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Ethiopian Capital Market Authority

Capital Market Service Providers Licensing and Supervision Directive

This draft is furnished to seek public comments as per the requirements of the Federal Administrative Procedure Proclamation No. 1183/2020.

All comments on the draft should be forwarded to ecmadirective@gmail.com within 15 working days or by March 6, 2023.

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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, the Ethiopian Capital Market Authority (hereinafter referred to as the “ECMA” or “Authority”) is mandated to supervise the conduct of Capital Market Service Providers, their officers and Appointed Representatives, and modify, renew, suspend, and revoke licenses;

Whereas, it is important to distinguish between the various types of Capital Market Services Licenses (hereinafter referred to as “Services Licenses”), including functions and authorized activities, and the terms and conditions that accompany them;

Now, therefore, the Authority hereby issues the following Capital Market Service Providers Licensing and Supervision Directive in accordance with Articles 6, 39 (2), 39 (3), 56 (1), 56 (3), 107 (2) and 108 (2) of the Capital Market Proclamation No.1248/2021 (hereinafter referred to as the “Proclamation”).

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PART ONE – GENERAL PROVISIONS

SECTION I: PRELIMINARY

1. Short Title

This Directive may be cited as the “Capital Market Service Providers Licensing and Supervision Directive No. 1/2022.”

2. Scope of Application

This Directive shall apply to the licensing and supervision of the following categories of Capital Market Service Provider:

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

3. Definitions

- (1) In this Directive, any expression in the masculine gender includes the feminine.
- (2) Unless the context otherwise requires, any term defined in the Proclamation shall have the meaning assigned to it in the Proclamation.
- (3) Unless the context otherwise requires:
 - a. “Accredited Service Provider” means a person that is recognized and/or certified by the Authority as having the capacity to administer CPE programs.
 - b. “Administrative Fees” means fees levied by the Authority to recover expenses or costs associated with administrative activities of the Authority or services provided by the Authority.
 - c. “Advertisement” shall have the meaning provided for under Article 2 (1) of the Proclamation.
 - d. “Appointed Representative” shall have the meaning provided for under Article 2 (2) of the Proclamation.
 - e. “Appraisal” means the valuation, judgment or assessment of an asset to estimate the fair market value of such asset.
 - f. “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.
 - g. “Arbitration” means the dispute settlement mechanism provided for under Article 111 (2) of the Proclamation.
 - h. “Authority” or “ECMA” means the Ethiopian Capital Market Authority established under the Capital Market Proclamation No.1248/2021.
 - i. “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.
 - j. “Business Days” means Calendar Days excluding Saturdays, Sundays, public holidays and any day on which commercial banks are authorized or required by law to remain closed in Ethiopia.
 - k. “Calendar Days” means consecutive days including Saturdays, Sundays and public holidays in Ethiopia.

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- l. “Capital market” means a market where securities such as shares or equities, bonds, derivatives, or other related securities are issued, bought and sold.
- m. “Cash balance” means the net amount of liquid funds in a stockbroking account.
- n. “Central Securities Depository” shall have the meaning provided for under Article 2 (9) of the Proclamation.
- o. “Clients” means users and/or recipients of services or products of a Capital Market Service Provider;
- p. “Collective Investment Scheme” shall have the meaning provided for under Article 2 (11) of the Proclamation.
- q. “Collective Investment Scheme Operator” shall have the meaning provided for under Article 2 (12) of the Proclamation.
- r. “CPE” means “Continuing Professional Education”, being the continuous learning activities a professional engages in to develop and enhance his/her abilities/skills and knowledge in a particular field.
- s. “CPE Cycle” means a period of twelve (12) months commencing on 1st July of every year.
- t. “Crowdfunding” means the process of raising funds to finance a project or business from the public through an online platform.
- u. “Crowdfunding Intermediary” means an entity which facilitates transactions involving the offer or sale of securities or investment instruments through a Crowdfunding Portal or Platform.
- v. “Crowdfunding Portal” or “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.
- w. “Custodian” shall have the meaning provided for under Article 2 (16) of the Proclamation.
- x. “Dematerialization” shall have the meaning provided for under Article 2 (20) of the Proclamation.
- y. “Digital Assets” means anything in digital form with value, ownership, and usage rights.
- z. “Discretionary Portfolio Manager” means a Portfolio Manager who, under a contract relating to Portfolio management, exercises or may exercise any degree

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of discretion as to the investment of funds or management of the portfolio of securities of the client.

- aa. “Dispute Resolution Framework” means the framework or policy developed and implemented by the Authority, Self-Regulatory Organization or the Capital Market Service Provider for resolving and/or settling disputes between parties in accordance with the Capital Market Proclamation No.1248/2021.
- bb. “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.
- cc. “External Auditor” means a public auditor licensed by the pertinent government organ to provide audit service.
- dd. “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.
- ee. “Falsification” shall have the meaning provided for under Article 382 of the Criminal Code.
- ff. “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.
- gg. “Financial Penalty” or “Fine” means the obligation to pay a sum of money imposed by the Authority, in accordance with this Directive.
- hh. “Financial Year” means the period of twelve months beginning from the 1st day of July every year.
- ii. “Finder” or “Introducer” means a person or entity that provides a Crowdfunding Intermediary with information about potential investors, subject to compliance with all applicable data privacy laws and regulations.
- jj. “Fit and Proper Persons(s)” means a person or persons who satisfy the criteria laid down under Article 56 of the Proclamation.
- kk. “Forgery” shall have the meaning provided for under Article 357, 375 and 376 of the Criminal Code.

