other penalties could be imposed;
 - k. Fails to comply with the Directives, Circulars or Guidelines issued by the Authority as it relates to Appointed Representatives; or
 - l. Commits violations specified in this Directive and any other law which in the opinion of the Authority are of a grievous nature.



35. Procedure for Appealing Sanctions

A Capital Market Service Provider which is not satisfied with the decision of the Authority may appeal to the Capital Market Administrative Tribunal in accordance with the Proclamation.

PART FIVE: VOLUNTARY EXIT FROM THE MARKET

36. Voluntary Exit

- (1) A Capital Market Service Provider to relinquish its Services License issued to it by the Authority or voluntarily exit the market by relinquishing the Services License may do so by filing an application for the relinquishment of the Services License.
- (2) Where an application is filed to the Authority pursuant to Sub-Article (1) of this Article, the Capital Market Service Provider is required to give the Authority at least three (3) months' notice, unless this requirement is waived by the Authority, of its intention to relinquish its Service License prior to the proposed effective date.
- (3) The Capital Market Service Provider pursuant to Sub-Article (1) of this Article shall:
 - a. In the case of a share company or private limited company:
 - i. provide a Board resolution approving the decision of the Capital Market Service Provider to exit the market or relinquish its Services License; and
 - ii. provide a special resolution of the shareholders in a general meeting approving the decision of the Board to exit the market, as may be applicable;
 - b. In the case of a general partnership, limited partnership or limited liability partnership provide a Partners' resolution approving the decision of the Capital Market Service Provider to exit the market (relinquish its Services License);
 - c. Provide a copy of the Tax Clearance Certificate issued by the relevant government organ;
 - d. Provide evidence that its clients and/or the general public have been given a minimum of one (1) month notice of its intention to relinquish its Services License and/or exit the market in two (2) physical newspapers of wide circulation in Ethiopia, one (1) in Amharic and the other in English;
 - e. Comply with such other requirement as may be specified by the Authority in these or any other Directives; and



- f. Duly complete and submit an application form for the voluntary exit from the market.
- (4) Upon receipt of an application for the relinquishment of a Services License or the voluntary exit of a Service Provider, the Authority shall place such a Service Provider or the applicable Services License on a technical suspension pending the completion of the relinquishment or exit process. This technical suspension shall not be deemed an enforcement action against the Service Provider.
 - (5) The Authority reserves the right to request additional documents, information or undertaking, as may be deemed necessary for appropriate consideration of an application to exit the market and if it is in the public interest to approve the application.
 - (6) The Authority shall require the Capital Market Service Provider through a letter to return the original Services License certificate issued to the Capital Market Service Provider, within three (3) business days of receipt of the Authority's letter.
 - (7) The Capital Market Service Provider shall be required to satisfy the Authority that it has fully complied with its post-licensing obligations such as payment of the appropriate fees or penalties where applicable, and filing of returns, among others; and has satisfactorily discharged all its obligations to its clients and as such, has no outstanding obligations to its clients and/or the Authority.
 - (8) Where the Capital Market Service Provider is a member of a Self-Regulatory Organization, the Capital Market Service Provider shall be required to obtain a no-objection to its voluntary exit from the relevant Self-Regulatory Organization. The no-objection shall state that the Capital Market Service Provider has complied with the required obligations as a member of the Self-Regulatory Organization and the Self-Regulatory Organization has no-objection on the intended or requested exit.
 - (9) Upon satisfying the requirements and conditions of the Authority, the Authority may specify the effective date of the exit.

37. Obligations and Prohibitions after Exit

- (1) After the exit of the Capital Market Service Provider, the Capital Market Service Provider may be required to resolve complaints, disputes or discrepancies that arose or occurred prior to or after the exit from the market.
- (2) From the effective date of the exit as communicated by the Authority, the Capital Market Service Provider shall not be permitted to perform or conduct the activities associated with the Services License which was voluntarily relinquished.



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PART SIX: SECURITIES BROKERS, SECURITIES DEALERS, AND SECURITIES DIGITAL SUB-BROKERS

38. Eligibility

Only a share company or private limited company that has a valid certificate of commercial registration and/or investment permit issued by the appropriate government organ shall be eligible to apply for a Securities Broker, Securities Dealer, or Securities Digital Sub-Broker License.

39. Additional Licensing Requirements

- (1) In addition to the requirements specified under Article 7 (1) of this Directive, prior to the pre-certification inspection, the Authority may request an applicant for a Securities Broker or Securities Dealer License to provide evidence of obtaining an Approval-In-Principle for a trading membership from a securities exchange or over-the-counter trading facility.
- (2) An applicant for a Securities Digital Sub-Broker License shall, in addition to the requirements specified under Article 7(1), to submit a copy of the agreement with each sponsoring Securities Broker or Securities Dealer which shall contain, among others, the following:
 - a. Names of the parties to the agreement;
 - b. Covenants and obligations of the parties;
 - c. Procedures and conditions for terminating the agreement;
 - d. The treatment of clients' mandates, instructions and accounts in the event of a termination of the agreement;
 - e. The treatment clients' accounts and funds in the event of the exit of either party to the agreement from the market;
 - f. The treatment of clients' accounts and funds in the event of the liquidation or winding-up of either party to the agreement;
 - g. Commission sharing arrangement; and



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40. Authorized Activities of Securities Brokers, Securities Dealers and Securities Digital Sub-Brokers

- (1) Securities Brokers shall have the following functions:
 - a. Sale and purchase of securities on a licensed securities exchange or over-the-counter trading facility on behalf of clients; and
 - b. Other services as defined by the Authority from time to time.
- (2) Securities Dealers shall have the following functions:
 - a. Sale and purchase of securities on a licensed securities exchange or over-the-counter trading facility for its own proprietary account;
 - b. Sale and purchase of securities on a licensed securities exchange or over-the-counter trading facility on behalf of its clients; and
 - c. Other services as defined by the Authority from time to time.
 - d. The relevant provisions of this Directive on Securities Brokers shall also apply to Securities Dealers that engage in securities brokerage service.
- (3) Securities Digital Sub-Brokers shall have the following functions:
 - a. Provide digital channels to clients for the sale and purchase of securities on a licensed securities exchange or over-the-counter trading facility only through one or more Securities Brokers or Securities Dealers who shall be the Securities Digital Sub-Broker's Sponsoring Securities Broker(s); and
 - b. Other services as defined by the Authority from time to time.
- (4) Under no circumstance shall a Securities Digital Sub-Broker engage in the maintenance or management of investors' funds.

41. Appointed Representatives of Securities Brokers and Securities Dealers

Securities Brokers and Securities Dealers shall, in addition to the provisions of Article 15 (2) of this Directive, have a Trader licensed by the Authority as an Appointed Representative.

42. Discretion on Clients Accounts

- (1) No Securities Broker or Appointed Representative of a Securities Broker shall exercise any discretionary power on any client's account or accept orders for an account from any person other than the client without first obtaining written authorization from the client.



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- (2) Where a client authorizes a Securities Broker to exercise discretionary powers on its account, such Securities Broker or an Appointed Representative of a Securities Broker exercising the discretionary power shall not affect purchases or sales of securities which are at variance with the documented investment objectives of such client.
- (3) Sub-article (1) and (2) of this Article shall also be applicable to Securities Dealers who trade on behalf of clients.

43. Relinquishment of a Securities Broker

- (1) A Securities Broker seeking to relinquish its License shall, in addition to the provisions of Article 36 of this Directive:
 - a. Enter into an agreement with the succeeding Securities Broker. The agreement shall, state the terms of succession, and the outstanding obligations and liabilities to be borne by the succeeding Securities Broker;
 - b. Furnish the Authority with records of all its clients' accounts and assets, and details of arrangements made to transfer its clients' accounts to succeeding Securities Broker including information about the succeeding Securities Broker;
 - c. The notice of its exit shall state that clients are required to transfer their accounts and other assets to a target Securities Broker within a maximum period of fourteen (14) days after the end of the one (1) month notice;
 - d. Appoint a succeeding Securities Broker to manage the client's accounts and assets where a client fails to indicate its preferred target Securities Broker to which to transfer his/her account;
 - e. Prepare a schedule containing all the details of its clients, inclusive of their securities portfolio, share record, and other assets, details of the applicable target and/or succeeding Securities Broker and the cash balance in each client's account;
 - f. Execute all pending clients' mandates prior to the relinquishment of the Services License. Where the Securities Broker is not able to execute its clients' mandate before it exits the market, the Securities Broker shall in writing state the procedures to be adopted in executing the clients' mandate by the succeeding Securities Broker;
 - g. Transfer to the client's target Securities Broker or Dealer or to the succeeding Securities Broker or Dealer, the schedule prepared by the Securities Broker pursuant to Sub-Article (1) (e) of this Article; and
 - h. Ensure a seamless transfer of all the required documents pertaining to its clients' accounts and assets to the succeeding Securities Broker.



- (2) The Securities Broker shall be required to notify the Central Securities Depository of its intention to exit the market. Such notice shall be accompanied by the application filed with the Authority.
- (3) The succeeding Securities Brokers Broker referenced in Sub-Article one (1) of this Article shall conduct enhanced due diligence on the transferred clients' accounts in their custody, confirming the status of the account with the respective client.
- (4) The provisions under this Article shall also apply to any Securities Dealer, engaged in the business of trading securities on behalf of clients, seeking to relinquish its license.

44. Other Provisions Specific to Securities Digital Sub-Brokers and Sponsors of Securities Digital Sub-Brokers

- (1) An entity which has been issued a Securities Digital Sub-Broker License shall be required to have the following Appointed Representatives:
 - a. Chief Compliance Officer;
 - b. General Manager/Chief Executive Officer; and
 - c. Chief Digital Officer or Chief Technology Officer.
- (2) Client account opening forms of a Securities Digital Sub-Broker shall bear the names of both the Sponsoring Securities Broker or Securities Dealer and the Securities Digital Sub-Broker in a conspicuous manner and shall comply with the KYC Framework for Capital Market Services Providers and any other applicable Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) legislation as may be in effect from time to time.
- (3) A Securities Digital Sub-Broker shall not directly keep custody of client funds, and all funds relating to the clients of a Securities Digital Sub-Broker shall be kept in a joint client bank account, clearly delineated as such and bearing the name of both the Sponsoring Securities Broker or Securities Dealer and the Securities Digital Sub-Broker in the format "*Name of Sponsoring Securities Broker or Securities Dealer/Name of Securities Digital Sub-Broker*".
- (4) A Securities Digital Sub-Broker shall put in place and implement internal policies and procedures to address technological risks which may arise.
- (5) The Sponsoring Securities Broker or Securities Dealer and the Securities Digital Sub-Broker shall be jointly and severally liable for the action or inactions of the Securities Digital Sub-Broker, including the actions or inactions of the Securities Digital Sub-Broker's Appointed Representatives and employees.
- (6) Where the agreement referenced in Article 39 (2) of this Directive is to be terminated the Sponsoring Securities Broker or Securities Dealer and the Digital



Sub-Broker shall, not later than ten (10) business days prior to the effective date of the termination, notify the Authority and clients in writing of the termination, setting out:

- a. the reasons for the termination; and
 - b. the agreed steps to be taken by both the Sponsoring Securities Broker or Securities Dealer and the Securities Digital Sub-Broker to ensure that the interests of clients are adequately protected.
- (7) Any advertisement and statement relating to the services or activities of a Securities Digital Sub-Broker, shall be accompanied by a conspicuous statement highlighting the sponsorship arrangement between the Sponsoring Securities Broker or Securities Dealer and the Securities Digital Sub-Broker.
- (8) The Securities Digital Sub-Broker shall notify existing and potential clients of the features, risks, responsibilities, obligations and liabilities associated with the use of its infrastructure.
- (9) Under no circumstance shall a Securities Digital Sub-Broker purport itself to be or give the impression that it is a Securities Broker, Securities Dealer or can directly carry out the functions of a Securities Broker.



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PART SEVEN: INVESTMENT BANKS

45. Eligibility

Only a share company or a private limited company that has a valid certificate of commercial registration or investment permit issued by the appropriate government organ shall be eligible to apply for an Investment Bank License.

46. Additional Licensing Requirements

- (1) In addition to the requirements specified under Article 7 (1) of this Directive and prior to the pre-certification inspection, the Authority may request an applicant for an Investment Bank License that intends to act as a broker to provide evidence of obtaining an Approval-In-Principle for a trading membership from a securities exchange or over-the-counter trading facility in Ethiopia.
- (2) Where an Investment Bank does not specify to the Authority, at the time of obtaining a Services License, that it intends to act as a broker, such an Investment Bank shall be required to obtain the prior approval of the Authority before providing a service in this regard.

47. Authorized Activities of Investment Banks

Investment Banks shall be a non-deposit taking financial institutions and shall perform the following functions:

- (1) Act as a securities broker, dealer and/or financial adviser;
- (2) Facilitate the issuance of securities by companies, government and other entities through underwriting;
- (3) Act as an intermediary between securities issuers and the investing public;
- (4) Facilitate mergers and other corporate reorganizations; and
- (5) Other services as defined by the Authority from time to time.

48. Underwriting

- (1) Pursuant to the applicable provisions of the Proclamation, an Investment Bank may act as underwriter in any public issuance of securities.
- (2) Every mandate to act as underwriter in a public offer of security must be evidenced in an underwriting agreement between the company that intends to issue the public offer and the Investment Bank. A copy of the underwriting agreement shall be filed with the Authority along with the offer documents.



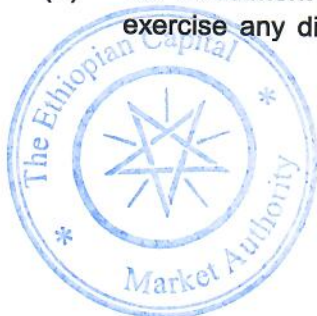
- (3) Where an issue is sub-underwritten, a sub-underwriting agreement shall be filed with the Authority along with the offer documents for the public offer.
- (4) Where there is more than one underwriter, an agreement guiding the relationship between them shall be filed with the Authority.
- (5) The provisions of this Article shall be read in conjunction with the Directives guiding public offer of securities in Ethiopia.
- (6) An underwriting agreement shall contain, at least the following:
 - a. Names of the parties to the agreement;
 - b. Type of underwriting commitment;
 - c. Authorization clause;
 - d. The underwriting commission;
 - e. Responsibility in case of default by an underwriter where there is more than one underwriter;
 - f. Time of closing of the deal;
 - g. Covenants and obligations of the parties;
 - h. Indemnity clause;
 - i. Conditions for subscription by underwriters;
 - j. Dispute resolution provisions and governing laws; and
 - k. Terms and conditions regulating the relationship between underwriters where there is more than one.

49. Appointed Representatives of Investment Banks

- (1) Where an Investment Bank acts as a broker, such an Investment Bank shall, in addition to the provisions of Article 15 (2) of this Directive, have a Trader licensed by the Authority as an Appointed Representative.
- (2) At minimum, one (1) Appointed Representative of an Investment Bank, excluding the Chief Compliance Officer, shall be skilled in corporate finance activities.

50. Discretion on Clients Accounts

- (1) No Investment Bank or Appointed Representative of an Investment Bank shall exercise any discretionary power on any client's account or accept orders for an



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account from any person other than the client without first obtaining written authorization from the client.

- (2) Where a client authorizes an Investment Bank to exercise discretionary powers on its account, such an Investment Bank or an Appointed Representative of an Investment Bank exercising the discretionary power shall not affect purchases or sales of securities which are at variance with the documented investment objectives of such client.

51. Relinquishment of an Investment Bank License

- (1) An Investment Bank which acts as a broker and is seeking to relinquish its Services License shall, in addition to the provisions of Article 36 of this Directive:
 - a. Enter into an agreement with the succeeding Investment Bank. The agreement shall, state the terms of succession, and the outstanding obligations and liabilities to be borne by the succeeding Investment Bank;
 - b. Furnish the Authority with records of all its clients' accounts and assets, and details of arrangements made to transfer its clients' accounts to the succeeding Investment Bank including information about the succeeding Investment Bank;
 - c. The notice shall state that clients are required to transfer their accounts and other assets to a target Investment Bank of their choice within a maximum period of fourteen (14) days after the end of the one (1) month notice given;
 - d. Appoint a succeeding Investment Bank to manage the client's accounts and assets where a client fails to indicate its preferred target Investment Bank to which to transfer his/her account;
 - e. Prepare a schedule containing all the details of its clients, inclusive of their securities portfolio, share certificates, and other assets, details of the applicable target and/or succeeding Investment Bank, and the cash balance in each client's account;
 - f. Execute all pending clients' mandates prior to the relinquishment of the Services License. Where the Investment Bank is not able to execute its clients' mandate before it exits the market, the Investment Bank shall in writing state the procedures to be adopted in executing the clients' mandate by the succeeding Investment Bank;
 - g. Transfer to the client's target Investment Bank or the succeeding Investment Bank, the schedule prepared by the Investment Bank pursuant to Sub-Article (1) (e) of this Article; and



- h. Ensure a seamless transfer of all the required documents pertaining to its clients' accounts and assets to the succeeding Investment Bank within 90 days after the succeeding investment bank is appointed.
- (2) The Investment Bank shall be required to notify the Central Securities Depository of its intention to exit the market. Such notice shall be accompanied by the application filed with the Authority.
- (3) The succeeding Investment Bank referenced in Sub-Article (1) of this Article shall conduct enhanced due diligence on the transferred clients' accounts in their custody, confirming the status of the account with the respective client.



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PART EIGHT: SECURITIES INVESTMENT ADVISERS, SECURITIES ROBO ADVISERS AND SECURITIES SHARIAH ADVISERS

52. Eligibility

- (1) Only the following persons shall be eligible to apply for a Securities Investment Adviser License:
 - a. A share company, private limited company, one-person private limited company, general partnership, limited partnership or limited liability partnership that has a valid certificate of commercial registration and/or investment permit issued by the appropriate government organ; or
 - b. An individual who is at minimum eighteen (18) years of age as at the date of filing the application and possesses the competency requirements for a Research Officer as specified in the Competency Framework for Capital Market Service Providers.
- (2) Only a share company, private limited company, general partnership, limited partnership, or limited liability partnership that meets the following requirements on the date of filing the application shall be eligible to apply for a Robo Advisor License:
 - a. Has been issued a certificate of commercial registration or investment permit issued by the relevant government organ that is empowered in that regard;
 - b. Has the technology capabilities to provide digital advisory services and demonstrate the viability of the technology to the Authority based on international standards; and
 - c. Has qualifications from a relevant educational institution to evidence sufficient understanding of the rationale, risks and rules behind the algorithm underpinning the digital advisory business.
- (3) Only the following persons shall be eligible to apply for a Securities Shariah Adviser License:
 - a. A share company, private limited company, one-person private limited company, general partnership, limited partnership, or limited liability partnership that has a valid certificate of commercial registration or investment permit issued by the appropriate government organ; or
 - b. An individual who at a minimum, is eighteen (18) years of age as at the date of filing the application and possesses the competency requirements for a Securities Shariah Officer as specified in the Competency Framework for Capital Market Service Providers;



53. Additional Licensing Requirements for Securities Robo Advisers

In addition to the requirements specified under Article 7 (1) of this Directive and prior to the pre-certification inspection, an applicant for a Securities Robo Adviser License shall provide evidence that a vulnerability assessment and penetration test has been carried out on its applicable systems by an independent assessor or the relevant government authority.

54. Authorized and Prohibited Activities of Securities Investment Advisers and Securities Robo Advisers

- (1) Securities Investment Advisers and Securities Robo Advisers shall have the following functions:
 - a. Provide investment advice including preparation of Capital Market;
 - b. Issue or promulgate analyses or reports concerning investments; and
 - c. Other services as defined by the Authority from time to time.
- (2) Except otherwise stated in this Directive:
 - a. Only a business organization licensed as a Securities Robo Adviser shall provide automated investment advisory services via digital channels; and
 - b. Securities Investment Advisers and Securities Robo Advisers shall not engage in the maintenance or management of investors' funds.

55. Authorized and Prohibited Activities of Securities Shariah Advisers

- (1) Securities Shariah Advisers shall have the following functions:
 - a. provide Shariah expertise and advice on Shariah matters in relation to the Islamic capital market products or the Islamic capital market activity including matters relating to documentation (which includes the deed and prospectus), structure, feature, and financial instruments;
 - b. provide Shariah expertise to ensure that all aspects of a Security are in accordance with applicable Shariah legislations or Directives issued by the Authority;
 - c. ensure that the applicable Shariah rulings, principles and concepts endorsed by the applicable body in Ethiopia are complied with; and
 - d. apply ijthihad (intellectual reasoning) to ensure all aspects relating to the Islamic capital market Securities follow Shariah principles.

- (2) Except otherwise stated in this Directive, Securities Shariah Advisers shall not:



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- a. Engage in the maintenance or management of investors' funds; or
- b. Act as advisers for an entity making available, offering, or issuing an Islamic capital market product or that carries on an Islamic capital market activity, where the Securities Shariah Adviser is an employee of such entity.

56. Advertisement Restrictions

- (1) No Securities Investment Adviser, Securities Robo Adviser or Securities Shariah Adviser shall use an advertisement that contains any untrue statement of material fact or that is otherwise misleading.
- (2) Under no circumstance shall an advertisement by a Securities Investment Adviser, Securities Robo Adviser or Securities Shariah Adviser:
 - a. Use or refer to testimonials (which include any statement of a client's experience or endorsement);
 - b. Refer to past, specific recommendations made by the Securities Investment Adviser that were profitable, unless the advertisement sets out a list of all recommendations made by the Securities Investment Adviser within the preceding period of not less than one (1) year, and complies with other conditions as may be specified by the Authority from time to time;
 - c. Represent that any graph, chart, formula, or other device can, in and of itself, be used to determine which securities to buy or sell, or when to buy or sell such securities, or can assist persons in making those decisions, unless the advertisement prominently discloses the limitations thereof and the difficulties regarding its use; and
 - d. Represent that any report, analysis, or other service will be provided without charge unless the report, analysis, or other service will be provided without any obligation whatsoever.
- (3) Both the existing and potential clients of a Securities Robo Adviser shall be conspicuously made aware of the features, risks, responsibilities, obligations and liabilities associated with the use of its infrastructure.
- (4) Any advertisement or statement relating to the services or activities of a Securities Robo Adviser shall be accompanied by a conspicuous statement in relation to the factors mentioned under Sub-Article (3) of this Article.

57. Appointed Representatives of Securities Investment Advisers

- (1) A business organization which has been issued a Securities Investment Adviser License by the Authority in accordance with this Directive shall, in addition to the



provisions of Article 15 (2) and (3) of this Directive, have a Research Officer licensed by the Authority as an Appointed Representative.

- (2) A Securities Investment Adviser that intends to provide investment advice with respect to specialized products shall ensure that its Research Officer(s) meets the specific competency requirements for such specialized products as contained in the Competency Framework for Capital Market Service Providers.

58. Appointed Representatives of Securities Robo Advisers

- (1) A business organization which has been issued a Securities Robo Adviser License by the Authority in accordance with this Directive shall, in addition to the provisions of Article 15 (2) and (3) of this Directive, have the following Appointed Representatives:
 - a. Research Officer; and
 - b. Chief Digital Officer.
- (2) A Securities Robo Adviser that intends to provide investment advice with respect to specialized products shall ensure that its Research Officer(s) meets the specific competency requirements for such specialized products as contained in the Competency Framework for Capital Market Service Providers.

59. Appointed Representatives of Securities Shariah Advisers

A business organization which has been issued a Securities Shariah Adviser License by the Authority in accordance with this Directive shall, in addition to the provisions of Article 15 (2) and (3) of this Directive, have a Securities Shariah Officer licensed by the Authority as an Appointed Representative.

60. Other Provisions Specific to Securities Robo Advisers

A Securities Robo Adviser shall always, ensure that:

- (1) It has the technology capabilities and support to undertake provide digital investment advisory services; and
- (2) The outcomes produced by its algorithm are consistent with the Securities Robo Adviser's investment strategies which shall be made known to clients and investors; and commensurate with the risk profile of the investor.



PART NINE: COLLECTIVE INVESTMENT SCHEME OPERATORS

61. Eligibility

Only a share company or a private limited company that has a valid certificate of commercial registration or investment permit issued by the appropriate government organ shall be eligible to apply for a Collective Investment Scheme Operator License.

62. Authorized and Prohibited Activities of Collective Investment Scheme Operators

- (1) A Collective Investment Scheme Operator shall perform the following functions:
 - a. Organize and manage a collective investment scheme's asset on behalf of clients; and
 - b. Other activities as defined by the Collective Investment Scheme Directives or the Authority from time to time.
- (2) A Collective Investment Scheme Operator shall not:
 - a. Carry out prohibited collective investment schemes as defined in the applicable provisions of the Proclamation or the Collective Investment Scheme Directives;
 - b. Manage private or discretionary funds except where it has been issued the applicable Services License by the Authority; and
 - c. Keep custody of collective investment scheme assets or funds.
- (3) Collective investment scheme assets shall be kept in the custody of an independent Securities Custodian.
- (4) The Securities Custodian shall open and operate a separate custody account in the joint name of the Securities Custodian and the Collective Investment Scheme.

63. Appointed Representatives of a Collective Investment Scheme Operators

- (1) A Collective Investment Scheme Operator shall, in addition to the provisions of Article 15 (2) of this Directive, have an Investment Manager licensed by the Authority as an Appointed Representative.
- (2) The Investment Manager shall possess the required competency as contained in the Competency Framework for Capital Market Service Providers to effectively manage the collective investment scheme based on its characteristics.



64. Advertisement Restrictions

- (1) A Collective Investment Scheme Operator may make invitations to the public to invest in a particular scheme through advertisement, provided that such advertisement complies with the requirements of this Directive and other related instruments issued by the Authority.
- (2) Under no circumstance shall an advertisement made by a Collective Investment Scheme Operator:
 - a. Contain statements that are false, misleading, biased, based on assumption/projections and contain a testimonial or ranking based on any criteria;
 - b. Refer to specific and/or past performances of the Collective Investment Schemes operated by the Collective Investment Scheme Operator that were or would have been profitable to any person, unless the advertisement sets out a list of the performances of all the Collective Investment Schemes managed by the Collective Investment Scheme Operator within the preceding period of not less than one (1) year.

65. Appointment of a Securities Custodian

- (1) Every Collective Investment Scheme Operator shall appoint a Securities Custodian who shall be responsible for providing custody services to the collective investment scheme assets managed by the Collective Investment Scheme Operator.
- (2) Only entities registered and issued a Securities Custodian License by the Authority shall be eligible to be appointed as a Securities Custodian for a collective investment scheme.
- (3) The appointed Securities Custodian shall represent the investors of a particular collective investment scheme and shall always act in the interest of and for the benefit of investors of the collective investment scheme.
- (4) A Securities Custodian shall be functionally independent of the Collective Investment Scheme Operator and shall keep in safe custody title documents, securities and cash amount of the collective investment scheme.
- (5) Every Collective Investment Scheme Operator shall seek and obtain the prior approval of the Authority before the appointment or replacement of a Securities Custodian.



- (6) Under no circumstances shall the position of Securities Custodian be vacant, and a Collective Investment Scheme Operator shall have an effective succession plan to this effect.

66. Removal of a Securities Custodian

- (1) A Collective Investment Scheme Operator may remove a Securities Custodian, subject to the prior approval of the Authority and by notice in writing to the Custodian, where:
- a. The Securities Custodian goes into liquidation;
 - b. The Securities Custodian ceases to carry out the activity of a Securities Custodian;
 - c. The Collective Investment Scheme investors vote to remove the Securities Custodian; or
 - d. The Securities Custodian fails to perform the duties imposed on it in accordance with the service agreement after reasonable notice.
- (2) Under no circumstance shall a Collective Investment Scheme Operator remove a Securities Custodian without the prior approval of the Authority.

67. Rights of Collective Investment Scheme Investors

Collective Investment Scheme Operators are required to abide by the rights of investors as provided for under the applicable provisions of the Proclamation and all applicable Directives issued thereunder.



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PART TEN: CROWDFUNDING INTERMEDIARIES

68. Eligibility

Only a share company or a private limited company that has a valid certificate of commercial registration or investment permit issued by the appropriate government organ shall be eligible to apply for a Crowdfunding Intermediary.

69. Additional Licensing Requirements

- (1) In addition to the requirements specified under Article 7 (1) of this Directive and prior to the pre-certification inspection, an applicant for a Crowdfunding Intermediary License shall provide the following:
 - a. Existing or proposed by-laws or rules, and such other document governing the conduct of fundraisers and investors on the portal;
 - b. Detailed information about the crowdfunding system to be adopted including technical details associated with the portal's online presence;
 - c. Proposed brand name of the Crowdfunding Portal including evidence of trademark registration of the brand name (where applicable);
 - d. Written procedures addressing how the applicant will comply with legislations prohibiting certain activities;
 - e. Business Model and Activities which include, at a minimum, a description of:
 - i. the forms of compensation that will be paid to the Crowdfunding Intermediary or its associated persons;
 - ii. any referral fees or transaction-based compensation that the Crowdfunding Intermediary or associated persons will pay to others;
 - iii. the types of securities to be presented to investors;
 - iv. any limitations on the types of issuers that will be presented;
 - v. how issuers will be presented to investors (for example: website, social media platform, etc.); and
 - vi. the type and scope of any other business activities the Crowdfunding Intermediary intends to conduct.
- (2) The applicant shall ensure that its rules make satisfactory provisions:
 - a. for the protection of investors;



- b. to ensure proper functioning of the market;
- c. to promote fairness and transparency;
- d. to manage any conflict of interest that may arise;
- e. to promote fair treatment of all users;
- f. to ensure proper regulation and supervision of its users, or any person utilizing or accessing its portal, including suspension and expulsion of such persons after consultation with the Authority; and
- g. to provide an avenue of appeal against the decision of the Crowdfunding Intermediary.

70. Authorized and Prohibited Activities of a Crowdfunding Intermediary

- (1) A Crowdfunding Intermediary shall perform the following functions:
 - a. Operate and maintain a crowdfunding portal;
 - b. Facilitate the offer and sale of crowdfunded investments; and
 - c. Maintain interactions between fundraisers and the investing public;
- (2) A Crowdfunding Intermediary shall not engage in the following activities:
 - a. Offering investment advice or making recommendations;
 - b. Soliciting purchases, sales or offers to buy investments offered or displayed on its crowdfunding portal;
 - c. Compensating promoters and others for solicitations or based on the sale of investments; and
 - d. Holding investments or possessing or handling investor funds.

71. Interest in a Fundraiser

No Crowdfunding Intermediary, its Appointed Representatives, Senior Executive Officers, or employees shall have substantial interest of five percent (5%) or more ownership interest in a Fundraiser using its crowdfunding portal.

72. Use of the Crowdfunding Portal

- (1) The Crowdfunding Intermediary shall grant access to investors and eligible Fundraisers.



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- (2) A Crowdfunding Intermediary shall have the right to deny a Fundraiser access to the portal where:
 - a. The Fundraiser is undergoing a criminal investigation by the Authority or law enforcement agency;
 - b. The Fundraiser has been suspended or revoked by the Authority;
 - c. There is a court injunction against the Fundraiser; or
 - d. The Fundraiser does not comply with the Issuer eligibility criteria of the Authority.
- (3) The Crowdfunding portal shall serve as a means of communication between the Crowdfunding Intermediary and investors, and the investor must consent to electronic delivery of communication materials.
- (4) The Crowdfunding Intermediary shall publish disclaimers on the crowdfunding portal to investors on the risk involved in investing in crowdfunding.

73. Additional Records to be Maintained by a Crowdfunding Intermediary

A Crowdfunding Intermediary shall maintain records relating to transactions conducted through the crowdfunding portal as follows:

- (1) Investors that bought and sold or attempted to buy and sell through the portal; and
- (2) Fundraisers that raised or attempted to raise funds through the portal.

74. Maintenance of Funds Raised Through the Crowdfunding Portal

- (1) Every Crowdfunding Intermediary shall appoint a Securities Custodian licensed by the Authority to maintain a separate account for each funding round raised through the crowdfunding portal.
- (2) The Crowdfunding Intermediary shall through a written mandate authorize the Securities Custodian to transfer funds to the Fundraiser after all applicable requirements for the registration of the investments have been met.
- (3) The Crowdfunding Intermediary reserves the right to appoint a new Securities Custodian where any of the following conditions occur:
 - a. The Services License of the Securities Custodian has been suspended or revoked by the Authority;
 - b. The Securities Custodian becomes aware of a criminal investigation; and
 - c. There is a court injunction against the Securities Custodian.



- (4) Under no circumstance shall a Crowdfunding Intermediary receive funds from Investors into its own account.

75. Monitoring and Additional Reporting Obligations

A Crowdfunding Intermediary shall:

- (1) Monitor and ensure that fundraising limits imposed on Fundraisers are not breached.
- (2) Within fifteen (15) calendar days after the end of the month, submit to the Authority "Monthly Transaction Reports" summarizing all activities on its funding portal.

76. Suspension of a Crowdfunding Intermediary

- (1) A Crowdfunding Intermediary that is suspended by the Authority for a period of more than three (3) months, shall provide the Authority, not later than five (5) business days from the date of receipt of notice of the suspension, with the following:
 - a. Details of ongoing issuances on the Crowdfunding Portal;
 - b. Schedule of funds held with Securities Custodians on behalf of Fundraisers;
 - c. Schedule of repayment to the investors of Fundraisers; or
 - d. Such other information as the Authority may consider necessary in the interest of investors and the public.
- (2) The obligation under Sub-Article (1) of this Article shall be in addition to the provisions under Article 32(6) of this Directive.

77. Relinquishment of a Crowdfunding Intermediary License

- (1) A Crowdfunding Intermediary seeking to relinquish its Services License shall, in addition to the provisions of Article 36 of this Directive, terminate pending issuances by Fundraisers/Issuers and return raised funds to the investors before applying for the relinquishment of its Services License.
- (2) Upon satisfying the requirements and conditions of the Authority, the Authority may specify the effective date of the exit and treatment of the following issues will be regulated by the relevant Directive.
 - a. Outstanding issuances on the crowdfunding portal;
 - b. Funds held with Securities Custodians on behalf of Fundraisers; and
 - c. Other matters the Authority may deem necessary in the protection of investors.



PART ELEVEN: SECURITIES CUSTODIANS

78. Eligibility

Only a share company or a private limited company that has a valid certificate of commercial registration or investment permit issued by the appropriate government organ shall be eligible to apply for a Securities Custodian License.

79. Additional Licensing Requirements

In addition to the requirements specified under Article 7 (1) of this Directive and prior to the pre-certification inspection, an applicant for a Securities Custodian License, shall provide a sample of a custodial agreement to be executed by its clients and comply with Article 84 of this Directive.

80. Authorized Activities of Securities Custodians

A Securities Custodian shall perform the following functions:

- (1) Maintain accounts of securities on behalf of clients;
- (2) Keep clients informed of the actions taken or to be taken by the issuer of securities, having a bearing on the benefits or rights accruing to the client;
- (3) Collect the benefits, entitlement or rights accruing to a client in respect of securities;
- (4) Transfer, exchange or deliver in the required form and manner securities held on behalf of clients upon receipt of proper instructions from the client, Securities Investment Adviser or Securities Portfolio Manager; and
- (5) Other activities as defined by the Authority from time to time.

81. Prohibition of Delegations

A Securities Custodian shall not assign or delegate its functions as a Securities Custodian to any other person unless such person is a Securities Custodian licensed in line with this Directive or depository of securities and has the written consent of the client to do so.

82. Termination of a Securities Custodian Service Agreement

- (1) A Securities custodian service agreement may be terminated in writing by either:
 - a. A client; or



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- b. A Securities Custodian, subject to the approval of the Authority, by giving a notification of termination in writing to the client. The notice period given by the Securities Custodian to the client shall be for a minimum of five (5) business days.
- (2) Upon receipt of the notice referred to in Sub-Article (1) (a) of this Article by the Securities Custodian, the service agreement entered between the Securities Custodian and the client shall be deemed to have been terminated with immediate effect.
 - (3) Following the termination of the service agreement pursuant to Sub-Article (2) of this Article, the Securities Custodian shall:
 - a. Within five (5) business days confirm from the client where the assets should be transferred to;
 - b. Within two (2) business days of receipt of the information in Sub-Article (3) (a) of this Article, transfer all the client's assets, documents and funds held by the Securities Custodian accordingly.
 - (4) Such client's assets, funds and other relevant documents transferred further to Sub-Article (3) (b) of this Article shall be filed with the Authority not later than five (5) business days after the transfer.
 - (5) The provisions of this Article shall not apply to custodian service agreements with Collective Investment Schemes.

83. Related Functions

- (1) A Securities Custodian shall:
 - a. Ensure reconciliation of clients' accounts and Securities in relation to trades executed on clients' instruction or corporate actions of issuers of securities; and
 - b. In relation to a Collective Investment Scheme, take reasonable care to ensure that all activities carried out by a Collective Investment Scheme Operator are carried out in accordance with the provisions of the constitutive/applicable scheme documents;
- (2) A Securities Custodian shall only provide custodial services and where a Custodian carries on any activity besides that of acting as Custodian, then:
 - a. All activities relating to its business as Securities Custodian of securities shall be separate and segregated from all other activities; and



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- b. Its officers and employees engaged in providing custodial services shall not be engaged in any other activity carried out by it.

84. Securities Custodial Agreements with Clients

Every Securities Custodian shall enter into a written agreement with each client on whose behalf it is acting, and every such agreement shall, at minimum, provide for the following matters:

- (1) The manner of acceptance and release of securities;
- (2) The alternatives for the acceptance or release monies from the custody account;
- (3) The circumstances under which the Securities Custodian will receive rights or entitlements on the securities;
- (4) The manner of registration of securities in respect of each client;
- (5) Details of the insurance (if any) to be provided by the Securities Custodian;
- (6) Related fees and reporting obligations of the Securities Custodian;
- (7) Manner in which securities under custody can be used as collateral;
- (8) Treatment of non-market related losses in relation to assets under custody;
- (9) A statement that the terms and conditions of the agreement are in conformity with the provisions of the Proclamation and this Directive;
- (10) Dispute resolution clause; and
- (11) Other matters relevant and material to the custody contract.

85. Use of a Nominee Account

A Securities Custodian who intends to use a nominee account shall comply with the requirements specified in Article 13 (3) of this Directive.

86. Discretion on Clients Accounts

- (1) No Securities Custodian or Appointed Representative of a Securities Custodian shall exercise any discretionary power on any client's account or accept orders for an account from any person other than the client without first obtaining written authorization from the client.



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- (2) A Securities Custodian shall open and operate a separate custody account in its record for each client, in the name of the client whose securities are in its custody and shall not commingle the assets of one client with those of another client.

87. Relinquishment of a Custodian License

- (1) A Securities Custodian seeking to relinquish its Custodian License shall, in addition to the provisions of Article 36 of this Directive:
- a. Enter into an agreement with the succeeding Securities Custodian. The agreement shall, among others, state the terms of succession, and the outstanding obligations and liabilities to be borne by the succeeding Securities Custodian;
 - b. Furnish the Authority with records of all of its clients' accounts and assets under management, and details of arrangements made to transfer its clients' accounts to the succeeding Securities Custodian including information about the succeeding Securities Custodian;
 - c. The notice of its exit shall state that clients are required to transfer their accounts and other assets to a target Securities Custodian within a maximum period of fourteen (14) days after the end of the one (1) month notice given under Article 36;
 - d. Appoint a succeeding Securities Custodian to manage the client's accounts and assets where a client fails to indicate its preferred target Securities Custodian to which to transfer his/her account;
 - e. Prepare a schedule containing all the details of its clients, inclusive of their securities portfolio, share certificates, and other assets, details of the applicable target and/or succeeding Securities Custodian, and the cash balance in each client's account;
 - f. Carry out all pending clients' requests prior to the relinquishment of the Services License. Where the Securities Custodian is not able to carry out its clients' mandate before it exits the market, the Securities Custodian shall in writing state the procedures to be adopted in carrying out the clients' requests by the succeeding Securities Custodian;
 - g. Transfer to the client's target Securities Custodian or the succeeding Securities Custodian, the schedule prepared by the Securities Custodian pursuant to Sub-Article (1) (e) of this Article; and
 - h. Ensure a seamless transfer of all the required documents pertaining to its clients' accounts and assets to the succeeding Securities Custodian.