- ll. “Fundraisers” means entities seeking to raise funds through a Crowdfunding Portal or Platform.
- mm. “Identity Theft” means wrongfully obtaining and using or transferring another person's personal data, such as their name, identification number, or credit card number, without their permission, with the intent to deceive, commit fraud, or to aid or abet any unlawful activity or other crimes.
- nn. “Improper Use of Client Funds” means unauthorized use of the client’s funds for purposes or transactions other than those instructed by the client and/or which do not benefit the client.
- oo. “Incorporation Document” means a set of legal papers that contains information on the formation and structure of a business organization.
- pp. “Insider Trading” means trading or dealing in securities or their derivatives based on material and/or non-public information.
- qq. “Investment” shall have the meaning provided for under Article 2 (35) of the Proclamation.
- a. “Investment Instruments” means any security approved by the Authority for issuance through a Crowdfunding Portal or Platform from time to time.
- rr. “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 Portfolio Manager, and any other relevant terms of the portfolio investment.
- ss. “Know Your Customer/Client (KYC)” is a mandatory and recurring process of identifying and verifying the client's identity; to understand the client’s activities with a view to providing better service, and preventing financial crime and money laundering.
- tt. “Market Manipulation” shall have the meaning provided for under Article 96 of the Proclamation.
- uu. “Months” means consecutive calendar months in Ethiopia, excluding Paguemain/Pagume as a month; however, the dates in Paguemain/Pagume will count as dates.
- vv. “Nominee” shall have the meaning provided for under Article 2 (47) of the Proclamation.

- ww. “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.
- xx. “Non-Permissible Investment Instrument” means any investment instrument other than those explicitly defined as permissible under the crowd funding agreement.
- yy. “Person” means any natural or juridical person.
- zz. “Plain Vanilla Bonds” means type of bonds, which have pre-defined features including pre-determined face values, and fixed coupon payments at predetermined fixed intervals with a pre-determined maturity.
- aaa. “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
- bbb. “Proclamation” means the Capital Market Proclamation No. 1248/2021 as may be amended from time to time.
- ccc. “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.
- ddd. “Public Accountant” means an accountant licensed and registered as a certified public accountant by the pertinent government organ to provide accounting services.
- eee. “Regulatory Authority” means an independent body or institution established by a legislative act or in line with a legislative act, other than the ECMA; and is responsible for issuing Directives and/or setting standards in a specific field of activity, or operations, and enforcing those standards.
- fff. “Restitution” means a gain-based recovery to a client who has suffered pecuniary losses as a result of the act of a Capital Market Service Provider.
- ggg. “Robo Adviser” means an 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.
- hhh. “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.
- iii. “Self-Regulatory Organization” shall have the meaning provided for under Article 2 (70) of the Proclamation.

- jjj. "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 Managing Director/Chief Executive Officer/General Manager or is 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 CMSP or the Authority in writing as an individual who exercises significant influence over, or participates in, major policy making decisions.
- kkk. "Services License" means a license issued by the Authority.
- lll. "Significant Influence" means the power to participate in and/or influence the operational and financial decisions of an entity. In this regard, persons or entities with significant include substantial shareholders, Directors, Chief Executive Officer and Senior Executive Officers of a Capital Market Service Provider.
- mmm. "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.
- nnn. "Shareholders' Fund" means the fund available to shareholders after total liabilities have been deducted from total assets.
- ooo. "Sharia Adviser" means an independent professional or entity that advises on the compliance of the products and services of financial institutions with Sharia or Islamic law.
- ppp. "Substantial Shareholder" shall have the meaning provided for under Article 56 (4) of the proclamation.
- qqq. Sub-underwriter means any person that agrees with an Underwriter to take up a proportion of any Security which the underwriter has underwritten.
- rrr. "Succeeding Custodian", "Succeeding Portfolio Manager", "Succeeding Investment Bank" or "Succeeding Securities Broker" means the licensed Custodian, Portfolio Manager, Investment Bank, or Securities Broker, respectively, to which has been transferred the clients' accounts of another Custodian, Portfolio Manager, Investment Bank or Securities Broker, respectively, that has relinquished its Services License or voluntarily exited the market.
- sss. "Target Custodian", "Target Portfolio Manager", "Target Investment Bank" or "Target Securities Broker" means the licensed Custodian, Portfolio/Manager,

Investment Bank or Securities Broker, respectively, to which a client has requested for its client's account to be transferred.

- ttt. "Third Degree Relationship" means relationships with individuals with two other family members between them. In this regard, relatives up to and including the third degree are: parents, children, siblings, uncles, aunts, nephews, nieces, grandparents and great-grandparents.
- uuu. "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.
- vvv. "Warning" means the formal expression of severe disapproval about a misconduct by the Authority.
- www. "Years" mean consecutive calendar years.

SECTION II: LICENSING OF CAPITAL MARKET SERVICE PROVIDERS

4. Prohibition

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

5. Application Requirements and Conditions

- (1) An application for a Services License shall:
 - a. be made in accordance with the provisions of the Proclamation as may be amended from time to time, subsidiary legislations made under the Proclamation as well as Directives and other instruments that the ECMA may issue consistent with the Proclamation;
 - b. be made in accordance with the procedure prescribed thereof by the ECMA as in effect on the date of filing the application; and
 - c. be submitted to the ECMA via the digital Form A2 accessible on the website of the ECMA or such other channel prescribed thereof by the ECMA as in effect on the date of filing the application.
- (2) All applications and accompanying documents shall be filed with the ECMA in the English and/or Amharic languages. If any information and/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 and/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 ECMA where the applicant fails or neglects to continue with the processing of the application for a period of thirty (30) consecutive calendar days without due notification to and approval of the ECMA.