- (2) The Securities Custodian shall be required to notify the Central Securities Depository of its intention to exit the market. Such notice shall accompany the application filed with the Authority.
- (3) The succeeding Securities Custodian referenced in Sub-Article (1) of this Article shall conduct enhanced due diligence on the transferred clients' accounts in their custody, confirming the status of the account with the respective client.



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PART TWELVE: SECURITIES MARKET MAKERS

88. Eligibility

- (1) Only a share company or a private limited company which complies with the following conditions, and provides evidence of compliance where applicable, shall be eligible to apply for a Securities Market Maker License:
 - a. Has been licensed to perform the function of a Securities Dealer by the Authority; and
 - b. Has been issued a trading membership to function as a Securities Dealer by a securities exchange or over-the-counter trading facility; and has an Authorized Market Maker Trader licensed by the Authority as an Appointed Representative;
- (2) In addition to the minimum capital requirements applicable to its Securities Dealer License and any other Services License issued to it by the Authority, it maintains such additional capital as may be required by a securities exchange or over-the-counter trading facility in which it participates.

89. Licensing Requirements for Securities Market Makers

- (1) An applicant for a Securities market maker license shall enter into a market making agreement with a licensed securities exchange where it intends to do market making.
- (2) The market making agreement with the Exchange shall explicitly outline the terms and conditions governing the market maker's market making activities.
- (3) The applicant market maker shall submit a copy of the agreement with the Exchange to the Authority as part of the licensing application process. In the event of any amendments or modifications to the said agreement during the term of the market maker's license, such changes shall be communicated to the Authority for review and approval.
- (4) An applicant for a Securities Market Maker License shall not be subjected to the requirements specified under Articles 7, 8 and 9 of this Directive.
- (5) The application processing timeline specified in Article 11 (1) – (4) of this Directive shall not be applicable to the processing of an application for a Market Maker License.
- (6) An application for a Market Maker License shall be processed by the Authority within thirty (30) business days of receipt of a complete application.

90. Authorized Activities of Securities Market Makers

A Market Maker shall perform the following functions:



- (1) Provide liquidity in the market by ensuring the continuous supply and demand for one or more securities;
- (2) Maintain maximum spread for every bid and offer price;
- (3) Short selling; and
- (4) Serve as a source of market information for the designated securities for which it provides liquidity.

91. Appointed Representatives of Market Makers

- (1) An entity which has been issued a Market Making License by the Authority in accordance with this Directive shall, in addition to the provisions of Article 41 of this Directive, have an Authorized Market Maker Trader licensed by the Authority as an Appointed Representative.
- (2) The role of the Authorized Market Maker Trader shall be limited to executing market making related trades or transactions.

92. Segregation of Market Making and Securities Broking and/or Dealing Activities

- (1) Under no circumstance shall the Authorized Market Maker Trader carry out functions or execute trades and/or transactions relating to the securities broking and/or dealing activities of a Market Maker, except the securities dealing activity is for the purpose of executing a trade in the performance of the Capital Market Service Provider's market making obligations.
- (2) A securities Market Maker shall have infrastructures and controls in place to ensure separation of the securities broking and/or dealing activities from the market making activities.

93. Compensation Fund

Securities Market Makers shall not be required to contribute to the Compensation Fund.



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PART THIRTEEN: CREDIT RATING AGENCIES

94. Eligibility

- (1) Only a share company or a private limited company that has a valid certificate of commercial registration or investment permit issued by the relevant government organ shall be eligible to apply for a Credit Rating Agency License.
- (2) Notwithstanding the provisions of Sub-Article (1) of this Article, the Authority may grant a foreign credit rating agency a Services License in line with the provisions of Article 95 (2) to enable it to participate in the Ethiopian capital market.

95. Additional Licensing Requirements for Credit Rating Agencies

(1) Domestic Credit Rating Agency:

- a. An applicant shall, in addition to the requirements specified under Article 7 (1) of this Directive and prior to the pre-certification inspection, provide the following documents:
 - i. details of rating criteria, methodology, principles and policies; and
 - ii. sample of the standard contract between the applicant and its clients for credit rating services.
- b. Where an applicant is affiliated with a foreign credit rating agency, such an applicant shall provide the following additional documents:
 - i. evidence of licensing or registration of such foreign credit rating agency in its foreign jurisdiction;
 - ii. letter of good standing issued by the applicable regulatory authority in the foreign jurisdiction;
 - iii. profile of the foreign credit rating agency and its equivalent of Senior Executive Officers;
 - iv. Audited Financial Statements of the foreign credit rating agency for the financial year immediately preceding the date of filing the application and a Management Account as at the end of the month immediately preceding the date of filing the application where a period of three (3) or more months has passed since the end of the aforementioned financial year. The Management Account shall be duly signed by a Public Accountant or its equivalent in its foreign jurisdiction; and
 - v. Affiliation agreement between the applicant and the foreign credit rating agency.



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(2) Foreign Credit Rating Agency:

- a. A Foreign Credit Rating Agency is not subjected to the requirements specified under Articles 7, 8 and 9 of this Directive;
- b. A Foreign Credit Rating Agency shall provide:
 - i. an investment permit issued by the relevant government organ in Ethiopia;
 - ii. undertakings as may be required under this Directive;
 - iii. evidence of a license issued, or a registration approved by the applicable regulatory authority in the foreign jurisdiction;
 - iv. letter of good standing issued by the applicable regulatory authority in the foreign jurisdiction;
 - v. profile of the foreign credit rating agency and its equivalent of Senior Executive Officers;
 - vi. sample of the standard contract between the applicant and its clients for credit rating services; and
 - vii. any other document or information as may be specified by the Authority from time to time.
- c. The applicable regulatory authority referenced in Sub-Article (2) (b) (iii) of this Article shall have established a regulatory and supervisory framework in accordance with the principles of and standards set out by the International Organization of Securities Commissions (IOSCO).

96. Authorized Activities of Credit Rating Agencies

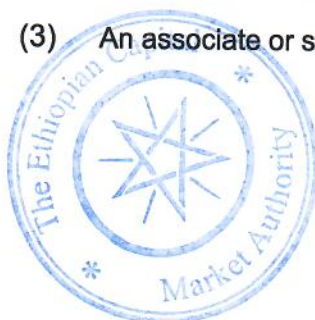
A Credit Rating Agency shall perform the following functions:

- (1) Provide credit rating services to corporate entities, and issuer of securities and investments; and
- (2) Establish rating systems and categories.

97. Restrictions on Credit Rating Services

A Credit Rating Agency shall not rate a security issued by any of the following:

- (1) Its promoters and shareholders;
- (2) A debtor of its promoters and shareholders; or
- (3) An associate or subsidiary of its promoters and shareholders.



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98. Credit Rating Services Contract

Every contract between a Credit Rating Agency and a client shall be written and shall include the following provisions:

- (1) The objective of the contract;
- (2) The duration of the agreement and termination conditions;
- (3) The rights and obligation of each party in relation to the rating; and
- (4) The fees to be charged for the credit rating service.

99. Advertisement Restrictions

- (1) No Credit Rating Agency shall use an advertisement that contains any untrue statement of material fact or that is otherwise misleading.
- (2) Under no circumstance shall an advertisement made by a Credit Rating Agency use or refer to testimonials (which include any statement of a client's experience or endorsement) and refer to past specific credit ratings and their success.

100. Disclosure and Monitoring of Ratings

Every Credit Rating Agency shall:

- (1) Disclose the rationale and assessment criteria for the ratings;
- (2) Issue a disclaimer to the public indicating that each rating does not constitute a recommendation to either buy, sell, or hold a security;
- (3) Continuously monitor the rating throughout the lifetime of the security unless the rating is withdrawn by it; and
- (4) Within five (5) business days from the date the rating changes, disclose to the public information on changes in earlier ratings and newly assigned ratings.



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PART FOURTEEN: SECURITIES PORTFOLIO MANAGERS

101. Eligibility

Only a share company or a private limited company that has a valid certificate of commercial registration or investment permit issued by the appropriate government organ shall be eligible to apply for a Portfolio Management License.

102. Additional Licensing Requirements

In addition to the requirements specified under Article 7 (1) of this Directive and prior to the pre-certification inspection, an applicant for a Securities Portfolio Manager License that intends to provide automated investment advice through digital channels, shall provide evidence of compliance with Articles 52(2), 53 and 58 of this Directive.

103. Authorized Activities of Securities Portfolio Managers

A Securities Portfolio Manager shall perform the following functions:

- (1) Render discretionary, non-discretionary portfolio investment management and/or advisory services with regards to its clients' portfolios;
- (2) Provide tailor-made investment advisory services to align with clients' investment objectives;
- (3) Offer investment opportunities for its clients;
- (4) Act in a fiduciary capacity on clients' funds; and
- (5) Other activities as defined by the Authority from time to time.

104. Securities Portfolio Managers Providing Advisory Services through Digital Channels

- (1) A Securities Portfolio Manager that intends to provide automated investment advisory services via digital channels shall be required to comply with the stipulated requirements for Securities Robo Advisers as contained under this Directive, and any other Directives or instruments issued by the Authority from time to time.
- (2) Where a Securities Portfolio Manager does not specify to the Authority, at the time of obtaining a Services License, that it intends to provide automated advisory services through digital channels, such a Securities Portfolio Manager shall be required to obtain the prior approval of the Authority before providing a service in this regard.



105. Appointed Representatives of Securities Portfolio Managers

- (1) A Securities Portfolio Manager shall, in addition to the provisions of Article 15 (2) of this Directive, have a Research Officer licensed by the Authority as an Appointed Representative.
- (2) The Research Officer shall carry out their function in line with the written policies and procedures of the Securities Portfolio Manager which shall make adequate provisions to ensure that its research is independent and impartial to provide a reasonable and adequate basis for making investment decisions and taking investment actions.

106. Agreement with Clients

A Securities Portfolio Manager shall enter into a bilateral written agreement with each of its clients to manage the portfolios of each client in accordance with the needs of the client. The terms and conditions of such agreement shall be in accordance with the following information provided, in the applicable Investment Policy Statement including:

- (1) Investment objectives and services to be provided;
- (2) Investment method and restrictions;
- (3) Permissible investment Securities and attendant risks involved in the management of the portfolio;
- (4) Fees;
- (5) Custody of securities;
- (6) Complaints and dispute resolution mechanisms;
- (7) Conditions for termination of portfolio management services (voluntary or involuntary);
- (8) Provision of services not included in the contract;
- (9) Forms, scope and periodicity of reports to the Client;
- (10) Rights, liabilities, and obligations of all parties relating to the management of the portfolio; and
- (11) Other terms of portfolio management that the Authority may stipulate from time to time.



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107. Delegation of Portfolio Management Functions

- (1) A Securities Portfolio Manager shall not assign or delegate its functions as a Securities Portfolio Manager to any other person unless such person is a licensed Securities Portfolio Manager and:
 - a. Has the written consent of the client to do so; and
 - b. Has notified the Authority, in writing, of its intention to delegate, not later than ten (10) business days prior to the delegation of its function.
- (2) Notwithstanding the provisions in Sub-Article (1) of this Article, a Securities Portfolio Manager shall not delegate any of the following:
 - a. Soliciting investors to be clients of the Securities Portfolio Manager;
 - b. Conducting KYC, including the risk profiling of clients;
 - c. Any interaction and communication with clients of the Securities Portfolio Manager;
 - d. Investment advisory activities; and
 - e. Reporting to clients in respect of the clients' assets or portfolios under management.
- (3) Where a Securities Portfolio Manager delegates its portfolio management functions, it shall at all times retain:
 - a. Responsibilities and obligations to the clients;
 - b. Compliance obligations; and
 - c. Monitoring of the conduct and activities of the Securities Portfolio Manager to whom the function is delegated.
- (4) A Securities Portfolio Manager who delegates any of its functions shall inform the Authority of subsequent changes to the delegation arrangement, within five (5) business days of the occurrence of such a change.

108. Advertisement Restrictions

- (1) A Securities Portfolio Manager may advertise its services to the public provided that such an advertisement complies with the requirements of this Directive.



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- (2) An advertisement or statement made by a Securities Portfolio Manager to the public on services rendered shall be accurate, true, fair, clear, complete, unambiguous, and concise.
- (3) The prior approval of the Authority shall be obtained before an advertisement or statement can be made by a Securities Portfolio Manager to the public; and such approval shall be assumed by the Securities Portfolio Manager if the Authority does not send a notice of disapproval within ten (10) days of submission of the advertisement or statement.
- (4) Under no circumstance shall an advertisement made by a Securities Portfolio Manager:
 - a. Contain statements that are false, misleading, biased, based on assumption/projections and contain a testimonial or ranking based on any criteria;
 - b. Refer to specific and/or past recommendations made by the Securities Portfolio Manager that were or would have been profitable to any person, unless the advertisement sets out a list of all recommendations made by the Securities Portfolio Manager within the preceding period of not less than one (1) year, and complies with other conditions as may be specified by the Authority from time to time; or
 - c. Represent that any graph, chart, formula, or other device can, in and of itself, be used to determine which securities to buy or sell, or when to buy or sell such securities, or can assist persons in making those decisions, unless the advertisement prominently discloses the limitations thereof and the difficulties regarding its use.

109. Appointment of a Securities Custodian

- (1) Every Securities Portfolio Manager shall appoint a Securities Custodian who shall be responsible for holding the portfolios managed by the Securities Portfolio Manager.
- (2) Only entities registered and issued a Securities Custodian License by the Authority shall be eligible to be appointed as a Securities Custodian for a Securities Portfolio Manager.
- (3) A Securities Custodian shall be functionally independent of the Securities Portfolio Manager and shall keep in safe custody clients' funds and assets under the management of the Securities Portfolio Manager.
- (4) Every Securities Portfolio Manager shall seek and obtain approval of the Authority before the appointment or replacement of a Securities Custodian.



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- (5) Under no circumstances shall the position of Securities Custodian be vacant, and a Securities Portfolio Manager shall have an effective succession plan to this effect.

110. Relinquishment of a Securities Portfolio Manager License

- (1) A Securities Portfolio Manager seeking to relinquish its Securities Portfolio Manager License shall, in addition to the provisions of Article 36 of this Directive:
- a. Enter into an agreement with the succeeding Securities Portfolio Manager. The agreement shall, among others, state the terms of succession, and the outstanding obligations and liabilities to be borne by the succeeding Securities Portfolio Manager;
 - b. Furnish the Authority with records of all its clients' accounts and portfolio under management, nominated Securities Custodian, and details of arrangements made to transfer its clients' accounts to the succeeding Securities Portfolio Manager including information about the succeeding Securities Portfolio Manager;
 - c. The notice of its exit shall state that portfolio management clients are required to transfer their accounts and other portfolios to a target Securities Portfolio Manager within a maximum period of fourteen (14) days after the end of the one (1) month notice given;
 - d. Appoint a succeeding Securities Portfolio Manager to manage the client's accounts and portfolio where a client fails to indicate its preferred target Securities Portfolio Manager to which to transfer his/her account;
 - e. Prepare a schedule containing all the details of its clients, inclusive of their assets and other investments, details of the applicable target and/or succeeding Securities Portfolio Manager, and the cash balance in each client's account;
 - f. Carry out all pending clients' instructions prior to the relinquishment of the Services License. Where the Securities Portfolio Manager is not able to carry out its clients' instructions before it exits the market, the Securities Portfolio Manager shall in writing state the procedures to be adopted in carrying out the clients' instructions by the succeeding Securities Portfolio Manager;
 - g. Transfer to the client's target Securities Portfolio Manager or the succeeding Securities Portfolio Manager, the schedule prepared by the Securities Portfolio Manager pursuant to Sub-Article (1) (e) of this Article; and
 - h. Ensure a seamless transfer of all the required documents pertaining to its clients' accounts and assets to the succeeding Securities Portfolio Manager.



- (2) The succeeding Securities Portfolio Manager referenced in Sub-Article (1) of this Article shall conduct enhanced due diligence on the transferred clients' accounts under their management, confirming the status of the account with the respective client.



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PART FIFTEEN: SECURITIES APPRAISAL FIRMS

111. Eligibility

Only a share company or private limited company that has a valid certificate of commercial registration or investment permit issued by the appropriate government organ, shall be eligible to apply for a Securities Appraisal Firm License.

112. Additional Licensing Requirements

In addition to the requirements specified under Article 7 (1) of this Directive, prior to the pre-certification examination/inspection, an applicant for a Securities Appraisal Firm License shall provide the following:

- (1) Policies and procedures for its valuation process, clearly showing the date it was approved internally which shall not be earlier than six (6) months prior to date of filing the application with the Authority;
- (2) List of clients, if any;
- (3) List of appraisal reports issued during the last three (3) financial years, if any;
- (4) Five (5) samples of the appraisal reports issued during the last three (3) financial years, if any; and
- (5) With respect to the provisions of Sub-Articles (2) and (3) of this Article:
 - a. explanatory information about analysis methods employed, report standards and standard report formats complied with, in the appraisal;
 - b. samples of work papers used while drafting the appraisal reports; and
 - c. activity principles and fundamentals, and workflow procedures.

113. Authorized and Prohibited Activities of Securities Appraisal Firms

- (1) A Securities Appraisal Firm shall perform the following functions:
 - a. Valuation of assets employed, held or to be issued by a client;
 - b. Issuance of appraisal reports with respect to the assets employed and held by a client;
 - c.* Engage in consulting services in such fields as market research on assets, feasibility studies, analysis of legal status of clients' assets; and



- d. For real estate appraisals, provide services in relation to associated rights, vacant land and project value analysis.

(2) Securities Appraisal Firms shall not:

- a. Engage in the management of clients' funds or assets;
- b. Engage in appraisal of assets:
 - i. other than the asset types permitted by the Authority; or
 - ii. which are beyond their professional competence and field of expertise, and require a specific expertise and experience;
- c. Engage in brokerage services, including but not limited to securities brokerage and real estate brokerage services; and
- d. Delegate or outsource its valuation obligations, in connection with a client, to a third party without the written consent of the applicable client, and prior approval of the Authority.

114. Appointed Representatives of Securities Appraisal Firms

- (1) A Securities Appraisal Firm shall, in addition to the provisions of Article 15 (2) of this Directive, have an Appraisal Officer licensed by the Authority as an Appointed Representative.
- (2) An Appraisal Officer shall carry out his function in line with the written policies and procedures of the Securities Appraisal Firm, and shall not:
 - a. Work as or provide investment advisory services with respect to the asset(s) of any client;
 - b. Accept work beyond his expertise;
 - c. Accept a position or role in a business organization which received appraisal services from his Securities Appraisal Firm, for at least two (2) years from the date his employment or appointment by the Securities Appraisal Firm ended;
- (3) Under no circumstances shall the position of an Appraisal Officer be vacant, and a Securities Appraisal Firm shall have an effective succession plan including employing an Assistant Appraisal Officer who can act as the Appraisal Officer immediately after the position becomes vacant.

115. Valuation Processes of Securities Appraisal Firms

- (1) Every Securities Appraisal Firm shall establish comprehensive, documented policies and procedures for its valuation process.



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- (2) The policies and procedures referenced under Sub-Article (1) of this Article shall be reviewed annually by the Securities Appraisal Firm to ensure their continued appropriateness and effective implementation.

116. Appraisal Reports of Securities Appraisal Firms

- (1) Every appraisal report issued by a Securities Appraisal Firm shall be signed by a Senior Executive Officer who possesses relevant experience with respect to the appraisal conducted, and the Appraisal Officer responsible for preparing the report.
- (2) The written policies and procedures of a Securities Appraisal Firm with respect to its valuation process shall contain provisions with respect to the determination of the eligibility of a Senior Executive Officer to sign an appraisal report.
- (3) Every relevant information and documents which may be required for robust and consistent performance of an appraisal assignment or may affect the assessment of final value are required to be disclosed by the client for use in the appraisal assignment albeit not specifically demanded.
- (4) Every appraisal report shall be prepared in line with the minimum appraisal report content requirements as may be specified by the Authority.

117. Appraisal Agreements with Collective Investment Scheme Operators

- (1) Every Securities Appraisal Firm shall enter into a separately signed written agreement with each client for each appraisal report.
- (2) Notwithstanding Sub-Article (1) of this Article, a single agreement may be signed for multiple appraisal reports, provided that the fee for each appraisal report is clearly and separately specified in the agreement.
- (3) Every appraisal agreement shall provide for the following matters:
 - a. A statement as to whether the appraisal report(s) to be prepared by the Securities Appraisal Firm as a result of its appraisal services will be prepared in accordance with the provisions of Sub-Article (1) of this Article;
 - b. Information relating to clients, associated projects or related rights and interests to be appraised;
 - c. Information introducing the parties to the contract;
 - d. Appraisal fee(s) and principles of its determination;
 - e. Working hours and the Appraisal Officer(s);
 - f. Duration of contract, and conditions of withdrawal from or termination of contract;



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- g. Principles regarding legal and financial responsibilities of the Securities Appraisal Firm and the client;
 - h. Information on professional liability insurance to be taken out for meeting damages and losses that may arise out of the appraisal services to be offered by the Securities Appraisal Firm;
 - i. Dispute resolution clause; and
 - j. Other matters relevant and/or material to the appraisal contract.
- (4) In consideration of the appraisal services received from the Securities Appraisal Firm, the client is under obligation to pay an appraisal fee and shall not refrain from paying the appraisal fee on such grounds as non-acceptance of appraisal report for any reason whatsoever, or dislike of final value appraised in the report, nor may the agreement contain such provisions.
- (5) Taking into consideration that an appraisal assignment is a study and evaluation for reporting of the estimated value of a client's assets, associated projects or related rights and interests as at the date of appraisal:
- a. The Securities Appraisal Firm shall not be held liable, where there is a subsequent change of market values due to marketplace conditions after the date of its appraisal report; and
 - b. An appraisal agreement shall not contain provisions stating that the Securities Appraisal Firm may or shall be held liable where there is a subsequent change of market values due to marketplace conditions after the date of its appraisal report.

118. Conflicts of Interest Disclosures

- (1) Securities Appraisal Firms, their Directors, Appointed Representatives and other employees shall make full and fair disclosure of conflict of interest and maintain independence as required under Part Twenty-one of this Directive.
- (2) The independence of a Securities Appraisal Firm with respect to a client shall be deemed to have been compromised upon the occurrence of anyone (1) of the following events:
- a. With respect to the Securities Appraisal Firm, its Directors, Senior Executive Officers and Appointed Representatives as well as their Third-Degree Relatives, it is detected that:
 - i. an aggregate direct or indirect interest of five percent (5%) or more is held in the respective client;



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- ii. an aggregate direct or indirect interest of five percent (5%) or more is held in an associate, subsidiary or parent company of the client; and
 - iii. a business, partnership, employment or appointment relationship existed within the last (2) financial years, with the respective client, its significant shareholders or senior personnel;
- b. Failure of the client to pay the appraisal fees of previous years without a reasonable and just cause;
- c. If the appraisal fee:
 - i. depends upon certain conditions linked to the appraisal results;
 - ii. shows clear differences from the current market rates; or
 - iii. is determined by the Securities Appraisal Firm by considering other services offered to the client;
- d. Where the Securities Appraisal Firm obtains more than forty percent (40%) of its total revenues from all appraisal activities from a client, its shareholders or other natural persons or legal entities that are directly or indirectly related or linked to or under the control or influence of the client in terms of management, supervision or shareholding.

119. Advertisement Restrictions

- (1). Under no circumstance shall an advertisement made by a Securities Appraisal Firm:
 - a) Contain misleading or deceptive statements or statements exploiting the lack of knowledge or experience;
 - b) Provide biased and false information;
 - c) Make a comparison with respect to other Securities Appraisal Firms, or contain such statements as "largest", "best", "most reliable" or "most secure" or similar other phrases aimed at creating a subjective and exaggerated impression;
 - d) Offer promises or commitments as to the result of an appraisal; or
 - e) Be publicized without the prior approval of the Authority.
- (2) Securities Appraisal Firms shall state that they are licensed by the Authority only for their asset appraisal activities conducted under the Proclamation and this Directive.



PART SIXTEEN: APPOINTED REPRESENTATIVES

120. Eligibility

- (1) Only an individual that meets the applicable requirements specified in the Competency Framework for Capital Market Service Providers and all other fit and proper requirements as specified under Article 16 of this Directive shall be eligible to apply for an Appointed Representative License.
- (2) All applications for an Appointed Representative License shall be sponsored by a licensed Capital Market Service Provider or an applicant for a Capital Market Service Provider License.
- (3) The Authority may require that an individual associated or affiliated with a Capital Market Service Provider but not contemplated under this Directive should be licensed as an Appointed Representative. In this regard, the Authority shall take into consideration the following with respect to the Capital Market Service Provider. Whether such an individual:
 - a. Deals or interacts with investors, issuers or clients of the Capital Market Service Provider;
 - b. Handles, manages, or deals with assets or funds of investors or clients;
 - c. Manages or is involved in the resolution of investors' complaints;
 - d. Is responsible for internal control or risk management;
 - e. Is involved in governance processes;
 - f. Is responsible for compliance of any legislation, Directives or other instrument issued by the Authority; or
 - g. Is involved in the operational decision-making activities.

121. Licensing of Appointed Representatives

- (1) An application for an Appointed Representative License shall be submitted by the sponsoring Capital Market Service Provider on behalf of the prospective Appointed Representative in the format prescribed by the Authority, and shall be accompanied by the following documents:
 - a. Letter of appointment or employment, issued by the sponsoring Capital Market Service Provider to the prospective Appointed Representative;



- b. Curriculum Vitae or Resume of the prospective Appointed Representative;
 - c. Certificate or other document evidencing the educational qualifications and, where applicable, professional certifications of the prospective Appointed Representative;
 - d. Police Clearance Certificate in respect of the prospective Appointed Representative, issued by the applicable regulatory authority, statutory body and/or agency;
 - e. Undertaking by the prospective Appointed Representative, to comply with the Code of Conduct for Capital Market Service Providers, their Employees and Persons with Significant Influence, and other capital market laws and Directives;
 - f. Guarantee from the sponsoring Capital Market Service Provider, indemnifying its clients from any liability that may arise because of the actions or inaction of the prospective Appointed Representative;
 - g. Evidence of payment of applicable licensing fees; and
 - h. Any other documents the Authority may request based on the nature of the application.
- (2) A prospective Appointed Representative shall, as part of the application process, be required to:
- a. present certificate of proof of attaining Chartered Institute for Securities & Investment (CISI) level three qualification or its equivalent as periodically announced by the Authority and subject to transition provisions that the Authority may provide in a circular;
 - b. undertake and pass a licensing examination; and
 - c. Undertake an interview conducted by the Authority, or the applicable body as may be specified by the Authority from time to time.

122. Timeline for Processing an Application for an Appointed Representative License

- (1) The Authority shall within fifteen (15) business days of receiving a complete application as specified under Article 121 of this Directive, including the submission of additional documents as may be requested by the Authority, communicate a licensing examination and interview date to the applicant where the Authority is responsible for the administration of such licensing examination and interview.



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- (2) Where the administration of the applicable licensing examination resides with another body specified by the Authority, the Authority shall instruct the applicable body to administer the licensing examination.
- (3) The Authority or the body with which the administration of the applicable licensing examination resides, shall have an annual calendar specifying fixed examination dates which shall at a minimum be quarterly.
- (4) The body referenced in Sub-Article (2) of this Article shall not later than five (5) business days after administering the licensing examination communicate the results to the Authority.
- (5) For an applicant sponsored by an existing licensed Capital Market Service Provider, the Authority shall within five (5) business days of administering a licensing examination and interview or receiving the results of the licensing examination conducted by the specified body, issue a Services License or refuse to issue a Services License, as may be applicable.
- (6) After the licensing examination and interview of an applicant Appointed Representative, the Authority shall send a written notice to the Capital Market Service Provider applicant either:
 - a. a pre-certification inspection date to the prospective Capital Market Service Provider in line with the provisions of Article 11; or
 - b. the ineligibility of the individual to be an Appointed Representative.
- (7) The Appointed Representatives licensing process for an applicant sponsored by a prospective Capital Market Service Provider shall not be deemed to be completed until the prospective Capital Market Service Provider has been issued a Services License.

123. Annual Renewal of an Appointed Representative Services License

The Services License issued by the Authority to an Appointed Representative shall be renewed annually by the sponsoring Capital Market Service Provider when such sponsoring Capital Market Service Provider is applying for the renewal of its own Services License in line with Article 30 of this Directive.

124. Suspension and Revocation of the License Issued to an Appointed Representative

- (1) The Services License of an Appointed Representative may be suspended or revoked:



- a. for failing to adhere to the requirements of the Code of Conduct for Capital Market Service Providers, their employees and Persons with Significant Influence, or other Directives issued by the Authority; or
 - b. Where the Services License of the sponsoring Capital Market Service Provider has been suspended or revoked.
- (2) Any Appointed Representative that has had his/her Services License suspended shall not engage in any capital market activity during the period of suspension.
 - (3) Any Appointed Representative that has had his/her Services License revoked due to Sub-Article 1(a) of this Article shall not engage in any capital market activity and shall not be eligible for a new Services License unless the Capital Market Administrative Tribunal or a court with competent jurisdiction in Ethiopia reverses the decision.
 - (4) No Capital Market Service Provider shall conduct any transaction through an Appointed Representative whose Services License has been suspended or revoked.

125. Change of Employment by Appointed Representatives

- (1) Where an Appointed Representative changes employment or appointment from one Capital Market Service Provider to another, the Authority shall be notified of such changes in line with the timelines specified under Article 18 of this Directive, and the Appointed Representative shall be registered under the name of the new employer, subject to the approval of the Authority.
- (2) Notwithstanding, the provisions of Sub-Article (1) of this Article above, an Appointed Representative shall be required to reapply to be licensed where the Appointed Representative changes employment to an employer outside the capital market for a period of two (2) years or more.

126. Conditions for Acting Roles

- (1) Upon the exit of an Appointed Representative, excluding Non-Executive Directors, Chief Executive Officers/General Managers, and Traders, a Capital Market Service Provider shall communicate in writing to the Authority the details of the personnel who shall temporarily fill that role in an acting capacity. This communication shall accompany the notification required under Article 18 of this Directive.
- (2) Upon the exit of a Chief Executive Officer/General Manager, a Capital Market Service Provider shall, alongside the notification required under Article 18 of this Directive, nominate a Senior Executive Officer as the Acting General Manager/Chief Executive Officer. This nomination shall be subject to the approval of the Authority.



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- (3) Subject to the approval of the Authority, upon the exit of the Board Chair, a Capital Market Service Provider shall, alongside the notification required under Article 18 of this Directive, nominate a non-Executive director as the Acting Board Chair.
- (4) Every Capital Market Service Provider shall comply with the following timelines with respect to the maximum permissible period within which an acting Appointed Representative and acting Board Chair position must be filled:
 - a. The position of the acting Board Chair and acting Appointed Representative shall be filled with a permanent Board Chair or Appointed Representative within six (6) months of appointment;
 - b. The Authority may, upon request from a Capital Market Service Provider, extend the timeline stipulated in Sub-Article (4) (a) of this Article for a maximum period of three (3) months;
 - c. A request for an extension of the timeline under Sub-Article 4(b) shall be made to the Authority in writing, providing detailed justification for the request, including steps taken to fill the acting position, and not later than one (1) month before the expiration of the timeline stipulated under Sub-Article (4) (a) of this Article; and
 - d. Where the request for an extension is granted by the Authority pursuant to Sub-Article (4) (b) of this Article, the Capital Market Service provider shall provide the Authority with a status update report monthly.
- (5) Where an individual in an acting capacity exits from the Capital Market Service Provider, becomes incapacitated or otherwise unable to carry out the activities in relation to the acting role, the provisions of Sub-Articles (1) to (3) of this Article shall apply.

127. Continuing Professional Education (CPE)

- (1) All Appointed Representatives of a Capital Market Service Provider shall:
 - a) Continue to maintain the competence required to effectively discharge their duties by completing, on an annual basis, the minimum CPE hours specified by the Authority; and
 - b) Ensure that the types of CPE programs undertaken are relevant to the functions and roles of the Appointed Representatives and contribute to the skill, knowledge, as well as professional and ethical standard of the Appointed Representatives.
- (2) A Capital Market Service Provider shall establish and maintain policies and procedures on CPE that include how its Appointed Representatives will maintain, update, and develop their knowledge and skills and training plans for each CPE



cycle to ensure that knowledge gaps are addressed, and professional standards and practices are continually improved.

- (3) Appointed Representatives shall be required to complete a minimum of one (1) CPE program relevant to their role within a financial year.

128. Delivery of the CPE

- (1) The CPE program shall be administered only through CPE providers accredited by the Authority.
- (2) Each CPE provider accredited by the Authority shall have in place a mechanism of recording CPE hours of participants in a verifiable manner.

129. Audit of CPE

- (1) All Accredited CPE Providers shall be required to have a mechanism to audit the logged CPE hours and to ensure records are available for an audit by the Authority.
- (2) At the end of the CPE cycle, the CPE provider shall give all Appointed Representatives documented evidence of success in satisfying their CPE requirements.
- (3) All Capital Market Service Providers, in respect of their Appointed Representatives, shall maintain records of all CPE programs undertaken in a form that is verifiable by the Authority during supervisory visits.

130. Failure to Complete CPE

Unless otherwise determined or specified by the Authority, the failure of any Appointed Representative to comply with the CPE requirements specified in this Directive shall attract sanctions in line with Schedule Three of this Directive.



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PART SEVENTEEN: MINIMUM CAPITAL REQUIREMENTS FOR CAPITAL MARKET SERVICE PROVIDERS

131. General

- (1) No Capital Market Service Providers shall operate in the Ethiopian Capital Market, except where it meets the minimum capital requirements as stipulated herein for its licensed function.
- (2) The Authority may require a Capital Market Service Provider or categories of Capital Market Service Providers to hold additional capital more than what is stipulated in this part. In making this decision, the Authority shall, take into consideration the following:
 - a. The type of business the Capital Market Service Provider conducts;
 - b. The historical financial and operational performance of the Capital Market Service Provider;
 - c. The level of risk exposure of the Capital Market Service Provider; and
 - d. The financial needs of the Ethiopian Capital Market.

132. Minimum Paid-up Capital

- (1) The minimum paid-up capital required to obtain a license to operate as a Capital Market Service Provider shall be fully paid in cash deposited in a licensed commercial bank in Ethiopia.
- (2) The minimum paid-up capital which a prospective Capital Market Service Provider is expected to have to obtain a Services License, shall be the equivalent of the Net-Shareholders' funds, or Partners' Fund or Net worth existing Capital Market Service Providers are required to maintain as provided for under Schedule one of this Directive.
- (3) The minimum paid-up capital provided under Sub-Articles 1 and 2 of this Article shall appear in the Memorandum of Association, as applicable, and/or registered in the Commercial Registration Certificate according to the relevant law.

133. Increase of Paid-up Capital by a Capital Market Service Provider

- (1) The paid-up capital of a Capital Market Service Provider being a share company or Private Limited Companies may be increased in line with relevant provisions of the Commercial Code.



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- (2) The paid-up capital of all other Capital Market Service Providers not captured under Sub-article (1) of this Article may be increased by utilizing either one (1) or a combination of the assets recognized as qualifying capital in Article 134 of this Directive.

134. Qualifying Capital

- (1) The following shall be recognized in computing the paid-up capital of an existing Capital Market Service Provider:
- a. Cash deposited in a licensed commercial bank in Ethiopia;
 - b. Treasury bills;
 - c. Securities, at market value, quoted on a licensed securities exchange or over-the-counter trading facility;
 - d. Unquoted Collective Investment Schemes at market value;
 - e. Bonds at market value (including Federal, Regional and State, Supranational, and Corporate Bonds);
 - f. Unencumbered property at net book value; and
 - g. Other unencumbered non-current tangible assets at net book value.
- (2) A Capital Market Service Provider or a Capital Market Service Provider applicant may be required by the Authority to provide evidence of existence and ownership of the paid-up capital prior to obtaining a Services License or during the period of holding a Services License.
- (3) Notwithstanding the provisions of Sub-Article (1) of this Article, all licensed Capital Market Service Providers shall maintain the liquidity requirements as specified under Article 138 of this Directive.

135. Net-Shareholders' Funds, Partners' Fund and Net-Worth

- (1) Every Capital Market Service Provider shall maintain the required net-shareholders' funds, partners' funds, or net-worth, as may be applicable, throughout the duration of holding a Services License.
- (2) The Net-shareholders' fund for a Capital Market Service Provider with multiple Service Licenses shall be an aggregate of the Net-shareholders' funds for all the Service Licenses applied for.
- (3) The shareholders' funds, partners' funds, or net-worth to be maintained by each Capital Market Service Provider shall be as stated in Schedule one of this Directive.



136. Components of Net-Shareholders Funds

The components of Net-Shareholders Funds shall include:

- (1) Paid-Up Share Capital
- (2) Retained Earnings
- (3) Legal Reserve
- (4) Regulatory Reserve
- (5) Other Reserves

137. Components of Partners' Funds

The components of Partners' Funds shall include:

- (1) Partners' Paid-Up Capital
- (2) Share of Profit to each partner
- (3) Drawings

138. Liquidity Ratio

- (1) Every Capital Market Service Provider shall ensure that it maintains a sufficient liquid capital base which can easily be converted into cash in a short amount of time.
- (2) The liquid assets of a Capital Market Service Provider shall make up at least forty percent (40%) of its total assets.
- (3) The provisions of sub-Article (2) of this Article shall not apply to the following categories of Capital Market Service Providers:
 - a. Securities Investment Advisers;
 - b. Securities Robo Advisers;
 - c. Securities Shariah Advisers; and
 - d. Appointed Representatives.
- (4) The Authority may request evidence of the existence and ownership of assets, when necessary, to substantiate the claims of a Capital Market Service Provider.
- (5) Where a Capital Market Service Provider is suspended from carrying out a regulated activity, as defined in the Proclamation, because of non-compliance with the prescribed asset-mix ratio, the Capital Market Service Provider shall be subject to verification for compliance before such a suspension is lifted by the Authority.



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139. Consequences of Non-Compliance with the Minimum Capital Requirements

Where a Capital Market Service Provider fails to comply with any of the minimum capital requirements specified in this Part or schedule one of this Directive, the Authority may suspend, revoke, or take any other measures that it considers fit.



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PART EIGHTEEN: CORPORATE GOVERNANCE FOR CAPITAL MARKET SERVICE PROVIDERS

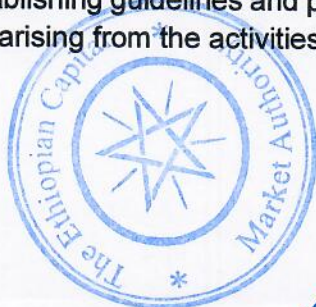
140. General

- (1) The Corporate Governance Provisions under this Part shall be applicable to Business Organizations with a Capital Market Services License in Ethiopia.
- (2) The Corporate Governance Provision under this part shall not relieve a Business Organization seeking to hold a Capital Market Services License from complying with the relevant provisions of the Commercial Code of Ethiopia.
- (3) Capital Market Service Providers and their Directors are required to comply with all applicable laws, directives and regulations in Ethiopia and in each of the countries and regions in which the Capital Market Service Provider is established and operating its business.
- (4) Where there is a conflict between these provisions and the provisions of any other corporate governance code in relation to a Capital Market Service Provider, the Capital Market Service Provider shall defer to and comply with the stricter corporate governance code.

141. Board of Directors

The Board of a Capital Market Service Provider is responsible for -

- (1) Defining the strategic objectives and goals of the company to ensure that its human and financial resources are effectively deployed towards attaining those goals.
- (2) Ensuring that members of the Board as well as the Board committees always act in the best interest of the company.
- (3) Establishing a charter for its operations and setting out matters that may be delegated to the Management of the company and those reserved for the Board. The delegation of the Board's authority to the Management may not in any way diminish the powers and responsibilities of the Board.
- (4) Ensuring compliance with the requirements of this Part of the Directive.
- (5) Ensuring compliance of persons with significant influence, its Appointed Representatives, and its employees with the Competency Framework and the Code of Conduct requirements of this Directive.
- (6) Establishing guidelines and policies for identifying, assessing, and monitoring the risk arising from the activities of its company which is not limited to operational



operational risk, legal risk, reputational risk, environmental risk, cybersecurity risk, and social risk. The Board must also enforce procedures and controls for the regular review of the effectiveness of the risk management and internal control framework as developed by the Board.