6. Specific Licensing Requirements

- (1) **Business Organizations:** 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:

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- a. Evidence of payment of the fees prescribed by the ECMA which are in effect on the date of filing the application;
- b. A copy of the Certificate of commercial registration and/or investment permit issued by the relevant government organ;
- c. Applicable incorporation documents, including the Memorandum and/or Articles of Association and amendments thereof and Commercial Registration Certificate (or their equivalents), showing the shareholders, directors or partners, as may be applicable, and capital of the applicant within a week of the date of filing the application;
- d. Where the applicant has a business organization as an investor or substantial shareholder, Memorandum and/or Articles of Association and amendments thereof and Commercial Registration Certificate (or their equivalents) showing the details of such investor or shareholders of such investor, and any other related document showing the individual beneficial owners of such shareholder as at the date of filing the application;
- e. Board resolution 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 amongst others, 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 within a week of the date of filing the application, 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;
- 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 ECMA in this Directive or any other regulation as may be in effect at the time of filing the application;
 - k. Evidence of compliance with the minimum capital requirements specified by the ECMA in this Directive or any other regulation as may be in effect within a week of filing the application;
 - l. Status of compliance with technology, internal control and risk management requirements specified by the ECMA in this Directive or any other regulation 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 with businesses in other jurisdictions – 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 ECMA in this Directive or any other regulation 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;
 - ii. Tax Identification Number (TIN) Certificate;
 - iii. Value Added Tax (VAT) Registration Certificate; and
 - q. Any other material information as may be required by the Authority from time to time.
- (2) **Individual:** 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 ECMA 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 ECMA in this Directive or any other regulation 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 ECMA in this Directive or any other regulation as may be in effect at the time of filing the application;
 - h. Sample of client account opening forms 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;
 - i. Evidence of compliance with any other regulatory and supervisory requirements specified by the ECMA in this Directive or any other regulation as may be in effect at the time of filing the application;
 - j. A Business Plan which shall contain, amongst others, the Business Strategy and Objectives of the applicant stating the long-term objectives of the individual and services to be rendered;
 - 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 14 (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 and/or Chief Compliance Officer of a corporate applicant, or by the individual applicant. This shall be provided as part of the application process.
- (6) Any undertaking required to be filed under this Directive shall be sworn before the Documents Authentication and Registration Service within a week of the application date.
- (7) As part of the application process, the individual applicant or a business organization's proposed Appointed Representatives may be required to undergo an interview session with representatives of the ECMA.
- (8) 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 ECMA.
- (9) 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's registrar generates an application number to the applicant.

7. Fees

- (1) Every applicant for a Services License shall pay such fees and in such manner as specified herein and in Fee directives of the ECMA , inclusive of the following:
 - a. A non-refundable application fee, evidence of which shall be provided at the date of filing the application;
 - b. A non-refundable Capital Market Service Provider Licensing Fee, evidence of which shall be provided before the ECMA conducts a pre-certification inspection on the applicant; and
 - c. A non-refundable licensing fee for each of the applicant's proposed Appointed Representatives, evidence of which shall be provided before the ECMA conducts a pre-certification inspection on the applicant.
- (2) Notwithstanding the foregoing, the fees referenced in Sub-Article (1) (b) to (c) of this Article may be refundable in an instance where the applicant withdraws its application not later than ten (10) business days prior to the date set by the ECMA to conduct a pre-certification inspection or the ECMA refuses to issue a Services License as per Article 9. below.

8. Approval of a License Application

- (1) Upon meeting the requirements set forth in Article 6. of this Directive, the ECMA 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. for both business organizations and individuals:
 - i. provide evidence of payment of the applicable licensing fees as stipulated in Article 7 of this Directive;
 - ii. provide the ECMA 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 ECMA in this Directive or any other regulation 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 framework;
 - v. provide evidence that it has obtained a no-objection from an industry association recognized as a Self-Regulatory Organization by the ECMA, where applicable;
 - b. in the case of a business organization:
 - i. ensure that its proposed Appointed Representatives have successfully completed the applicable Appointed Representatives licensing examination and interviews in line with Articles 123 and 124 of this Directive;
 - ii. obtain a Police Clearance Certificate, issued by the applicable regulatory authority, statutory body and/or agency, for each of its Directors, Appointed Representatives and other employees as may be prescribed or required by the Authority, at the time of filing the application; and
 - iii. provide evidence that it has obtained a fidelity guarantee of at least twenty percent (20%) of its total shareholder's fund.
 - c. in the case of an individual:

- i. provide evidence that it has obtained a fidelity guarantee of at least twenty percent (20%) of net worth; and
- ii. obtain a Police Clearance Certificate, issued by the applicable regulatory authority, statutory body and/or agency at the time of filing the application.

9. Refusal of a License Application

- (1) The ECMA shall reject an application or refuse to issue a Services License where the ECMA establishes that the applicant has:
 - a. Given a false or misleading information; or
 - b. omitted a material fact during the application for a license or failed to mention any other information that should be submitted to the ECMA; or
 - c. failed to meet the fit and proper criteria, minimum capital requirements, internal organization and risk management, and other regulatory and supervisory requirements for obtaining a license to be determined by Directive of the Authority; or
 - d. violated any provision of the Proclamation, Regulations or Directives issued thereunder.
- (2) Notwithstanding sub article (1) of this Article, the Authority may, in the interest of the public, reject an application even when the applicant has met all the requirements to obtain a Services License.
- (3) Every applicant shall be provided with an opportunity to be heard by the ECMA before a decision is taken with respect to the rejection of an application or refusal to issue a Services License to such an applicant.

10. Timeline for Processing an Application

- (1) Except otherwise stated in this Directive, The ECMA 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 6. of this Directive, including the submission of additional documents as may be requested by the ECMA; and

- b. Successful completion of the applicable licensing examination and interviews by the proposed Appointed Representatives of the applicant in line with Articles 123 and 124 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 for a re-scheduling of the pre-certification examination/inspection to a date not later than three (3) months after the initial date communicated by the ECMA and subject to the approval of the ECMA.
- (4) The ECMA shall within five (5) business days of conducting the pre-certification inspection, issue a Services License or refuse to issue a Services License, as may be applicable.
- (5) The issuance of a Services License shall be subject to the applicant providing evidence of contribution to the Compensation Fund in line with the Compensation Fund Regulation and Directive;
- (6) These timelines specified herein shall reset once the Authority communicates the status of, or a deficiency on the application.