- (7) Ensuring the establishment and implementation of an effective succession plan, appointment process, training mechanism, remuneration structure, and replacement procedures for both the Board members and Senior Executive Officers of the Company.
- (8) Ensuring proper record keeping, accuracy and integrity of annual reports and accounts and all material information provided to the Authority, Self-Regulatory Organizations, clients and the general public.
- (9) Managing the company's finances with a view to ensuring that the company has adequate capital and liquidity to meet its liabilities in a timely manner.

142. Board Structure, Size and Composition:

The Board shall:

- (1) In relation to the complexity of its company's activities, be of sufficient size to effectively manage, monitor, direct and control the activities of the company;
- (2) Assume responsibility for carrying out duties imposed on the Capital Market Service Provider by law, the company's memorandum and articles of association, and resolutions of general meetings of shareholders;
- (3) Constitute of a mix of Directors possessing core competencies including corporate finance, accounting, auditing, legal, investment management, Information Communication Technology or Digital security, and Business administration;
- (4) Be independent of Management to enable it to carry out its supervisory function in an objective and effective manner;
- (5) Encourage diversity in its membership for better decision-making and effective governance;
- (6) Ensure the existence of Non-Executive Directors of the Capital Market Service Provider in its composition;
- (7) Ensure the Compliance Officer has a means to directly report to the Board; and
- (8) Separate the position of the Board Chairman and the General Manager/Chief Executive Officer.



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143. Appointment to the Board and Removal

- (1) The appointment and removal of Directors by a Capital Market Service Provider should be in line with the provisions of the Commercial Code of Ethiopia and Directives for Licensing and Supervision of Capital Market Service Providers.
- (2) The Capital Market Service Provider should have a clearly defined procedure which serves as a guide for the selection of Directors to ensure the appointment of qualified personnel to the Board.
- (3) The Board is responsible for ensuring that proposed Directors meet the fit and proper criteria before consideration for directorship positions.

144. Responsibilities of the General Manager/Chief Executive Officer

The General Manager (GM)/Chief Executive Officer (CEO) in name or Function:

- (1) Is the head of management delegated to run the affairs of the Company to achieve its strategic objectives for sustainable corporate performance.
- (2) Should be knowledgeable in relevant areas of the Capital Market Service Provider's operations; and should demonstrate industry credibility and integrity in carrying out his duties.
- (3) Is required to establish a culture of integrity, conformance, and performance which should be assimilated by personnel at all levels of the Company.
- (4) Should ensure that his authority and the relationship between him and the Board is clearly set out in a contract of employment.
- (5) Should declare to its Board of Directors any conflict of interest upon appointment or at any other point when he becomes aware of any potential conflict of interest. This disclosure should be subject to the Capital Market Service Provider's Code of Conduct and Conflict of Interest Policy.
- (6) Without prejudice to the duties and responsibilities stated in the applicable Directives and Competency Framework for Capital Market Service Providers, a General Manager/Chief Executive Officer shall at least be responsible for:
 - a. Clearly assigning tasks, responsibilities and segregation of duties to the personnel of the company; and
 - b. Acting as the company's leading representative in its dealings with the Board and its stakeholders.



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145. Appointment of the General Manager/Chief Executive Officer

- (1) The appointment of the General Manager/CEO by a Capital Market Service Provider should be in line with the relevant provisions of this Directive.
- (2) The Capital Market Service Provider should have a clearly defined procedure which serves as a guide for the appointment of qualified personnel to the position of the CEO.

146. Board Committees

- (1) The Board shall determine the extent to which its duties and responsibilities shall be undertaken through the Board committees. Such a committee shall consist of only Directors to review matters as and when the committee deem appropriate, and recommend a course of action, if need be.
- (2) The Board shall determine and stipulate, through terms of reference, the composition and powers of the established committees.
- (3) The Board shall establish a charter subject to periodic review that states the respective established committees' terms of reference, composition and skills set of such committees, ensuring that each committee has members who possess the relevant skills and competences.
- (4) It is the responsibility of the Board to facilitate the effective discharge of the duties and responsibilities of Board committees. Accordingly, the Board should ensure that committees are provided all necessary information and resources required to execute their responsibilities in a timely manner.
- (5) The Board shall in addition to the Audit Committee required by Commercial Code of Ethiopia establish a Nomination and Election Committee, Risk Management and Compliance Committee, and such other committee(s) as the Board may deem appropriate depending on the size, needs or industry or regulatory requirements of the company.

147. Nomination and Election Committee

- (1) The Nomination and Election Committee shall be established at the ordinary general meeting of the shareholders of the Capital Market Service Providers. The Nomination and Election Committee shall be composed of non-Executive and Non-shareholder Directors.
- (2) The Nomination and Election Committee shall have the duty to:



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- a. Establish a process for Board elections, including defining the criteria for appointment to the Board and Board committees, reviewing potential candidates' qualifications and any potential conflict of interest. The Nomination and Election Committee is to ensure compliance with the fit and proper criteria under relevant Directives of the Authority;
- b. Periodically determine and assess the skills, knowledge and experience required on the Board and its committees;
- c. Ensure that all Board nominations and elections follow the process under this Article unless over fifty percent (50%) of Board members:
 - i. are removed by ordinary general meeting or the Authority before the expiration of their tenure of office;
 - ii. have resigned from Board seats voluntarily;
 - iii. Are unable to sit on the Board for any reason for more than fifty percent (50%) of their seating days in tenure; and
 - iv. Over fifty percent (50%) of the voters fail to accept nominees presented by the Nomination and Election Committee.
- d. Give an opportunity to shareholders to nominate a candidate for Board membership through available approved convenient means of communication not less than three (3) months to the date of the ordinary general meeting of shareholders.

148. Risk Management and Compliance Committee

- (1) The Risk Management and Compliance Committee shall ensure that sufficient procedures for risk management and internal control are established.
- (2) The Risk Management and Compliance Committee is to be chaired by a Non-Executive Director and shall be responsible for the establishment of a risk management framework that defines the company's risk policy, risk appetite and risk limits. This Committee shall have oversight over the management's activities in managing inherent risks and shall form its own opinion on the effectiveness of the process.
- (3) The Risk Management and Compliance Committee shall:
 - a. Assess the adequacy and effectiveness of risk management policies and frameworks in identifying, measuring, monitoring and controlling risk;



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- b. Ensure that the risk management policies are clearly communicated to all employees in a simple language to boost risk awareness at all levels of the company and that the risk management framework is integrated into the day-to-day operations of the business; and
- c. Provide guidelines and standards for administering the acceptance and on-going management of key risks such as operational, reputational, financial, market, technology and compliance risk.

149. Audit Committee

- (1) The Board shall establish an audit committee consisting of members of the Board alone; a Director who takes part in the day-to-day management of the affairs of the company shall not become a member of the audit committee.
- (2) The Audit Committee shall have at least one (1) member having expertise or experience in the field of accounting, finance and auditing.
- (3) The Audit Committee of the Board shall exist to provide independent oversight of the Capital Market Service Provider's financial reporting and internal control system and ensure checks and balances within the Capital Market Service Provider. It shall:
 - a. Ensure accurate and transparent reporting and prompt publication of the financial accounts;
 - b. Oversee the functions of the Internal Audit Unit, review the scope of internal audit program, internal audit findings and recommend actions to be taken by the management;
 - c. Review the effectiveness of internal controls and risk management processes;
 - d. Review and ensure that adequate whistle-blowing procedures are in place; and
 - e. Check compliance with the rules and policies of the company, directives of the Authority and other relevant laws.

150. Board Meetings

- (1) The Board should meet at least once every quarter.
- (2) A Director should be required to attend at least 75% of Board meetings. Such attendance shall be a criterion for the re-nomination of a director.



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- (3) The Board shall ensure that minutes of meetings are adequately recorded (physically or electronically) and safely kept.

151. Qualifications and Training

- (1) The Capital Market Service Provider shall establish a formal induction program for new Directors, Senior Executive Management and Appointed Representatives of the Company to familiarize them with the Company's, strategic plan, operations, business environment, and their fiduciary responsibilities.
- (2) The Directors, Senior Executive Management and Appointed Representatives are required to participate in periodic, relevant, continuing education programs on an annual basis, to update their knowledge and skills and keep them informed of new developments in the Company's business and operating environment.

152. Sustainability

A Capital Market Service Provider and its board should create policies that pay attention to sustainability issues including environment, social, occupational and health and safety impacts of its operations.

153. Whistle Blowing Procedures

- (1) Capital Market Service Providers should have whistle-blowing policies that are known to employees, stakeholders, and the public. The Board or the General Manager shall implement such a policy and establish a whistle-blowing mechanism for reporting any illegal or substantial unethical behavior.
- (2) Capital Market Service Providers shall encourage their employees to report violations including breaches to applicable capital market rules and regulations.

154. Disclosures

- (1) Capital Market Service Providers and their Board shall disclose their corporate governance practices and the application of such Corporate Governance Provisions to the Authority.
- (2) The Board should disclose the Board's evaluation assessment and results thereof to the Authority.



PART NINETEEN: COMPETENCY FRAMEWORK FOR CAPITAL MARKET SERVICE PROVIDERS

155. Prohibited Appointment or Employment

- (1) No Capital Market Service Provider shall appoint or employ a person to occupy any of the positions listed in this Competency Framework, except if such person meets the competency requirements as stipulated herein.
- (2) Notwithstanding the foregoing, other relevant education qualifications and professional certifications, where applicable, will be considered on a case-by-case basis.

156. General Requirements

- (1) In addition to the provisions of this Competency Framework, Appointed Representatives and other persons with significant influence shall be required to comply with the fit and proper criteria as stated in the Directives for Licensing and Supervision of Capital Market Service Providers.
- (2) Capital Market Service Providers shall obtain the prior approval of the Authority before appointing a Director or employing Appointed Representatives or Compliance Officers.
- (3) Capital Market Service Providers shall continually improve the capacity of Appointed Representatives and employees through regular training and completion of Continuing Professional Education programs.

157. Capital Market Service Provider Functions

- (1) The roles within the Capital Market Service Provider have been divided into four (4) different functions based on the role performed within the Capital Market Service Provider.
- (2) The details of each function shall be as provided in **Table 1** of Schedule Two of this Directive, while the specific competency requirements are provided in **Table 2** of same Schedule.
- (3) The details of the specific competency requirements for each Capital Market Service Provider shall be as provided in Table 2 of Schedule Two of this Directive.



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PART TWENTY: CODE OF CONDUCT

158. General

- (1) This Code of Conduct applies to all Capital Market Service Providers, their Employees who carry on or provide any capital market related activity and those with significant influence in a Capital Market Service Provider.
- (2) A Capital Market Service Provider, its Employees and persons with significant influence must carry on any capital market related activity:
 - a. With honesty and fairness;
 - b. With care, skill and diligence;
 - c. By managing or mitigating any actual or potential conflicts of interest that may affect its clients' interest;
 - d. With proper safeguards in place to protect clients' assets and information; and
 - e. In a manner which always promotes open and effective communication with clients and regulators.
- (3) The above minimum standards of code of conduct on a Capital Market Service Provider, its employees and persons with significant influence, cannot be modified through any provision contained in any contract or document provided to clients.

159. Code of Conduct for Business Organization Capital Market Service Providers

In its conduct as a Capital Market Service Provider, the Service Provider shall:

- (1) Comply with all relevant laws governing the capital market;
- (2) Comply with the Authority's Code of Conduct, and any other applicable laws, and/or instruments governing standards of conduct;
- (3) Take all reasonable steps to ensure that Appointed Representatives and other employees are competent and have the necessary skills and expertise reasonably expected of a person carrying on such capital market related activities;
- (4) Ensure that its Appointed Representatives and other employees conduct themselves in a manner consistent with this Code;
- (5) Ensure that it provides Appointed Representatives and other employees with information, training, and supervision to enable them to do their work competently, and comply with applicable laws and directives in the performance of their duties;



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- (6) Develop and maintain policies and procedures to ensure that business activities comply with the provisions of this Code of Conduct and all applicable legal and regulatory requirements;
- (7) Ensure that it appoints a Compliance Officer responsible for ensuring that business is conducted in a manner that is compliant with applicable laws;
- (8) Ensure that its Appointed Representatives are appropriately licensed by and approved by the Authority for appointment or employment to carry on any capital market related activities;
- (9) Ensure that portfolio information provided to clients by an Appointed Representative or employee is accurate and complete, and, when requested to do so, cooperate with relevant requests for independent third-party confirmation or review of such information;
- (10) Take all reasonable steps to ensure that Appointed Representatives and other employees are competent for their roles, and conduct themselves in a manner consistent with this Code;
- (11) Ensure that it has appropriate procedures and systems in place to carry out its capital market related service(s);
- (12) Maintain records in accessible format for an appropriate period of time, or as specified in applicable Directives;
- (13) Ensure records are not manipulated in any way by Appointed Representatives and other employees. Audit trails shall be incorporated to identify all corrections or other amendments to records; and
- (14) Ensure that access to confidential records is restricted and appropriate permission requirements set.

160. Code of Conduct for Individual Capital Market Service Providers

The Individual Capital Market Service Provider shall:

- (1) Comply with all relevant laws governing the capital market;
- (2) Conduct themselves in a manner consistent and comply with the Authority's Code of Conduct, and any other applicable laws, or instruments governing standards of conduct;
- (3) Take all reasonable steps to ensure that they are competent and have the necessary skills and expertise reasonably expected of a person carrying on such capital market related activities;



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- (4) Develop and maintain policies and procedures to ensure that business activities comply with the provisions of this Code of Conduct and all applicable legal and regulatory requirements;
- (5) Ensure that they have appropriate procedures and systems in place to carry out their capital market related activity;
- (6) Maintain accurate records in accessible format for an appropriate period, or as specified in applicable Directives; and
- (7) Ensure that access to confidential records of clients is restricted and appropriate permission requirements set.

161. Code of Conduct Principles for Appointed Representatives, Other Employees and Persons with Significant Influence

An Appointed Representative or employee of a Capital Market Service Provider as well as persons with significant influence as applicable, shall at all times act according to the principles of best practice, and in particular, shall:

- (1) Comply with all relevant laws governing the capital market;
- (2) Be honest and avoid any conduct that will bring its profession into disrepute;
- (3) Be unbiased in the services they provide to all clients;
- (4) Exercise utmost integrity, competence, diligence, and confidentiality in their dealings with the Regulatory Authorities and their officers, their clients and prospective clients, their employers, sponsoring Capital Market Service Provider and colleagues;
- (5) Comply with the requirements, laws and standards of their profession; and
- (6) Communicate and cooperate with relevant officials to identify and address wrongdoing and incompetence in their respective professions.

162. Standards of Professional Conduct

Capital Market Service Providers, their Appointed Representatives, Directors and Employees are required to comply with the following standards of professional conduct:

- (1) Appointed Representatives, Directors and Employees must be knowledgeable of, and comply with all applicable laws, directives and codes of the Authority and their professional associations; as well as standards governing their professional activities.



- (2) Appointed Representatives, Directors and Employees must be independent and objective in their professional dealings and exercise reasonable care and judgment to maintain it. They must not offer, solicit, or accept any gift, benefit, compensation, inducement or consideration that compromises their independence or objectivity.
- (3) Appointed Representatives, Directors and Employees, in carrying on a capital market related activity, must act with honesty and fairness, and in the best interests of their clients to safeguard the integrity of the capital market. Appointed Representatives, Directors and Employees must not knowingly make any wrong assertions, misrepresentations, or omissions of fact in relation to the provisions of the Proclamation, directives and any applicable laws or regulations. Appointed Representatives, Directors and Employees must inform the Authority and take appropriate action if they become aware of any such misrepresentations or omissions of fact by, or on behalf of, their clients (whether existing, former, or prospective).
- (4) Appointed Representatives, Directors and Employees must not engage in any conduct involving dishonesty, fraud, deceit, or any act that may reflect adversely on the Authority, the Ethiopian Capital Market or on the professional reputation, integrity, or competence of the Appointed Representatives and/or the Employee.

163. Duties to Clients

A Capital Market Service Provider, its Appointed Representatives and other employees must:

- (1) act with reasonable care when dealing with all clients;
- (2) deal fairly and objectively with all clients when furnishing advice or engaging with them in any other professional capacity;
- (3) have regard for the informational needs of their clients and communicate information to clients in a manner that is timely, clear, fair and not misleading;
- (4) ensure that clients are sufficiently informed of the risks associated with the product or service that is being recommended;
- (5) advise each client based on the client's particular investment objectives;
- (6) set reasonable fees and disclose to clients all fees and the basis for such fees including any charges that may be payable in the future;



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- (7) deal with clients' complaints and disputes in a fair, transparent, timely and efficient manner which includes ensuring that:
 - a. Clients are kept abreast of the review of a complaint regularly;
 - b. Keep records of all complaints and their outcome; and
 - c. An internal process/procedure for dealing with complaints and disputes is established by the Capital Market Service Provider.
- (8) maintain a robust Know Your Client (KYC) procedure, and risk management framework and mechanism for compliance with Anti Money Laundering/Combating the Financing of Terrorism (AML/CFT) regulations of its clients;
- (9) keep all and any information pertaining to existing, former, and prospective clients as confidential, unless:
 - a. The information relates to illegal activity on the part of the existing, former or prospective client;
 - b. disclosure of the information is required by law, court order or relevant directives; or
 - c. an existing, former or prospective client consent to the disclosure of the information.

164. Duties to Regulatory Authorities

Appointed Representatives, Directors and Employees shall:

- (1) Deal with the Regulatory Authorities in an appropriate, open, and co-operative way, and disclose any information which the regulators would require and expect;
- (2) Provide Regulatory Authorities with appropriate documents or information when requested or required and within the specified time frame where applicable;
- (3) Disclose significant personnel or organizational changes that have occurred at the Capital Market Service Provider's office such as the changes in the directorship, shareholding structure, principal officers of the Capital Market Service Provider within the appropriate timelines etc.; and
- (4) Ensure that the Capital Market Service Provider, at least annually, disclose all legal or disciplinary actions taken against it or its Appointed Representatives and/or



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Employees, in line with relevant disclosure requirements of the Regulatory Authorities.

165. Disclosure to the Capital Market Service Provider

Appointed Representatives, Directors and Employees shall ensure that they:

- (1) Disclose any personal dealings in securities to the Capital Market Service Provider, to prevent possible conflict of interest, insider trading, and improper conduct.
- (2) Declare all outside business interests to the Capital Market Service Provider, particularly where a real or perceived conflict of interest could exist.

166. Duties to the Capital Market

- (1) Appointed Representatives, Directors and Employees in possession of material, price-sensitive, non-public information shall not trade on or disclose Insider information to third parties unless a legal obligation of disclosure exists. They shall ensure a record of all persons that receive material, price sensitive, non-public information from it, or come into contact with such information in the course of their relationship with the Capital Market Service Provider is maintained and disclosed to the Capital Market Service Provider.
- (2) Appointed Representatives, Directors and Employees shall refrain from engaging in prohibited market practices that manipulate the market; and take steps to inform their clients of their responsibility in this regard.