SECTION III: GENERAL OBLIGATIONS AND RESPONSIBILITIES

11. 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, as may be permitted under the Proclamation and specified in the Directives issued by the Authority from time to time.
- (2) Where an activity has been clearly delineated as an unauthorized activity, no CMSP shall be permitted to engage in such an activity.
- (1) 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 authorized by the Authority.
- (1) Fees charged by Capital Market Service Providers with respect to capital market activities shall be governed by the applicable provisions of the Code of Conduct for Capital Market Service Providers, their Employees and Persons with Significant Influence.
- (2) Every Capital Market Service Provider shall ensure that its activities are in compliance with the provisions of the Advertisement Proclamation as well as the applicable competition and consumer protection laws.

12. 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 Broker Dealers;
 - c. Investment Banks; and
 - d. 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 in Ethiopia and in this regard has obtained a certificate of commercial registration and/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. This notice shall be accompanied by the names 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 in writing to its clients for any of the nominees appointed.

13. Capital Requirement

- (1) A Capital Market Service Provider shall at all times 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 hold, at all times, Net Liquid Capital which complies with the minimum requirements calculated in accordance with Schedule I 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 as may be applicable.

14. Governance and Appointed Representatives of a Capital Market Service Provider

- (1) An Appointed Representative for the purpose of this Directive is a person who conducts regulated activities and acts as an agent for a Capital Market Service Provider. The

said Appointed Representative shall be licensed by the Authority as stipulated in Part Two, Section XI 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;
 - b. Managing Director/Chief Executive Officer; and/or
 - 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, as may be amended; and
 - a. 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 the Guidelines on Corporate Governance for Capital Market Service Providers.

15. Fit and Proper Requirements for Capital Market Service Providers, its Appointed Representatives and Directors

- (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 in respect of:
 - a. Financial soundness;
 - a. Competence;
 - b. Ability to perform their function efficiently, honestly and fairly; and
 - c. Reputation, character, financial integrity and reliability.

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- (2) All Capital Market Service Providers shall obtain a Police Clearance Certificate, issued by the applicable regulatory authority, statutory body and/or agency, for each of its Directors, Appointed Representatives and other employees as may be prescribed or required by the Authority from time to time.
- (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 industry 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;
 - b. Have not been convicted of any offence relating to fraud, theft, dishonesty 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 from membership of any professional body/association, organization or any trade group/association, or had a practicing/operating license revoked for cause;
 - 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.

16. Appointment of a Chief Compliance Officer

- (1) Every share company, private limited company, one-man private limited company or general partnership, limited partnership or limited liability partnership which has been issued a Services License to operate as a Capital Market Service Provider shall appoint a Chief Compliance Officer who shall be responsible for monitoring and ensuring compliance with the Proclamation, Directives issued by the Authority, as well as legislations of the Federal Government of Ethiopia.

- (2) The Chief Compliance Officer shall be licensed by the Authority as an Appointed Representative of Capital Market Service Provider in line with Part Two, Section X of this Directive.
- (3) 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.
- (4) 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.
- (5) Every Capital Market Service Provider shall seek and obtain the prior approval of the Authority before the redeployment or dismissal of a Chief Compliance Officer.
- (6) 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.
- (7) An individual, licensed as a CMSP, shall adequately monitor and ensure that they are in compliance with the Proclamation and Directives issued by the Authority, as well as legislations of the Federal Government of Ethiopia at all times, and shall make sufficient provisions in this regard.

17. 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, as applicable;
 - b. The appointment of an Appointed Representative;
 - c. A change to its business name; and
 - d. The appointment of a Director, or its equivalent.
- (2) Every Capital Market Service Provider shall notify the Authority:
 - a. Not later than five (5) business days prior to the redeployment 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).

18. Offices of a Capital Market Service Provider

- (1) Every 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) Every 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 general 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.

19. 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:
 - i. communications relating to a service rendered to a client, including instructions given by the client to the Capital Market Service Provider;
 - ii. transaction documentation relating to clients; and
 - iii. contractual arrangements between the Capital Market Service Provider and its clients, including mandates prescribed by the rules.
- (1) 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.
- (2) The records of the Capital Market Service Provider shall be segregated from that of the clients.
- (3) 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.
- (4) 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.
- (5) 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.

20. Know Your Customer (KYC)

- (1) 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 as may be in effect from time to time.

21. 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
 - a. An operational bank account, clearly delineated as such, with respect to monies referenced in Sub-Article (1) (b) of this Article.

22. Reporting Obligations

- (1) A Capital Market Service Provider and/or its employees shall report to the Authority any legal violation 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:
 - 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.

23. 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 Audited Financial Statements within ninety (90) calendar days after the end of a financial year; and
 - c. Any other periodic report within the period stipulated as 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:
- a. Whether the minimum capital has been maintained;
 - 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 the issued capital as may be applicable; 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.

24. Code of Conduct

- (1) All Capital Market Service Providers and their Appointed Representatives shall comply with this Directive and the Code of Conduct for Capital Market Services Providers, their Employees and Persons with Significant Influence.
- (2) All Capital Market Service Providers shall display, in a conspicuous place, the Services License issued by the Authority in their head offices and branches.

25. Systems and Controls

- (1) A Capital Market Service Provider shall have proper and adequate internal control procedure 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 regulations are considered in the development and/or 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 any proposed variation to an existing system. In this regard, the required notice period and what constitutes a proposed variation shall be as may be defined in the guidelines and other instruments that the ECMA may issue consistent with the Proclamation.

26. Supervision/Inspection by the Authority

- (1) The Authority shall 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, police officers, prosecutors, and auditors.