167. Conflict of Interest

- (1) A Capital Market Service Provider and its Employees shall use their best endeavors to identify and avoid any actual or potential conflict of interest.
- (2) A Capital Market Service Provider and its Employees must ensure that any disclosure made to address an actual or potential conflict of interest must be done in a timely and accurate manner.
- (3) A Capital Market Service Provider and its Employees must ensure that any disclosure made to address an actual or potential conflict of interest must be timely and accurate to enable clients to make an informed assessment as to whether such conflict is managed appropriately and not detrimental to the clients' interests.
- (4) Where a conflict of interest cannot be avoided, the Capital Market Service Provider must have adequate arrangements in place to effectively manage or mitigate the conflict of interest including:



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- a. **Disclosure of Conflict.** Capital Market Service Providers and their Employees must make full and fair disclosure to their clients and to the Authority on all matters that might reasonably be expected to impair their independence and objectivity or to conflict with their obligations to their clients or prospective clients.
- b. **Clarity of Disclosure.** Where disclosure of any conflict of interest is included in client documentation, Capital Market Service Providers and their Employees must ensure that such disclosure is presented prominently, and worded in plain language such that it effectively communicates the relevant information.
- c. **Fair Treatment of Client.** Capital Market Service Providers and their Employees must take all reasonable steps to ensure fairness to their clients before proceeding with the transaction.
- d. **Obligations During Disclosure.** No disclosure shall remove or eliminate the obligation on Capital Market Service Providers, their Directors, Appointed Representatives and other Employees to comply with all relevant directives to ensure that the client's legitimate interest takes precedence in all circumstances.

168. Use of Name

A Capital Market Service Provider shall not permit others to use its name to conduct capital market related activities or any other business.

169. Compliance with the Code of Conduct

- (1) A Capital Market Service Provider's board of directors and Appointed Representatives, where applicable, are responsible for establishing, implementing and maintaining effective controls, policies and procedures for ensuring compliance with these Code of Conduct by the Capital Market Service Providers and its Employees.
- (2) The controls, policies and procedures established must be appropriate to and commensurate with the nature, scale and complexity of the business of a Capital Market Service Provider.
- (3) The controls, policies and procedures must be reviewed, and their implementation be monitored, on a regular basis to ensure they remain relevant and effective.



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- (4) A Capital Market Service Provider's board of directors and Appointed Representatives must ensure that the employees of the Capital Market Service Provider observe its controls, policies, and procedures; and ensure that they are aware of their obligations under this Part.

170. Securities Brokers and Securities Dealers

A Securities Broker and Securities Dealer shall:

- (1) Document the key policies and procedures put in place to implement their operations and establish appropriate processes, systems and internal controls to ensure compliance with their operation requirements;
- (2) Ensure that clients' orders are executed in line with best execution standards, deal with their clients and their own account orders fairly, and with total integrity;
- (3) Not indulge in manipulative, fraudulent or deceptive transactions or schemes or spread rumors with a view to distorting market equilibrium or making personal gains;
- (4) Not create false market either singly or in collusion with others or indulge in any act detrimental to the investors' interest or which leads to interference with the fair functioning of the market;
- (5) Not involve himself in unreasonably excessive speculative business in the market with clients' funds;
- (6) Not resort to unfair means of inducing clients from other Securities Brokers;
- (7) Pay returns in time;
- (8) Not make any false or misleading statement on any returns required to be submitted to the Authority and the securities exchange it is registered to operate;
- (9) Execute orders in accordance with its agreements with the client;
- (10) Operate client account in accordance with the clients' instruction;
- (11) Execute client orders in the chronological sequence in which the orders were received;
- (12) Deal for a client on the best terms available for the client;
- (13) Ensure that transactions executed are allocated to the clients who gave the orders in a timely and equitable manner;
- (14) Not give unfair execution preference to itself or to any of its clients;
- (15) Give priority to satisfying orders for client transactions, where applicable;



- (16) Deal only on securities registered or quoted on a licensed securities exchange or over-the-counter trading facility only and report any violation of this provision to the Authority;
- (17) Shall not under any circumstance utilize a client's funds other than in compliance with the client's instructions and requirements;
- (18) Shall not trade his own orders ahead of a client's order in any security of interest;
- (19) Not accept or execute any order in which the true identity of the beneficial owner is concealed;
- (20) Keep proper records and books of account of clients;
- (21) Not engage in any transaction reasonably considered as too frequent relating to the trading activities, and size for such client with the sole object of generating brokerage or commission;
- (22) Take reasonable steps to ascertain if any of its clients are insiders and maintain records that assist it to monitor and report securities dealings by an insider client and;
- (23) Not transact business for his account or advise others to do same based on an order by a client perceived to have insider information about the security; and
- (24) In respect of every mandate for the purchase or sale of securities it has entered, not later than the second day of executing such mandate send a contract note, containing the details of the transactions, associated fees payable any other information as may be prescribed by the Authority to the client.

171. Investment Banks

Investment Banks shall:

- (1) Exercise sound judgment and always maintain a professional relationship with the client;
- (2) Conduct their activities in a manner which is in the best interest of the client, including addressing situations that may lead to any actual, perceived or potential conflicts of interest;
- (3) When in possession of inside information, not act upon it in a manner that induces any client to enter any transaction, communicate such information to any client or third party and engage in unauthorized transfer of inside information and/or insider trading;
- (4) Not engage in activities that are not in the best interest of the client and mitigate the risks of potential client abuse;
- (5) Manage the key risks associated with their business;



- (6) Assess and understand the features and risk-reward characteristics of a financial product before recommending them to the client;
- (7) Ensure that any change in registration status/any penal action taken by the Authority, or any material change in the Investment Banker's financial status, which may adversely affect the interests of clients is promptly informed to the clients and any business remaining outstanding is transferred to another licensed Investment Bank in accordance with any instruction(s) of the affected clients;
- (8) Consider the clients' profile when recommending products to the client;
- (9) Have a reasonable basis for recommending a particular investment product to the Client;
- (10) Disclose key terms of a transaction to the client;
- (11) Ensure that information provided are up-to-date and provided to the client on a timely basis and to the extent necessary;
- (12) Maintain appropriate records to provide evidence of the client's instructions for relevant transactions;
- (13) Not derive any direct or indirect benefit out of the client's funds or securities;
- (14) Endeavour to ensure that copies of the prospectus, offer document, letter of offer or any other related literature is made available to the investors at the time of issue or the offer;
- (15) Not part with the issue/offer proceeds until permitted to do so and in accordance with the Client's agreement;
- (16) Be prompt in disbursing dividends, interests, or any such accrual income received or collected by him on behalf of his clients;
- (17) Define the responsibilities of the various parties to an Issue/Offer appointed by it clearly to avoid any conflict in their job descriptions and expected deliverables;
- (18) Not discriminate amongst its clients, save and except on ethical and commercial considerations;
- (19) Not render, directly or indirectly, any investment advice about any security in any publicly accessible media without disclosing his interest in the referenced security, while rendering such advice;
- (20) Not be a party to or instrument for creation of false market, security price rigging or manipulation, manufacture or circulate unpublished price sensitive information or any other acts of abuse capable of impacting the fairness and integrity of the capital market; and



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(21) Where it acts as a broker, comply with the code of conduct for Securities Brokers.

172. Securities Investment Advisers and Securities Robo Advisers

Securities Investment Advisers and Securities Robo Advisers shall:

- (1) Not make an investment recommendation to any client unless they have reasonable grounds for believing that the recommendation is suitable for such a client upon the basis of the facts, his interest disclosed to the client, financial situation and objectives of such investment;
- (2) Make adequate disclosure of all material facts relating key features of any investment product and shall distinguish between facts and opinion in its presentation of recommendations to the client;
- (3) Disclose the types of investment advisory service it is authorized to provide, including the type of investment products it is allowed to give advice on or market to clients;
- (4) Draw the client's attention to the warnings, reservations and disclaimers in all documents, advertising materials and literature relating to an investment product it is recommending to the client;
- (5) Declare in writing and to the knowledge of the client all consideration including any commission or referral fees whether embedded or indirect or otherwise by whatever name called shall be received directly or indirectly by the Securities Investment Adviser or Securities Robo Adviser, as the case maybe;
- (6) Endeavor to render the best possible advice to the clients having regard to the clients' needs and the environments and his own professional skill;
- (7) Provide its clients with prompt written confirmation or documentation that the clients' orders have been executed; and
- (8) Prior to the cessation of its business of providing investment advisory services, a financial adviser shall ensure that its liabilities and obligations to all clients have been fully discharged or provided for, and that proper arrangements have been put in place to ensure that its clients continue to be serviced by another Securities Investment Adviser or Securities Robo Adviser.

173. Securities Shariah Advisers

Securities Shariah Advisers shall:

- (1) Act honestly and uphold the principles of Shariah; and
- (2) Not act as advisers for an entity making available, offering or issuing an Islamic capital market product or that carries on an Islamic capital market activity, where the Securities Shariah Adviser is an employee of such entity.



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174. Collective Investment Scheme Operators

Collective Investment Scheme Operators shall:

- (1) Avoid commingling of its own funds and/or securities with clients' funds;
- (2) Not keep custody of collective investment scheme assets or funds;
- (3) Avoid participating in prohibited collective investment schemes as defined in the applicable provisions of the Proclamation;
- (4) Appoint an independent Custodian, licensed by the Authority, who will act in the best represent of, and on behalf of the unit holders of the scheme in addition to overseeing the responsibilities of the manager;
- (5) Adhere to the Collective Investment Scheme Agreement and other relevant documents, and act in line with the Directives of the Authority, the Proclamation, and any other documents, codes, law, rules and regulations which govern Collective Investment Schemes;
- (6) In accordance with the Directives, advertise and market the scheme, in a manner that is not fraudulent, misleading, or deceptive;
- (7) Avoid investing the scheme's funds in securities or assets of related parties to the CIS and their affiliates except as otherwise permitted by the Authority; **and**
- (8) Deal fairly with fund managers, custodians, fund contributors, beneficiaries, lenders and investors.

175. Securities Custodian

Securities Custodians shall:

- (1) Maintain the highest standard of integrity, fairness, and professionalism in the discharge of its duties;
- (2) Be prompt in payment and distribution of dividends, interests, or income received or collected by it on behalf of its clients on the securities held in custody;
- (3) Account for movement of securities in and out of custody account; cash transactions from the client's account; and be obligated to provide complete audit trail as and when mandated by the client or the Authority;
- (4) Create and maintain adequate infrastructural facilities to be able to discharge securities custodial services to the satisfaction of clients;
- (5) Document and maintain robust operating procedures and systems; which shall be backed by operations manuals;



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- (6) Ensure compliance with fund-specific and other contractual obligations with clients; especially with regard to confidentiality in respect of the client's affairs;
- (7) Ensure accurate creation and maintenance of the records of securities held in custody and guarantee complete retrieval of such securities or records even in the event of loss of original records;
- (8) Cooperate with other custodial entities, depositories and clearing organizations in ensuring the sound conduct of business in the areas of inter custodial settlements, transfer of securities and transfer of funds;
- (9) Refrain from assigning or delegating its functions as a Securities Custodian to any other person who is not a registered Securities Custodian or depository of securities and has the written consent of the client to do so;
- (10) Exercise reasonableness, due care and diligence in safekeeping and administration of the assets of clients in its custody for which it is acting as custodian;
- (11) Not offer or sell, directly or indirectly, publicly or privately, any investment advice about any security in its custody, whether real-time or non-real time;
- (12) Act in accordance with the service agreement, the trust deed or other constituent documents mandated by the Authority, and required by any other documents, law, rules and regulations which govern the Securities Custodians;
- (13) Notify the Authority (and seek its clients' consents) of its intention to use a nominee account to house clients' investments; and
- (14) Open and operate a separate custody account in its record for each client, in the name of the client whose securities are in its custody and shall not commingle assets of one client with those of another client.

176. Crowdfunding Intermediaries

Crowdfunding Intermediary shall:

- (1) Be able to operate an orderly, fair and transparent system in relation to the investment instruments that are offered through its electronic platform;
- (2) Ensure that its Appointed Representatives, and any officer who is primarily responsible for the operations or financial management of the Crowdfunding platform, are fit and proper as stipulated by Directives of the Authority ;
- (3) Maintain interactions between fundraisers and the investing public in a professional manner;
- (4) Have the capacity to manage any risk associated with its business and operation;



- (5) Take appropriate action(s) against any person in breach of any rules, policies, terms and other standards of the portal; and
- (6) Always use sufficient and appropriate human, financial and technical resources that are necessary for the proper management of the crowdfunding platform.

177. Market Makers

Market Makers shall:

- (1) Only carry out its market making activities for its proprietary accounts;
- (2) Carry out permitted short selling as prescribed by the Authority or a Licensed Securities Exchange;
- (3) Avoid any act or practice likely to lead to a false or misleading appearance of active trading in any securities on a licensed securities exchange;
- (4) Operate within the established transaction spread specified by the supervising Self-Regulatory Organization;
- (5) Contribute to quality price discovery and not directly or indirectly manipulate securities prices; and
- (6) Establish, maintain, document, and enforce policies, procedures, and controls to protect confidentiality.

178. Credit Rating Agency

A Credit Rating Agency shall:

- (1) Comply with the International Organization of Securities Commissions (IOSCO) Code of Conduct Fundamentals for Credit Rating Agencies (the "IOSCO CRA Code"), as may be amended from time to time;
- (2) Establish, maintain, document, and enforce a credit rating methodology for each Security issuer and Security;
- (3) Establish written procedure to ensure that the opinions it disseminates are based on a thorough analysis of all relevant information to its analysis according to its published rating methodology;
- (4) Adopt rating methodologies that are rigorous, capable of being applied consistently and results in credit ratings that can be subjected to some form of objective validation based on historical experience;



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- (5) Adopt reasonable measures designed to ensure that information used in determining credit ratings is obtained from reliable sources and is of sufficient quality to support a high-quality credit assessment;
- (6) Assign rating as a corporate entity and not by an Appointed Representative or Employee of the Credit Rating Agency;
- (7) Maintain internal records that are accurate and sufficiently detailed and comprehensive to support its credit opinions for a reasonable period of time and as specified by the Authority;
- (8) Establish, maintain, document and enforce policies, procedures and controls designed to avoid issuing credit ratings, analyses or reports that contain misrepresentations or are otherwise misleading as to the general creditworthiness of a rated Securities Issuer;
- (9) Establish a review function made up of one or more Senior Executive Officers with appropriate experience to review the feasibility of providing a credit rating for a type of structure that is materially different from the structure the Agency currently rates;
- (10) Establish and maintain a review function made up of one or more Senior Executive Officers responsible for conducting a rigorous, formal and periodic review, on a regular basis, the credit rating methodologies and model and significant changes to the credit rating methodologies and models it uses;
- (11) Regularly assess whether existing methodologies and models for determining credit ratings of structured products are appropriate when the risk characteristics of the assets underlying a structured product change materially;
- (12) Regularly review the creditworthiness of the rated entity or obligation;
- (13) Publicly disclose sufficient information about its credit rating process and its credit rating methodologies, so that investors and other users of credit ratings can understand how a credit rating was determined;
- (14) Disclose to the public its code of conduct and publish in a prominent position on its home webpage links to the code of conduct. It shall also publish links to a description of the methodologies it uses; and information about its historic performance data;
- (15) Establish, maintain, document, and enforce policies, procedures and controls for Appointed Representatives and Employees who leave the agency to join an entity the Appointed Representatives and Employees had helped rate in the past;
- (16) Clearly indicate the attributes and limitations of each credit rating, and the extent to which it verifies information provided to it by the rated entity; and
- (17) Indicate in each of its ratings when the rating was last updated indicating the principal methodology or methodology version that was used in determining the



rating and where a description of that methodology can be found. Where the rating is based on more than one methodology, or where a review of only the principal methodology might cause investors to overlook other important aspects of the rating, the Credit Rating Agency shall explain this fact in the rating announcement and indicate where a discussion of how the different methodologies and other important aspects factored into the rating decision.

179. Securities Portfolio Managers

A Securities Portfolio Manager shall:

- (1) Invest in accordance with the investment objectives stated in the offer documents and take investment decision solely in the interest of clients;
- (2) Not keep custody of clients' assets or funds;
- (3) Not execute any transaction against the interest of its clients;
- (4) Ensure the timely dissemination of information to all clients in a clear and concise manner stating the investment policies, investment objectives, financial position and general affairs of the portfolios without misrepresentations or otherwise misleading statements;
- (5) Have an appropriate and adequate basis for investment decisions;
- (6) Ensure that its assets and liabilities are segregated from the asset and liabilities of its clients';
- (7) Maintain internal records that are accurate and sufficiently detailed and comprehensive to support its decision to execute transactions on behalf of its clients, as specified by the Authority;
- (8) Render to its clients best possible advice having regards to its clients' needs and determining factors;
- (9) Where necessary and in the interest of clients take proper steps for the transfer of clients' securities, claiming and receiving dividends, interest payments and other right accruing to its clients;
- (10) Adopt measures designed to ensure that information used in investment decisions is obtained from reliable sources and is of sufficient quality to support an investment decision;
- (11) Ensure that it has and devotes sufficient resources to carry out high-quality investment assessment of products;
- (12) Set integrity criteria in its human resources policy;



- (13) Not implicitly or explicitly give any assurance or guarantee of a particular product;
- (14) Separate, operationally and legally, its Securities Portfolio Management business and analysts from any other businesses that may present a conflict of interest;
- (15) Establish, maintain, document, and enforce policies, procedures, and controls that ensure fair and equitable transaction allocation among client accounts;
- (16) Maximize client portfolio value by seeking best execution for all client transactions;
- (17) Give priority to investments made on behalf of the client over those done on behalf of itself;
- (18) Publicly disclose its policies, procedures, and controls for distributing reports;
- (19) Before providing investment, advice or taking investment actions on behalf of its clients, evaluate and understand the clients' investment objectives, risk tolerance, time horizon, liquidity needs, financial constraints, and any other relevant information that would affect investment policy;
- (20) Determine if an investment is suitable to meet a clients' financial situation before taking investment actions;
- (21) Establish a risk management function made up of one or more Senior Executive Officers or employees with the appropriate level of experience responsible for identifying, assessing, monitoring, and reporting the risks arising from its activities, including, but not limited to legal risk, reputational risk, operational risk, and strategic risk; and
- (22) Adopt written internal procedures and mechanisms to identify and eliminate, or manage and disclose, as appropriate, any actual or potential conflicts of interest that may influence its decisions in managing the affairs of the funds or the judgment and analyses of its analysts involved in investment decisions.

180. Securities Appraisal Firms

A Securities Appraisal Firm shall:

- (1) Establish comprehensive, documented policies and procedures that provide for the Governance of the valuation of assets held or employed by a client and addressing conflicts of interest.
- (2) Ensure that it identifies in its documented policies and procedures, the methodologies that will be used for valuing each type of asset held or employed by a client and issuing an appraisal report in this regard;
- (3) Ensure that its valuations are determined in good faith;



- (4) Ensure that any personnel in charge of valuations and appraisals possesses an appropriate level of knowledge, experience and training commensurate with the client's needs and maintains appropriate systems, and controls for training commensurate with the client's valuation needs;
- (5) Have in place appropriate policies prohibiting and preventing a shareholder from simultaneously owning shares in another Securities Appraisal Firm and a director or employee from simultaneously being appointed or employed by another Securities Appraisal Firm or Capital Market Service Provider which is not within the group structure of the Securities Appraisal Firm;
- (6) Not act or behave in such manner incompatible with their profession and professional dignity;
- (7) Not accept assignments for the valuation or appraisal of assets or properties which are beyond their professional expertise and require a specific expertise and experience;
- (8) Conduct adequate examination and reviews to arrive at valuations and document the process used in valuations that explain in detail the contents of an appraisal report and provides sufficient information on the conclusion of the report; and
- (9) Maintain and abide by the principles of integrity, honesty, independence, neutrality, reliability, professional care, and diligence.



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PART TWENTY-ONE: MISCELLANEOUS PROVISIONS

181. Interim Provisions

- (1) Notwithstanding the provisions of this Directive, the Authority may, through a circular or notice, provide for interim arrangements that vary from the specific provisions of this Directive.
- (2) Interim provisions issued under Sub-Article one (1) of this Article may not provide for arrangements that impose more or stringent obligations than those prescribed by this Directive.
- (3) The circulars or notices issued by the Authority as part of the interim arrangements shall be deemed legally binding and integral to the implementation of this Directive.

182. Inapplicable laws

No law or customary practice, inconsistent with this Directive, shall have an effect with respect to matters governed by this Directive.

183. Effective Date

This Directive shall come into force on the date of its registration with the Ministry of Justice and its uploading on the official website of the Authority.

DONE IN ADDIS ABABA ON JANUARY 2024

DR. BROOK TAYE

DIRECTOR GENERAL

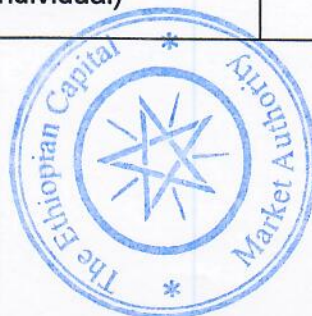
ETHIOPIAN CAPITAL MARKET AUTHORITY



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SCHEDULE ONE: MINIMUM CAPITAL REQUIREMENTS

S/No.	Service License	Net-Shareholders' Fund/Partners' Fund/ Net-Worth
1	Securities Appraisal Firm	Birr 15,000,000
2	Collective Investment Scheme Operator	Birr 25,000,000
3	Credit Rating Agency	Birr 15,000,000
4	Crowdfunding Intermediary	Birr 6,000,000
5	Securities Custodian	Birr 100,000,000
6	Securities Digital Sub-Broker	Birr 1,000,000
7	Securities Portfolio Manager	Birr 15,000,000
8	Securities Investment Adviser (Corporate)	Birr 500,000
9	Securities Investment Adviser (Individual)	Birr 100,000
10	Investment Bank (within a banking group)	Birr 100,000,000
11	Investment Bank (not part of a banking group)	Birr 25,000,000
12	Securities Market Maker	Shall be specified by the Securities Exchange with the approval of the Authority
13	Securities Robo Adviser	Birr 500,000
14	Securities Dealer	Birr 10,000,000
15	Securities Broker	Birr 6,000,000
16	Securities Shariah Adviser (Corporate)	Birr 500,000
17	Securities Shariah Adviser (Individual)	Birr 100,000



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SCHEDULE TWO: CAPITAL MARKET SERVICE PROVIDERS FUNCTIONS AND COMPETENCY REQUIREMENTS

Table 1: Capital Market Service Provider Functions and Positions

S/No	Function	Roles/Position
1.	Significant Influence Functions	Board Chair
		Non-Executive Directors
		Chief Executive Officer/General Manager
		Senior Executive Officers/Executive Directors
2.	Control Functions	Chief Compliance Officer
		Chief Risk Officer
3.	Corporate Functions	Chief Digital Officer/Chief Technology Officer/ Information Technology Manager
4.	Client Functions	Trader
		Investment Manager
		Rating Analyst
		Research Officer
		Appraisal Officer/Assistant Appraisal Officer
		Shariah Officer




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Table 2: Competency Requirements (Minimum Qualification, Experience and Skill Requirements)


S/No.	Role	Role Description	Minimum Qualification and Required Certification	Minimum Years of Experience	Technical/Role-Specific Skills	Soft Skills
1.	Board Chair	To ensure effective operations of the Board towards achieving the strategic objectives of the Capital Market Service Provider.	A first degree or its equivalent in any discipline from a recognized higher learning institution.	<ul style="list-style-type: none"> Ten (10) years post-graduation experience in financial services sector with a minimum of five (5) years at the Board level. 	<ul style="list-style-type: none"> Good understanding and experience of Ethiopia financial services industry. Basic understanding of Capital Market operations and laws Knowledge of Corporate Governance practices. 	<ul style="list-style-type: none"> General leadership/influencing skills; Team building, organization and coordination skills; Sound business and financial judgment Stakeholder Management; Creative and critical thinking capabilities and; Strong communication skill
2.	Non-Executive Director	The Non-Executive Director (NED) does not engage in the day-to-day management of the organization but is involved in policy making	<ul style="list-style-type: none"> A first degree or its equivalent in any discipline from a recognized higher 	Seven (7) years post-graduation experience, with a minimum of two (2) years at	<ul style="list-style-type: none"> Ability to make meaningful contributions to board deliberations. 	<ul style="list-style-type: none"> Conflict management skills; Leadership skills;



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S/No.	Role	Role Description	Minimum Qualification and Required Certification	Minimum Years of Experience	Technical/Role-Specific Skills	Soft Skills
		<p>and strategic planning at the Board level.</p> <p>The NED has the following obligations/ responsibilities, among others:</p> <ul style="list-style-type: none"> In the case of a non-shareholder NED, provide an independent view on the running of the Capital Market Service Provider's business and governance and boardroom structure; Oversee and scrutinize the executive management's development and implementation of the Capital Market Service Provider's corporate strategy; Satisfy themselves that the financial statements of the Capital Market Service Provider are 	<p>learning institution.</p> 	<p>a management level.</p>	<ul style="list-style-type: none"> Basic knowledge of financial statements. Basic knowledge of the workings of the Capital Market; Basic knowledge of the business operations of the Capital Market Service Provider; and Basic understanding of the relevant laws, Directives and other regulations guiding the capital market. 	<ul style="list-style-type: none"> Interpersonal skills; Good coordination and organizational skills, and; Problem-solving skills.

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S/No.	Role	Role Description	Minimum Qualification and Required Certification	Minimum Years of Experience	Technical/Role-Specific Skills	Soft Skills
		<p>accurate;</p> <ul style="list-style-type: none"> Satisfy themselves that applicable controls and systems of risk management are robust and secure; and Monitor and measure the performance of the executive management against set goals and objectives. 				
3.	Chief Executive Officer/General Manager	<ul style="list-style-type: none"> Provide leadership to the achievement of the overall strategic direction of the Capital Market Service Provider. Develop strategies to enable the Capital Market Service Provider achieve its corporate objectives. Responsible for managing the Capital Market Service Provider's overall operations. Carry out day to day management of the 	A first degree or its equivalent in any discipline from a recognized higher learning institution.	<ul style="list-style-type: none"> Minimum of ten (10) years' relevant work experience, with at least three (3) years in a Senior Financial Management capacity. 	<ul style="list-style-type: none"> Practical knowledge and understanding of the Ethiopian financial markets. Knowledge of Corporate Governance practice. Knowledge of operational, statutory and regulatory issues as well as global best practices. Knowledge of the business operations of the Capital Market 	<ul style="list-style-type: none"> Demonstrated leadership ability; Team management skills; Excellent communication and presentation skills; Business networking skills; Organisational skills.

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S/No.	Role	Role Description	Minimum Qualification and Required Certification	Minimum Years of Experience	Technical/Role-Specific Skills	Soft Skills
		<p>company, guiding its development and growth; Tracking company performance</p> <ul style="list-style-type: none"> • Manage the Capital Market Service Provider's organizational structure, strategy, and communication with the board. 			Service Provider.	
4.	Senior Executive Officers/Executive Director	<p>The Senior Executive Officers and Executive Director, who constitute the Executive Management, supports the Chief Executive Officer in the implementation of the strategic objectives of the company.</p> <p>They are involved in the day to day running of the operations of the company.</p>	<p>A first degree or its equivalent in any discipline from a recognized higher learning institution.</p>	<ul style="list-style-type: none"> • A minimum of eight (8) years post degree experience in the financial services industry. • At least 3 years management experience 	<ul style="list-style-type: none"> • Strong strategic planning, and execution skills; • Technical knowledge of relevant areas of the company's business; • Business development skills; • Project management skills; • Conflict management skills; • Negotiation skills 	<ul style="list-style-type: none"> • Problem solving capability; • Excellent leadership and people management skills; • Business networking skills; • Excellent communication and presentation skills; • Entrepreneurial skills



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S/No.	Role	Role Description	Minimum Qualification and Required Certification	Minimum Years of Experience	Technical/Role-Specific Skills	Soft Skills
5.	Chief Financial Officer (CFO)	<p>Provide leadership to the overall finance function of the company to ensure adequate and accurate financial reporting of the company's activities.</p> <p>The CFO will carry out all-round management of the company's finances, including but not limited to financial planning, management of financial risks, and record-keeping.</p>	<ul style="list-style-type: none"> • A first degree or its equivalent in Accounting, Economics or a Finance-related field, from a recognized higher learning institution. • Licensing and registration as a certified public accountant by the pertinent government organ in Ethiopia. • While not compulsory, the following should be considered advantageous: <ul style="list-style-type: none"> ○ ACCA (Chartered Certified Accountant); ○ Chartered Financial 	Minimum of 7 years' relevant financial experience, with at least 3 years in Senior Financial Management capacity.	<ul style="list-style-type: none"> • Practical knowledge and understanding of the financial markets (global and domestic); • Knowledge of statutory and regulatory issues as well as global best practices; • Cash Management; • Financial Accounting and Reporting and; • Corporate Finance 	<ul style="list-style-type: none"> • Demonstrated intellectual leadership ability; • Team Management; • Effective communication and presentation skills; • Strong analytical and problem-solving skills; • Interpersonal relationship and strong people skills; • Creative, critical and forward-thinking skill; • High degree of professionalism, maturity and confidentiality; • Integrity and strong ethics.




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S/No.	Role	Role Description	Minimum Qualification and Required Certification	Minimum Years of Experience	Technical/Role-Specific Skills	Soft Skills
6.	Chief Compliance Officer (CCO)/ Head of Compliance	<p>The Chief Compliance Officer is responsible for ensuring that the company complies with all applicable laws, regulatory Directives and regulations, and the internal policies of the Capital Market Service Provider.</p> <p>The CCO will also be responsible for leading the development and implementation of policies that help ensure adherence, to minimize potential loss from non-compliance.</p>	<p>Analyst (CFA); or</p> <ul style="list-style-type: none"> o Master's degree. <ul style="list-style-type: none"> • A first degree or its equivalent in Law, Management, Accounting, or Finance, from a recognized higher learning institution. • While not compulsory, the following should be considered advantageous: <ul style="list-style-type: none"> o Licensing and registration as a certified public accountant by the pertinent government organ in Ethiopia; or; o CAMS certification from 	<ul style="list-style-type: none"> • Three (3) years' post-graduation experience in risk, control, compliance, law or its equivalent within the financial services industry; or • Five (5) years' relevant post-graduation experience in the financial services industry. 	<ul style="list-style-type: none"> • Knowledge of the workings of the Capital Market; • Good understanding of the business operations of the Capital Market Service Provider and • Good understanding of the relevant laws, Directives and other regulations; • Risk Management (including operational and regulatory); • Basic knowledge of financial analysis; Anti-Money Laundering/Combating the Financing of 	<ul style="list-style-type: none"> • Strong verbal and written communication skills; • Good coordination and organizational skills; • Critical analysis and problem-solving skill; • Interpersonal skills; • Team management and leadership skills. • Strong attention to detail.



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S/No.	Role	Role Description	Minimum Qualification and Required Certification	Minimum Years of Experience	Technical/Role-Specific Skills	Soft Skills
			<p>the Association of Certified Anti-Money Laundering Specialists (ACAMS); or</p> <ul style="list-style-type: none"> o Certified Fraud Examiner from the Association of Certified Fraud Examiners (ACFE). 		Terrorism (AML/CFT)	
7.	Compliance Officer (CO)	<p>The Compliance Officer reports to and supports the Chief Compliance Officer/Head of Compliance to ensure that their company complies with all applicable laws, Directives and regulations, and the internal policies of the Capital Market Service Provider.</p> <p>The CO will assist the CCO to develop and implement policies that help ensure</p>	<ul style="list-style-type: none"> o A first degree or its equivalent in Management, Accounting, Finance or Law, from a recognized higher learning institution. 	<ul style="list-style-type: none"> • One (1) year post-graduation experience in the financial services industry. 	<ul style="list-style-type: none"> • Basic knowledge of the workings of the Capital Market; • Basic understanding of the business operations of the Capital Market Service Provider and • Basic understanding of the relevant laws, Directives and other regulations; 	<ul style="list-style-type: none"> • Strong verbal and written communication skills; • Good coordination and organizational skills; • Critical analysis and problem-solving skills; • Interpersonal skills; • Team management and leadership skills.



S/No.	Role	Role Description	Minimum Qualification and Required Certification	Minimum Years of Experience	Technical/Role-Specific Skills	Soft Skills
		adherence, to minimize potential loss from non-compliance.			<ul style="list-style-type: none"> • Basic knowledge of risk management (including operational and regulatory); • Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT). 	
8.	Chief Risk Officer	<ul style="list-style-type: none"> • The Chief Risk Officer is responsible for establishing a risk management framework that identifies, assesses, monitors, and reports risks arising from the activities of its organization as a Capital Market Service Provider in Ethiopia. 	<ul style="list-style-type: none"> • A first degree or its equivalent in relevant disciplines such as assurance and risk management, accounting, internal/operational auditing, etc. from a recognized higher learning institution. • Recognized Professional certification in risk management or other related recognized professional 	<ul style="list-style-type: none"> • A minimum of five (5) years post-first-degree experience in the financial services industry of which at a minimum three (3) years must be in risk and assurance roles at a senior management level. 	<ul style="list-style-type: none"> • Good understanding of the Financial Market (in Ethiopia and globally) • Knowledge and understanding of risk management principles and financial standards. • Knowledge of emerging risks issues and trends in the capital market industry and the impact of risks on business operation and sustainability. • Understanding and 	<ul style="list-style-type: none"> • Excellent quantitative, analytical, and critical thinking skills; • Problem solving skills; • Strong verbal and written communications skills; • Resilience; • Adaptability; • Team management skills.



S/No.	Role	Role Description	Minimum Qualification and Required Certification	Minimum Years of Experience	Technical/Role-Specific Skills	Soft Skills
			certification such as Chartered Financial Analyst (CFA), Association of Chartered Certified Accountants (ACCA), etc.		<p>Knowledge of digital and IT risks.</p> <ul style="list-style-type: none"> • Deep understanding of widely used frameworks for risk management such as the International Organization for Standardization (ISO) 31000 framework. 	
9.	Securities Research Officer	<ul style="list-style-type: none"> • Research securities of target industries and companies to provide investment recommendations. • Collect and interpret relevant data to facilitate investment recommendations. • Develop and write research reports and publications to be presented to management and key stakeholders. • Conduct continuous research on the Capital 	<ul style="list-style-type: none"> • A first degree or its equivalent in any discipline, preferably in Economics, Statistics, or any other related field from a recognized higher learning institution. <p>For Investment Advisers/Robo Advisers and Portfolio Managers, their Research Officers must possess a</p>	Minimum of 3 years' research/quantitative experience, preferably in the financial services industry	<ul style="list-style-type: none"> • Adequate knowledge and understanding of the Ethiopian Financial market and products. • Financial valuation and investment analysis. • Data analytics and modelling • Market research and analysis • Reporting skills 	<ul style="list-style-type: none"> • Problem solving • Strong attention to detail • Strong verbal and written communication skills • Report writing and presentation skills; • Research and analytical skills.



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S/No.	Role	Role Description	Minimum Qualification and Required Certification	Minimum Years of Experience	Technical/Role-Specific Skills	Soft Skills
10.	Investment Manager	<p>market and daily monitoring of market activities.</p> <ul style="list-style-type: none"> The Investment Manager manages the investments or assets of clients using different strategies to generate returns. 	<p>professional certification or have undergone a structured training programme relevant to the product(s) that they intend to provide investment advice on or manage for clients, respectively.</p> <ul style="list-style-type: none"> A first degree or its equivalent in accounting, economics, finance or related fields, from a recognized higher learning institution. Professional certification in accounting or finance is recommended but not compulsory 	<ul style="list-style-type: none"> Minimum of 3 years' corporate finance or investment banking experience 	<ul style="list-style-type: none"> Detailed understanding of local and global financial markets and products. Ability to assess and interpret financial information. Good understanding of portfolio and investment risk management Market research and analysis skills 	<ul style="list-style-type: none"> Excellent communication and presentation skills. Problem solving skills Time management skills Relationship management skills



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S/No.	Role	Role Description	Minimum Qualification and Required Certification	Minimum Years of Experience	Technical/Role-Specific Skills	Soft Skills
			e.g. <ul style="list-style-type: none"> o Chartered Financial Analysts (CFA) o Association of Chartered Certified Accountants (ACCA) etc. <ul style="list-style-type: none"> • For Collective Investment Scheme Operators, their Investment Managers and at least one (1) another Appointed Representative must possess a professional certification relevant to the collective scheme that they manage. 		<ul style="list-style-type: none"> • Financial modelling • Regulatory compliance Strategic planning	
11.	Chief Digital Officer/Chief Technology	The IT Manager shall manage a team of technologists based on	<ul style="list-style-type: none"> • A first degree or its equivalent in any discipline, from a 	<ul style="list-style-type: none"> • Minimum of 4 years' relevant technical 	<ul style="list-style-type: none"> • Hands-on current and deep expertise in technical disciplines 	<ul style="list-style-type: none"> • Strong verbal and written communication skills.



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S/No.	Role	Role Description	Minimum Qualification and Required Certification	Minimum Years of Experience	Technical/Role-Specific Skills	Soft Skills
	Officer/ Information Technology Manager	<p>robust processes and communicate effectively at senior management levels to explain technical issues.</p> <p>Other key roles include, but not limited to:</p> <ul style="list-style-type: none"> Identify new/emerging technology options and have robust technical project delivery skills to deliver visible technology change projects. Drive the formulation of the technology strategy, lead its execution, working in close collaboration with both internal and external stakeholders. Ensure the Capital Market Service Provider operates a high availability, robust and permanent technology infrastructure and services, visible to both internal and external stakeholders. 	<p>recognized institution of higher learning.</p> <ul style="list-style-type: none"> Relevant IT Certification(s). Strong technical track record in supporting and implementing technology infrastructures or applications. 	experience	<p>(e.g., networks, OS, software development, hardware, technology quality assurance, telecoms)</p> <ul style="list-style-type: none"> Technical programme and project management Strong knowledge of information security principles and application Technology architecture experience within financial services industry Stakeholder Management Lead transformational technology initiatives Data quality management and support 	<ul style="list-style-type: none"> Influencing and leadership skills Team Management Analytical skills Service oriented



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S/No.	Role	Role Description	Minimum Qualification and Required Certification	Minimum Years of Experience	Technical/Role-Specific Skills	Soft Skills
12.	Securities Trader	<ul style="list-style-type: none"> Ensure appropriate technologies to re-engineer the business processes are identified, implemented and maintained. <p>Generate a comprehensive resource plan for the technology organization to identify appropriate resources (internal and external) that will be essential to achieve delivery objectives.</p> <ul style="list-style-type: none"> The Securities Trader is responsible for executing clients' instructions/mandates, and executing transactions for its sponsoring Capital Market Service Provider's proprietary account, as may be applicable. 	<ul style="list-style-type: none"> A first degree or its equivalent in any discipline from a recognized institution of higher learning. Individual dealing/trading membership issued by the applicable securities 	Three (3) years post-graduation experience in the financial services industry.	<ul style="list-style-type: none"> Knowledge of the workings of the capital market and the financial services industry as a whole. Good understanding of economic indicators and parameters. Good understanding of the relevant laws, Directives and other 	<ul style="list-style-type: none"> Good interpersonal skills Excellent research and analytical skills.