27. Cooperation in Connection with Inspections or 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.

28. Contribution to the Compensation Fund

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

29. 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 Schedule V of this Directive.
- (3) In addition to the factors specified in Article 9 (1) of this Directive, the Authority may refuse to renew the license of a Capital Market Service Provider, if it were given evidence or is satisfied that the Capital Market Service Provider:
 - a. has given false or misleading information;
 - b. omitted a material fact when applying for a Services License or failed to mention any other information that should have been submitted to the Authority;
 - c. has failed to meet the fit and proper criteria, minimum capital requirements, internal organization and risk management, and other regulatory and supervisory

requirements for obtaining a Services License as determined by Directive of the Authority;

- d. in the case of an individual, has become incapable mentally or physically of performing the activities to which the Services License relates; or

 - e. has violated or contravened any provision of the Proclamation or Regulations or Directives issued thereunder.
- (4) The Authority may not refuse to renew the license without first giving the Capital Market Service Provider the opportunity of 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 V (1) (G) of this Directive.
 - (6) A Market Maker shall not be subject to an annual renewal of a Services License.

SECTION IV: ENFORCEMENT AND SANCTIONS (ADMINISTRATIVE MEASURES)

30. Penalties and Others

- (1) The Authority shall have powers to impose any or a combination of the following sanctions 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. Dismiss or suspend Senior Executive Officers;
 - e. Dismiss or suspend 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) Where there is a contravention of any of the provisions or requirements of this Directive, the Authority shall exercise its powers of enforcement, by Directive, fines, and other penalties applicable to Capital Market Service Provider, their management and persons with Significant Influence who commits any of the offences as defined in Schedule V.
- (3) In addition to the provisions of Schedule V, the Authority may refer an erring Capital Market Service Provider, it Appointed Representatives and other employees for criminal investigations and prosecution according to the Proclamation and the Ethiopian Criminal Code.
- (4) Applicable penalties and fines shall be contingent upon regular administrative review as the Authority may deem it fit and necessary.

31. Suspension of Services License

- (1) The Authority may not suspend a Services License without first giving the Capital Market Service Provider the opportunity of fair hearing.

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- (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 V, 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 for a period not exceeding ninety (90) business days.
- (3) The Capital Market Service Provider shall be notified in writing by the Authority the cause of the suspension and measures needed to be taken to rectify the shortcomings that led to the suspension.
- (4) Suspension of a Services License may be as a result 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 tribunal or a court
 - c. Provide timely and accurate information upon the request of the Authority;
 - d. Comply with any conditions or restrictions applicable in respect of the Services License or any provision 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;
 - f. Prevent one of its employees, or affiliates from acting in a way that violates the provisions of the Proclamation or regulations or directives of the Authority;
- (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 may be 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 an individual or body to oversee the affairs of a suspended Capital Market Service Provider in the interest of the general public.
- (7) A Capital Market Service Provider whose Services License has been suspended by the Authority shall be prohibited from engaging in any regulated 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 regulated 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.

32. Revocation of Services License

- (1) In line with the applicable provisions of the Proclamation, the Authority may revoke the license of a Capital Market Service Provider if it appears to the Authority that the Capital Market Service Provider has failed to satisfy any of its obligations under or arising from the Proclamation or any written direction issued by the Authority.
- (2) The Authority may revoke the Services License granted to a Capital Market Service Provider where:
 - a. it is confirmed that the Services License was obtained on the basis of false or wrong information;
 - b. the licensee ceases to carry out licensed activities by its own choice for a period of eighteen (18) months (either consecutive or non-consecutive) within two (2) financial years;
 - c. the licensee fails to rectify the deficiencies or failings that led to the suspension of its Services License within the specified time given by the Authority;
 - d. the licensee has utilized the license for an unauthorized activity and/or purpose;

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- e. the licensee has committed a violation that has led to the suspension of its Services License in the past;
 - f. the licensee has been declared bankrupt or insolvent;
 - g. the licensee is no longer fit and proper to hold a license; or
 - h. the licensee has violated any provision of the Proclamation or Regulations or Directives issued thereunder.
- (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) days of receipt of the Authority's letter.
- (5) If the objection of the Capital Market Service Provider is not found to be satisfactory 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 become effective on the date of its publication or on any other date as the Authority may specify.

33. 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, an Appointed Representative shall be liable for any action as specified in the Proclamation, including suspension or revocation of their Services License if the Appointed Representative:
- a. Ceases to be affiliated with or employed by the firm;
 - b. Has been declared a defaulter in their personal capacity by a stock exchange and not re-admitted as an Appointed Representative within a period of six (6) months;
 - c. Has been found not to be a fit and proper person by the Authority;

- d. Has been declared bankrupt;
- e. Has been convicted by a court of competent jurisdiction for an offence involving moral turpitude;
- f. Fails to comply with the rules, regulations and bye-laws of the Self-Regulatory Organization which their firm is a member of or participant on;
- g. Fails to cooperate with the Authority during examinations, inspections or investigations;
- h. Fails to pay a penalty imposed by the Authority;
- i. Has a prima facie case of willful blindness established against it by the Authority;
- j. Indulges in insider trading, fraudulent and/or unfair trade practices in violation of the applicable provisions of the Proclamation;
- k. Commits a violation of any of the provisions for which financial penalty or other penalties could be imposed;
- l. Fails to comply with the Directives, Circulars or Guidelines issued by the Authority as it relates to Appointed Representatives; or
- m. Commits violations specified in these Directive and any other regulation which in the opinion of the Authority are of a grievous nature.

34. Liability for Prosecution

A Capital Market Service Provider and/or its Appointed Representatives shall be liable for prosecution under the applicable provisions of the Proclamation and/or the Ethiopian Criminal Code.

35. Procedure for Appealing Sanctions

- (1) A Capital Market Service Provider which is not satisfied with the decision of the Authority may within twenty-eight (28) business days of the receipt of the decision, appeal to the Capital Market Administrative Tribunal.
- (2) The Capital Market Service Provider may file a petition requesting a review of enforcement actions or sanctions based on the following steps:
 - a. File a Notice of Appeal;
 - b. Provide any additional information or document as may be necessary in support of its appeal; and

- c. Any other requirement as in effect on the date of filing the appeal.

SECTION V: 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;
 - 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:
 - i. 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 electronic 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 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.

PART TWO – LICENCING CATEGORIES AND ADDITIONAL REQUIREMENTS

SECTION VI: SECURITIES BROKERS, SECURITIES DEALERS, SECURITIES BROKER DEALERS AND 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, Securities Broker Dealer or Digital Sub-Broker License.

39. Additional Licensing Requirements

- (1) In addition to the requirements specified under Article 6 (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 license from a securities exchange or over-the-counter trading facility in Ethiopia.
- (2) Any applicant that seeks to perform both the functions of a Securities Broker and Securities Dealer shall be required to comply with the requirements of both a Securities Broker and a Securities Dealer, and upon being issued the applicable Services License shall be referred to as a “**Securities Broker Dealer**”.
- (3) An applicant for a Digital Sub-Broker License shall, in addition to the requirements specified under Article 6 (1), to submit a copy of the agreement with each sponsoring Securities Broker or Securities Broker 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
- h. Arbitration and governing laws clause in line with the applicable laws in Ethiopia.

40. Authorized Activities of Securities Brokers and Securities Dealers

- (1) Securities Brokers shall have the following functions:
 - a. Sale and purchase of securities on a recognized 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 recognized securities exchange or over-the-counter trading facility for its own proprietary account; and
 - b. Other services as defined by the Authority from time to time.
- (3) Digital Sub-Brokers shall have the following functions:
 - a. Provide digital channels to clients for the sale and purchase of securities on a recognized securities exchange or over-the-counter trading facility only through one (1) or more Securities Broker(s) who shall be the 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 Dealer or 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 14 (2) of this Directive, have a Trader licensed by the Authority as an Appointed Representative.

40. 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.

- (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.

43. Relinquishment of a Securities Broker or Securities Dealer License

- (1) A Securities Broker seeking to relinquish its Securities Broker License shall, in addition to the provisions of Article 36 of this Directive:
 - a. Furnish the Authority with records of all its clients' accounts and assets, and details of arrangements made to transfer its clients' accounts to another licensed Securities Broker (hereinafter referred to as the "succeeding Securities Broker") including information about the succeeding Securities Broker;
 - b. Enter into an agreement with the succeeding Securities Broker. The agreement shall, among others, state the terms of succession, and the outstanding obligations and liabilities to be borne by the succeeding Securities Broker;
 - c. Notify its clients of its intention to relinquish its Services License. The notice of its exit, subject to the approval of the Self-Regulatory Organization, shall state that clients are required to transfer their accounts and other assets to a Securities Broker of their choice ("hereinafter referred to as "target Securities Broker") within a maximum period of fourteen (14) days after the end of the one (1) month notice given;
 - 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 certificates, 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 the succeeding Securities Broker, 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 or Securities Dealer 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 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.

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

- (1) An entity which has been issued a Digital Sub-Broker License shall be required to have the following Appointed Representatives:
 - a. Chief Compliance Officer;
 - b. Managing Director/Chief Executive Officer; and
 - c. Chief Digital Officer or Chief Technology Officer.
- (2) Client account opening forms of a Digital Sub-Broker shall bear the names of both the Sponsoring Securities Broker and the 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 Digital Sub-Broker shall not directly keep custody of client funds, and all funds relating to the clients of a 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 and the Digital Sub-Broker in the format *"Name of Sponsoring Securities Broker/Name of Digital Sub-Broker"*.
- (4) A Digital Sub-Broker shall put in place and implement internal policies and procedures to address technology risks which may arise.
- (5) The Sponsoring Securities Broker and the Digital Sub-Broker shall be jointly and severally liable for the action or inactions of the Digital Sub-Broker, including the actions or inactions of the Digital Sub-Broker's Appointed Representatives and employees.
- (6) Where the agreement referenced in Article 39 (3) is to be terminated:

- a. the Sponsoring Securities Broker shall, not later than ten (10) business days prior to the effective date of the termination, notify the Authority in writing of the termination, setting out:
 - i. the reasons for the termination; and
 - ii. the agreed steps to be taken by both the Sponsoring Securities Broker and the Digital Sub-Broker to ensure that the interests of clients served through the Digital Sub-Broker are adequately protected;
 - b. the Digital Sub-Broker shall, not later than ten (10) business days prior to the effective date of the termination, notify its clients in writing that the agreement has been terminated, setting out:
 - i. the reasons for the termination; and
 - ii. the agreed steps to be taken by both the Sponsoring Securities Broker and the Digital Sub-Broker to ensure that the interests of clients served through the Digital Sub-Broker are adequately protected.
- (3) Any advertisement, statement or communication relating to the services or activities of a Digital Sub-Broker, shall be accompanied by a conspicuous general statement highlighting the sponsorship arrangement between the Sponsoring Securities Dealer and the Digital Sub-Broker.
 - (4) Both the existing and potential clients of a Digital Sub-Broker, shall be conspicuously made aware of the features, risks, responsibilities, obligations and liabilities associated with the use of its infrastructure.
 - (5) Under no circumstance shall a Digital Sub-Broker purport itself to be or give the impression whether implicitly or not, that it is a Securities Broker or can directly carry out the functions of a Securities Broker.

SECTION VII: INVESTMENT BANKS

45. Eligibility

Only a share company or a 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 an Investment Bank License.

46. Additional Licensing Requirements

- (1) In addition to the requirements specified under Article 6 (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 for institutional clients to provide evidence of obtaining an Approval-In-Principle for a trading license 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 for institutional clients, 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 non-deposit taking financial institutions and shall perform the following functions:

- a. Act as a broker or financial adviser for institutional clients;
- b. Facilitate the issuance of securities by companies, government and other entities through underwriting;
- c. Act as an intermediary between securities issuers and the investing public;
- d. Facilitate mergers and other corporate reorganizations; and
- e. Other services as defined by the Authority from time to time.