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S/No.	Role	Role Description	Minimum Qualification and Required Certification	Minimum Years of Experience	Technical/Role-Specific Skills	Soft Skills
			<p>exchange or over-the-counter market.</p> <ul style="list-style-type: none"> • 		<p>regulations.</p> <p>Sound knowledge of trading strategies, associated risks and risk management.</p>	
13.	Securities Rating Analyst	<p>Assess and evaluate debtors/borrowers' credit (past) financial and credit history to determine their financial health and their ability to repay credit</p>	<ul style="list-style-type: none"> • A first degree or its equivalent, preferably in accounting, finance, economics, and actuarial sciences fields, from a recognized higher learning institution. • A Master's (MBA) degree. <p>While not compulsory, a professional certification in finance/accounting should be considered advantageous.</p>	<p>Minimum of 3 years of strong quantitative experience, preferably in the financial services industry.</p>	<ul style="list-style-type: none"> • Strong ability to conduct due diligence and credit analysis • Financial analysis and ability to evaluate audited annual reports, financial statements, management accounts, and market data • Ability to undertake rigorous credit risk analysis encompassing industry / business research and financial analysis of various large corporates • Good knowledge of financial services 	<ul style="list-style-type: none"> • Decision making skills • Strong attention to detail and ability to notice discrepancies in data • Integrity and strong ethics • Demonstrated expertise in using effective problem solving and analytical skills • Ability to handle and prioritize multiple tasks • Strong verbal and written communication skills




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S/No.	Role	Role Description	Minimum Qualification and Required Certification	Minimum Years of Experience	Technical/Role-Specific Skills	Soft Skills
14.	Securities Appraisal Officer	The Securities Appraisal Officer is responsible for carrying out appraisal and valuation activities in line with the documented policies and procedures of their employer (i.e., an Appraisal Firm)	<ul style="list-style-type: none"> • A first degree or its equivalent, preferably in accounting, finance, economics, actuarial sciences fields, and Estate Management (for real estate appraisal activities), from a recognized higher learning institution. • While not compulsory, the following should be considered advantageous: <ul style="list-style-type: none"> ○ membership of a relevant and recognized global or 	<ul style="list-style-type: none"> • Minimum of three (3) years of strong quantitative experience, preferably in the financial services industry. • For real estate valuation, at least 3 years' experience in the real estate appraisal/valuation field. • For other products or services, at least 3 years' experience in the applicable 	<p>industry.</p> <ul style="list-style-type: none"> • Proficiency in financial valuation and modelling • Strong ability to conduct due diligence and related asset valuations. • Financial analysis and ability to evaluate audited annual reports, financial statements, management accounts, and market data. • Good knowledge of real estate and other specialised products, as may be applicable. • Strong ability to conduct and review evaluations on real estate or other applicable client's assets in line with applicable legislations; 	<ul style="list-style-type: none"> • Strong numeracy skills • Decision making skills • Strong attention to detail and ability to notice discrepancies in data • Integrity and strong ethics • Demonstrated expertise in using effective problem solving and analytical skills • Ability to handle and prioritize multiple tasks • Strong verbal and written communication skills • Good organizational



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S/No.	Role	Role Description	Minimum Qualification and Required Certification	Minimum Years of Experience	Technical/Role-Specific Skills	Soft Skills
			<p>domestic appraisal institute should be considered advantageous; or</p> <ul style="list-style-type: none"> for real estate activities, relevant certification in real estate valuation. 	<p>field.</p>	<p>and</p> <ul style="list-style-type: none"> Strong ability to prepare and interpret a client's asset appraisal report. 	<p>and time management skills</p> <ul style="list-style-type: none"> Good leadership skills Basic customer-service skills
15.	Assistant Securities Appraisal Officer	The Assistant Securities Appraisal Officer supports the Appraisal Officer in carrying out appraisal and valuation activities in line with the documented policies and procedures of their employer (i.e., an Appraisal Firm)	<ul style="list-style-type: none"> A first degree or its equivalent, preferably in accounting, finance, economics, actuarial sciences fields, and Estate Management (for real estate appraisal activities), from a recognized higher learning institution. 	<ul style="list-style-type: none"> One (1) year post-graduation experience in a relevant field, sector or industry. 	<ul style="list-style-type: none"> Basic financial analysis skills and understanding of audited annual reports, financial statements, management accounts, and market data. Basic knowledge of real estate, green investment and other specialised products, as may be applicable; Basic ability to conduct and review evaluations on real 	<ul style="list-style-type: none"> Strong numeracy skills Decision making skills Strong attention to detail and ability to notice discrepancies in data Integrity and strong ethics Demonstrated expertise in using effective problem solving and analytical skills Ability to handle and



S/No.	Role	Role Description	Minimum Qualification and Required Certification	Minimum Years of Experience	Technical/Role-Specific Skills	Soft Skills
					<p>estate and other applicable client's assets in line with applicable legislations; and</p> <ul style="list-style-type: none"> • Basic ability to prepare and interpret a client's asset appraisal report. 	<p>prioritize multiple tasks</p> <ul style="list-style-type: none"> • Strong verbal and written communication skills • Good organizational and time management skills • Basic customer-service skills
16.	Securities Shariah Officer	The Securities Shariah Officer is responsible for providing Shariah advice in accordance with Shariah principles.	<ul style="list-style-type: none"> • A first degree or its equivalent, preferably in, Shariah; Law, with a focus on Shariah; or Islamic Studies, from a recognized higher learning institution. 	<ul style="list-style-type: none"> • Minimum of three (3) years of relevant experience in an Islamic financial institution; academia; or government agencies and ministries that have direct involvement in Islamic finance practices or activities. 	<ul style="list-style-type: none"> • Thorough Knowledge of the Shariah principles and its application in Islamic finance. • Strong understanding of Shariah-compliant products and activities. 	<ul style="list-style-type: none"> • Strong verbal and written communication skills • Decision making skills • Attention to detail • Integrity and strong ethics • Analytical skills • Good organizational and time management skills • Good leadership skills



S/No.	Role	Role Description	Minimum Qualification and Required Certification	Minimum Years of Experience	Technical/Role-Specific Skills	Soft Skills
						Basic customer-service skills



MW

SCHEDULE THREE: PENALTIES, FINES AND OTHER ENFORCEMENT ACTIONS

1. General Offenses:


S/No.	Activities	Administrative Measures
A.	<p>Unauthorized Activities</p> <p>These include, but are not limited to the following;</p> <ul style="list-style-type: none"> i. Trading securities on unlicensed Securities Exchange or over-the-counter trading facility; ii. Dealing in unregistered securities; iii. Maintenance or management of investors' funds without authorization; iv. Engaging in prohibited practices and/or carrying out activities on a clients' account without obtaining the clients' authorization; v. Engaging in an activity not expressly stated an authorized activity; and vi. Dealing in or marketing guaranteed investment products. 	<p>Individual/Appointed Representative/ Other Employee:</p> <ul style="list-style-type: none"> • One Hundred Fifty Thousand (150,000) Birr to Three Hundred Thousand (300,000) Birr <p>Capital Market Service Provider:</p> <ul style="list-style-type: none"> • Fine of One Million Birr (1,000,000) birr to Two Million (2,000,000) Birr <p>Other Sanctions, not limited to:</p> <ul style="list-style-type: none"> • Suspension up to two (2) years for Capital Market Service Provider and one (1) year for the responsible individuals; • Public or private warning; • Removal of Directors; and/or • Revocation of the Services License.




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S/No.	Activities	Administrative Measures
B.	<p>Arbitration/Enforcement Instructions</p> <p>These include, but are not limited to the following;</p> <ol style="list-style-type: none"> i. Failure to honor arbitration and or enforcement instructions to reflect full intent of cooperation; ii. Failure to fulfill enforcement instructions pursuant to resolving a dispute in whole or in part and in good faith; and iii. Failure to honor arbitration and or enforcement instructions in a timely manner. 	<p>Failure to honor Instructions</p> <ul style="list-style-type: none"> ● Five Hundred Thousand (500,000) Birr to One Million (1,000,000) Birr ● In cases of continuous failure, a daily multiple of Ten Thousand (10,000) Birr into the fine amount is applied. <p>Failure to honor instructions in a timely manner</p> <ul style="list-style-type: none"> ● Five Hundred Thousand (500,000) Birr to One Million (1,000,000) Birr <p>Other Sanctions, not limited to:</p> <ul style="list-style-type: none"> ● Suspension of Services License until the Capital Market Service Provider satisfies the enforcement instruction(s), plus at least thirty (30) calendar days; and ● Public or private warning.



S/No.	Activities	Administrative Measures
C.	<p>Business Conducts (Financial & Operations)</p> <p>These include, but not limited, to the following;</p> <ul style="list-style-type: none"> i. Failure to comply with Client on-boarding and/or account maintenance requirements (KYC documentation and disclosures); ii. Capital requirements violations; iii. Operational, or financial recordkeeping and submission (for the Capital Market Service Provider and clients) violations; iv. Settling client's complaint outside the firm (unrecorded); v. Failure to establish and maintain written procedures (operational manuals); vi. Failure to prudently protect client funds/assets; vii. Deliberate attempt to conceal inaccurate and misleading information; and viii. Violations not detected due to internal control deficiencies. 	<p>Penalties for First-Time Offenders</p> <ul style="list-style-type: none"> • Individual/Appointed Representative – Two Hundred Thousand (200,000) Birr to Two Hundred Fifty Thousand (250,000) Birr • Capital Market Service Provider – One Million Birr (1,000,000) birr to Two Million (2,000,000) Birr <p>Penalties for Second-Time Offenders</p> <ul style="list-style-type: none"> • Individual/Appointed Representative – Fifty thousand (250,000) Birr to Three Hundred Thousand (300,000) Birr • Capital Market Service Provider – One million two hundred thousand (1,200,000) Birr to One Million Five Hundred Thousand (1,500,000) Birr <p>Penalties for Serial offenders (more than twice)</p> <ul style="list-style-type: none"> • Individual/Appointed Representative – Fine for second time offender plus Fifty Thousand (50,000) and in multiple of breach occurrence. • Capital Market Service Provider – Fine for second time offender plus Five Hundred Thousand (500,000) Birr and in multiple of breach occurrence. <p>Other Sanctions not limited to:</p> <ul style="list-style-type: none"> • Suspension of the Services License for a period of twenty (20) business days or until the violations are resolved, whichever occurs later; • Suspension of the responsible individual, where an Appointed Representative is involved, for a period




S/No.	Activities	Administrative Measures
		<p>of twenty (20) business days or until the violations are resolved, whichever occurs late;</p> <ul style="list-style-type: none"> ● Public or private warning; or ● Payment of administrative charges.




S/No.	Activities	Administrative Measures
D.	<p>Conversion/Improper Use of Clients Funds Forgery, and Identity Theft</p> <p>These include but not limited to the following;</p> <ul style="list-style-type: none"> ▪ Improper use of client funds/Securities; ▪ Misappropriation/conversion of clients' funds ▪ Unauthorized sale/conversion of clients' securities; ▪ Forgery, unauthorized use of client details or falsification of records with or without intention of fraud 	<p>Conversion of Clients Funds or Securities:</p> <ul style="list-style-type: none"> • Revocation of Services License. <p>Improper use of Client Funds:</p> <ul style="list-style-type: none"> • Fine of up to One Million (1,000,000) Birr; and full restitution. <p>Other Sanctions not limited to:</p> <ul style="list-style-type: none"> • Forgery in the absence of other violations or customer harm: Fine of up to One Million (1,000,000) Birr; • Criminal investigations and prosecution; • public or private warning; or • Suspension of the Capital Market Service Provider and Appointed Representatives for a period up to one (1) year.



S/No.	Activities	Administrative Measures
E.	<p>Appointed Representatives, Employees and Office Supervision</p> <p>These include but not limited to the following;</p> <ul style="list-style-type: none"> i. Failure to notify the Authority prior to changing office locations; ii. Failure to register/obtain approvals for the firm's branch offices; iii. Using an impostor, or representatives possessing forged professional qualifications; iv. Failure to comply with requirements on mandatory continuing professional education; v. Failure to comply with requirements on dealing with unapproved and/or unlicensed representatives, or disqualified or blacklisted persons; vi. Failure to discharge supervisory obligations; and vii. Weak supervisory written procedures and failure in supervisory obligations. 	<p>Penalties for First-Time Offenders</p> <ul style="list-style-type: none"> • Individual/Appointed Representative – One Hundred Thousand (100,000) Birr to One Hundred Twenty Thousand (120,000) Birr • Capital Market Service Provider – Five Hundred Thousand (500,000) Birr to One Million (1,000,000) Birr <p>Penalties for Second-Time Offenders</p> <ul style="list-style-type: none"> • Individual/Appointed Representative – One Hundred Twenty Thousand (120,000) Birr to One Hundred Fifty Thousand (150,000) Birr • Capital Market Service Provider – One million (1,000,000) Birr to One Million Five Hundred Thousand (1,500,000) Birr <p>Other Sanctions not limited to:</p> <ul style="list-style-type: none"> • Order to pay the amount of branch office registration fees that would have been paid if the branch had been registered properly (where it is not paid already); • Order to attend mandatory continuing professional training; • Revocation of the Capital Market Service Provider's Services License; • Revocation of the Appointed Representative's Services License; • Public or private warning; • Removal of Senior Executive Officers; • Suspension of the Services License for a period of at least thirty (30) calendar



S/No.	Activities	Administrative Measures
		<p>days for repeated violations; and/or</p> <ul style="list-style-type: none"> • Revocation of Services License where no corrective actions and unwillingness to comply with applicable instructions and/or enforcement actions.



S/No.	Activities	Administrative Measures
F.	<p>Securities Trading and Sales Practice</p> <p>These include but not limited to the following;</p> <ul style="list-style-type: none"> i. Failure to comply with requirements on best execution of client's order; ii. Short sales violation; iii. Failure to comply with requirement to report inappropriate trade in line with stipulated procedures and format; failing to report, late reporting; inaccurate or misleading reporting; iv. Inadequate risk disclosure statement; v. Guaranteeing against loss; vi. Fraud, falsification, or misleading information; vii. Circulation or promotion of misleading information; viii. Excessive transaction charges and unauthorized transactions; ix. Recommendation of investments or discretionary execution of trades which are at variance with the investment objectives of a client; x. Failure to comply with restrictions on publishing Research Reports, Firm's opinions/recommendations, and disclosure Requirements for research reports; xi. Failure to execute a client's order; or xii. Engaging in or not reporting the occurrence of market misconduct reflecting churning, manipulation, insider dealing, and front running. 	<p>Penalties for First-Time Offenders</p> <ul style="list-style-type: none"> • Individual/Appointed Representative – Two Hundred Thousand (200,000) Birr to Two Hundred Fifty Thousand (250,000) Birr • Capital Market Service Provider – One million (1,000,000) Birr to One million two hundred thousand (1,200,000) Birr <p>Penalties for Second-Time Offenders</p> <ul style="list-style-type: none"> • Individual/Appointed Representative – Two Hundred Fifty Thousand (250,000) Birr to Three Hundred Thousand (300,000) Birr • Capital Market Service Provider – One million Two Hundred Thousand (1,200,000) Birr to One Million Five Hundred Thousand (1,500,000) Birr <p>Penalties for Serial Offenders</p> <ul style="list-style-type: none"> • Individual/Appointed Representative – Three Hundred Thousand (300,000) Birr to Three Hundred Fifty Thousand (350,000) Birr • Capital Market Service Provider One Million Five Hundred Thousand (1,500,000) Birr to Two Million (2,000,000) Birr <p>Other Sanctions not limited to:</p> <ul style="list-style-type: none"> • Suspension of Services License; • Revocation of the Capital Market Service Provider's Services License; • Revocation of the Appointed Representative's Services License;



S/No.	Activities	Administrative Measures
		<ul style="list-style-type: none"> ● Public or private warning; ● Removal of Directors; ● Removal of Senior Executive Officers; and/or ● Blacklisting of employees.
G.	Annual Renewal of Services License i. Failure to apply for the renewal of a Services License within the stipulated	<ul style="list-style-type: none"> ● Five Hundred Thousand (500,000) Birr to One Million (1,000,000) Birr

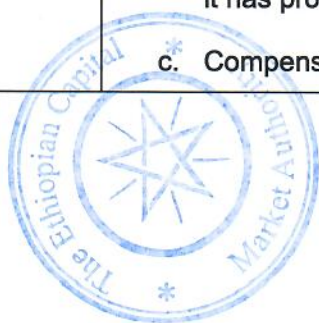


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S/No.	Activities	Administrative Measures
	<p>timeline; and/or</p> <p>ii. Failure to correct deficiencies in the application for the renewal of a Services License within the stipulated timeline.</p>	<ul style="list-style-type: none"> • Suspension of Services License • Direction to the Capital Market Service Provider to voluntarily relinquish its Services License; and/or • Revocation of Services License.
H.	Other Violations and Activities	The sanctions for other activities and/or violations not captured in this Directive shall be as the Authority may deem fit to impose based on the severity of the activity or violation.

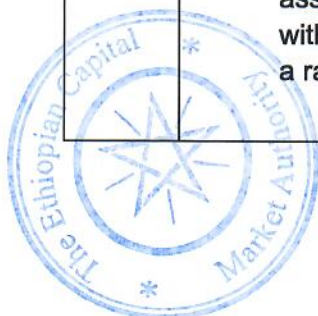
2. Offenses Specific to Some Capital Market Service Providers:

S/No.	Activities	Administrative Measures
A.	<p>Unauthorized Activities</p> <p>These include, but are not limited to the following;</p> <p>i. <u>Securities Custodians</u>:</p> <p>a. Providing custodial services with respect to unregistered investment instruments or guaranteed investment products; or</p> <p>b. Providing custodial services for unlicensed Capital Market Services Providers.</p> <p>ii. <u>Crowdfunding Intermediaries</u>:</p> <p>a. Dealing on/in non-permissible investment instruments;</p> <p>b. Providing financial assistance to investors for the purpose of investing in an offer hosted on its portal; or for which it has provided a service;</p> <p>c. Compensating any finder or introducer</p>	<p>Individual/Appointed Representative/ Other Employee:</p> <ul style="list-style-type: none"> • One Hundred Fifty Thousand (150,000) Birr to Three Hundred Thousand (300,000) Birr <p>Capital Market Service Provider:</p> <ul style="list-style-type: none"> • Fine of One Million (1,000,000) Birr to Two Million (2,000,000) Birr <p>Other Sanctions, not limited to:</p> <ul style="list-style-type: none"> • Suspension up to two (2) years for Capital Market Service Provider and one (1) year for the responsible individuals; • Public or private warning; • Removal of Directors; • Public or private warning; and/or • Revocation of the Services License.



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S/No.	Activities	Administrative Measures
	<p>for providing the Crowdfunding Intermediary with information about potential investors;</p> <p>d. Soliciting investments or making recommendations;</p> <p>e. Facilitating secondary trades between buyers and sellers for investment instruments issued pursuant to this Directive;</p> <p>f. Utilizing any, website, social media platforms, or third-party platforms other than the registered website of the Crowdfunding Portal for the purpose of facilitating a crowdfunding offering; and</p> <p>g. Holding, possessing, or handling investor funds or investments.</p>	
<p>B.</p>	<p>Business Conducts (Financial & Operations)</p> <p>These include, but not limited, to the following:</p> <p>i. <u>Market Maker:</u></p> <p>a. Failure to operate within the established transaction spread specified by the supervising Self-Regulatory Organization (SRO).</p> <p>ii. <u>Credit Rating Agencies:</u></p> <p>a. Failure to carry out a rating action based on the potential effect (economic, political, or otherwise) of the action on the Credit Rating Agency, an issuer, an investor, or other market participants;</p> <p>b. Failure of a Credit Rating Agency and its employees to refrain from providing assurance, either implicitly or explicitly, with respect to a particular rating prior to a rating assessment; and</p>	<p>Penalties for First-Time Offenders</p> <ul style="list-style-type: none"> • Individual/Appointed Representative – Two Hundred Thousand (200,000) Birr to Two Hundred Fifty Thousand (250,000) Birr • Capital Market Service Provider - Fine of One Million (1,000,000) Birr to One Million Two Hundred Thousand (1,200,000) Birr <p>Penalties for Second-Time Offenders</p> <ul style="list-style-type: none"> • Individual/Appointed Representative - Two Hundred Fifty Thousand (250,000) Birr to Three Hundred Thousand (300,000) Birr • Capital Market Service Provider - Fine of One Million Two Hundred Thousand (1,200,000) Birr to One Million Five Hundred Thousand (1,500,000) Birr <p>Penalties for Serial offenders (more than</p>



S/No.	Activities	Administrative Measures
	<p>c. Failure to regularly review the issuer's creditworthiness or initiating a review of the status of the rating upon becoming aware of any information that might reasonably be expected to result in a rating action.</p> <p>iii. <u>Securities Appraisal Firms:</u></p> <p>a. Issuance of erroneous, deficient, misleading, partial, and/or false reports in contradiction with appraisal standards issued by the applicable Self-Regulatory Organization or the Authority, including but not limited to requirements with respect to valuation processes and reports.</p>	<p>twice)</p> <ul style="list-style-type: none"> ● Individual/Appointed Representative - Fine for second time offender plus Fifty Thousand (50,000) and in multiple of breach occurrence. ● Capital Market Service Provider - Fine for second time offender plus Five Hundred Thousand (500,000) Birr and in multiple of breach occurrence. <p>Other Sanctions not limited to:</p> <ul style="list-style-type: none"> ● Suspension of the Services License for a period of twenty (20) business days or until the violations are resolved, whichever occurs later; ● Suspension of the responsible individual, where an Appointed Representative is involved, for a period of twenty (20) business days or until the violations are resolved, whichever occurs late; ● Public or private warning; ● Payment of administrative charges; or ● Revocation of Services License.