48. Underwriting Activities

- (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 mandate letter and 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 Directive shall be read in conjunction with the Directives guiding public offer of securities in Ethiopia.
- (6) An underwriting agreement shall contain, among others, 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. Arbitration and governing laws; and
 - k. Terms and regulations 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 for institutional clients, such an Investment Bank shall, in addition to the provisions of Article 14 (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 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 for institutional clients and is seeking to relinquish its Services License shall, in addition to the provisions of Article 36 of this Directive:
 - a. Furnish the Authority with records of all its clients' accounts and assets, and details of arrangements made to transfer its clients' accounts to another licensed Investment Bank (hereinafter referred to as the "succeeding Investment Bank") including information about the succeeding Investment Bank;
 - b. Enter into an agreement with the succeeding Investment Bank. The agreement shall, among others, state the terms of succession, and the outstanding obligations and liabilities to be borne by the succeeding Investment Bank;
 - a. Notify its clients of its intention to relinquish its Services License. The notice of its exit, subject to the approval of the Self-Regulatory Organization, shall state that clients are required to transfer their accounts and other assets to an Investment Bank of their choice ("hereinafter referred to as "target Investment Bank") within a maximum period of fourteen (14) days after the end of the one (1) month notice given;
 - b. 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;
 - c. 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;

- d. 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;
 - e. 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
 - f. Ensure a seamless transfer of all the required documents pertaining to its clients' accounts and assets to the succeeding Investment Bank within 90 days.
- (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.

SECTION VIII: INVESTMENT ADVISERS AND ROBO ADVISERS

52. Eligibility

- (1) **Investment Advisers:** Only the following persons shall be eligible to apply for an 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) **Robo Advisers:** Only a share company, private limited company, general partnership, limited partnership or limited liability partnership that meets the following

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requirements on the date of filing the application shall be eligible to apply for a Robo Adviser License:

- a. Has been issued a certificate of commercial registration and/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
 - c. Has sufficient understanding of the rationale, risks and rules behind the algorithm underpinning the digital advisory business.
- (3) **Sharia Advisers:** Only the following persons shall be eligible to apply for a Sharia 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:
 - i. possesses the competency requirements for a Shariah Officer as specified in the Competency Framework for Capital Market Service Providers; and
 - ii. at minimum, is eighteen (18) years of age as at the date of filing the application.

53. Additional Licensing Requirements for Robo Advisers

In addition to the requirements specified under Article 6 (1) of this Directive and prior to the pre-certification inspection, an applicant for a 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.

47. Authorized Activities of Investment Advisers and Robo Advisers

- (1) Investment Advisers and Robo Advisers shall have the following functions:
 - a. Provide investment advice concerning investments;
 - 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 Robo Adviser shall provide automated investment advisory services via digital channels; and
- b. Investment Advisers and Robo Advisers shall not engage in the maintenance or management of investors' funds.

48. Authorized Activities of Sharia Advisers

- (1) Sharia Advisers shall have the following functions:
 - a. provide Sharia expertise and advice on Sharia 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 Sharia expertise to ensure that all aspects of a product or related activities are in accordance with Sharia requirements as set out in the relevant legislations of the Federal Government of Ethiopia, as well as Directives issued by the Authority;
 - c. ensure that the applicable Sharia rulings, principles and concepts endorsed by the applicable body in Ethiopia are complied with; and
 - d. apply ijtehad (intellectual reasoning) to ensure all aspects relating to the Islamic capital market products and the Islamic capital market activity are in compliance with Sharia principles.
- (2) Except otherwise stated in this Directive, Sharia Advisers shall not:
 - 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 Sharia Adviser is an employee of such entity.

55. Advertisement Restrictions

- (1) No Investment Adviser, Robo Adviser or Sharia 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 made by an Investment Adviser, Robo Adviser or Sharia 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 Investment Adviser that were profitable, unless the advertisement sets out a list of all recommendations made by the 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 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, statement or communication relating to the services or activities of a Robo Adviser, shall be accompanied by a conspicuous statement in relation to the factors mentioned under Sub-Article (3) of this Article.

56. Appointed Representatives of Investment Advisers

- (1) A business organization which has been issued an Investment Adviser License by the Authority in accordance with this Directive shall, in addition to the provisions of Article 14 (2) of this Directive, have a Research Officer licensed by the Authority as an Appointed Representative.
- (2) An 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.

57. Appointed Representatives of Robo Advisers

- (1) A business organization which has been issued a Robo Adviser License by the Authority in accordance with this Directive shall, in addition to the provisions of Article 14 (2) of this Directive, have the following Appointed Representatives:
 - a. Research Officer; and
 - b. Chief Digital Officer.

- (2) A Robo Adviser that intends to provide investment advice with respect to specialized products shall ensure that its Research Office(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 Sharia Advisers

A business organization which has been issued a Sharia Adviser License by the Authority in accordance with this Directive shall, in addition to the provisions of Article 14 (2) of this Directive, have a Sharia Officer licensed by the Authority as an Appointed Representative.

59. Other Provisions Specific to Robo Advisers

A Robo Adviser shall at all times, 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:
 - a. consistent with the Robo Adviser's investment strategies which shall be made known to clients and investors; and
 - a. commensurate with the risk profile of the investor.

SECTION IX: COLLECTIVE INVESTMENT SCHEME OPERATORS

60. Eligibility

Only a share company or a 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 Collective Investment Scheme Operator License.

61. Authorized 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 CIS Directives and/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 and/or the CIS Directives;
 - b. Manage private or discretionary funds except where it has been issued the applicable Services License by the Authority; or
 - c. Keep custody of collective investment scheme assets or funds.
- (3) Collective investment scheme assets shall be kept under the custody of an independent Custodian.
- (4) The Custodian shall open and operate a separate custody account in the joint name of the Custodian and the Collective Investment Scheme.

62. Appointed Representatives of a Collective Investment Scheme Operators

- (1) A Collective Investment Scheme Operator shall, in addition to the provisions of Article 14 (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 in order to effectively manage the collective investment scheme based on its characteristics,

63. 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 or similar communication complies with the requirements of this Directive and other related instruments issued by the Authority.
- (2) An advertisement, communication or statement made by a Collective Investment Scheme Operator to the public to invest in a particular scheme shall be accurate, true, fair, clear, complete, unambiguous and concise.
- (3) 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; or
 - 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, and complies with other conditions as may be specified by the Authority from time to time.
- (4) Any statement on the Collective Investment Scheme Operator's, where possible, shall be independently verified, and the source of such verification shall be disclosed to its clients.

64. Appointment of a Custodian

- (1) Every Collective Investment Scheme Operator shall appoint a 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 Custodian License by the Authority shall be eligible to be appointed as a Custodian for a collective investment scheme.
- (3) The appointed Custodian shall represent the investors of a particular collective investment scheme, and shall act at all times in the interest of and for the benefit of investors of the collective investment scheme.
- (4) A 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 Custodian.
- (6) Under no circumstances shall the position of a Custodian be vacant and a Collective Investment Scheme Operator shall have an effective succession plan to this effect.

65. Removal of a Custodian

- (1) A Collective Investment Scheme Operator may remove a Custodian, subject to the prior approval of the Authority and by notice in writing to the Custodian, where:
 - a. The Custodian goes into liquidation;
 - b. The Custodian ceases to carry out the activity of a Custodian;
 - c. The Collective Investment Scheme investors vote to remove the Custodian;
or
 - d. The 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 Custodian without the prior approval of the Authority.
- (3) The provisions of Article 82 shall apply for the replacement of a Custodian.

66. Rights of Collective Investment Scheme Investors

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

SECTION X: CROWDFUNDING INTERMEDIARIES

67. Eligibility

Only a share company or a 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 Crowdfunding Intermediary.

68. Additional Licensing Requirements

- (1) In addition to the requirements specified under Article 6 (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 legislation and/or Directives 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 and public interest;
 - 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.

69. Authorized Activities of a Crowdfunding Intermediary

- (1) A Crowdfunding Intermediary shall perform the following functions:
 - a. Facilitate the offer and sale of crowdfunded investments;
 - b. Operate and maintain a crowdfunding portal; 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, possessing or handling investor funds or investments.

70. 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 in a Fundraiser using its crowdfunding portal.

71. Use of the Crowdfunding Portal

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

72. 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.

73. Maintenance of Funds Raised Through the Crowdfunding Portal

- (1) Every Crowdfunding Intermediary shall appoint a 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 Custodian to transfer funds to the Fundraiser after all applicable requirements for the registration of the investments have been met.
- (3) The Crowdfunding reserves the right to appoint a new Custodian where any of the following conditions occur:
 - a. The Services License of the Custodian has been suspended or revoked by the Authority;
 - b. The Custodian is undergoing a criminal investigation;
 - c. There is a court injunction against the Custodian; and
 - d. The Custodian does not comply with any of the eligibility criteria issued by the Authority.
- (5) Under no circumstance shall a Crowdfunding Intermediary receive funds from Investors into its own account.

74. 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 monthly summaries of transactions effected through the funding portal which shall be referred to as Monthly Transaction Reports.

75. Suspension of a Crowdfunding Intermediary

- (1) A Crowdfunding Intermediary that is on suspension 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 Custodians on behalf of Fundraisers;
 - c. Schedule of repayment to the investors of Fundraisers; and
 - d. Such other information as the Authority may consider necessary in the interest of investors and the general public.

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- (2) The obligation under Sub-Article (1) of this Article shall be in addition to the provisions under Article 31(6) of this Directive.

76. 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 to investors before submitting an application 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 shall issue Directives regarding the treatment of the following:
 - a. Outstanding issuances on the crowdfunding portal;
 - b. Funds held with Custodians on behalf of Fundraisers; and
 - c. Other matters as the Authority may deem necessary in the protection of investors.

SECTION XI: CUSTODIANS

77. Eligibility

Only a share company or a 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 Custodian License.

78. Additional Licensing Requirements

In addition to the requirements specified under Article 6 (1) of this Directive and prior to the pre-certification inspection, an applicant for a Custodian License, shall provide a sample of a custodial agreement to be executed by its clients and shall comply with Article 84 of this Directive.

79. Authorized Activities of Custodians

A 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) Maintain records of the services rendered to the clients;
- (5) Transfer, exchange or deliver in the required form and manner securities held on behalf of clients upon receipt of proper instructions from the client, investment adviser or fund manager; and
- (6) Other activities as defined by the Authority from time to time.

80. Prohibition of Delegations

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

81. Termination of a Custodian Service Agreement

- (1) A custodian service agreement may be terminated in writing by either:
 - a. A client; or
 - b. A 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 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 Custodian, the service agreement entered into between the 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 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 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.

82. Related Functions

- (1) A 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 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 Custodian of securities shall be separate and segregated from all other activities; and
- b. Its officers and employees engaged in providing custodial services shall not be engaged in any other activity carried on by it.

83. Custodial Agreements with Clients

Every 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 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 Custodian;
- (6) Related fees and reporting obligations of the 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/or material to the custody contract.

84. Use of a Nominee Account

A Custodian who intends to use a nominee account shall comply with the requirements specified in Article 12 (3) of this Directive.

85. Discretion on Clients Accounts

- (1) No Custodian or Appointed Representative of a 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.

- (2) A 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 assets of one client with those of another client.

86. Relinquishment of a Custodian License

- (1) A Custodian seeking to relinquish its Custodian License shall, in addition to the provisions of Article 36 of this Directive:
 - a. 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 another licensed Custodian (hereinafter referred to as the "succeeding Custodian") including information about the succeeding Custodian;
 - b. Enter into an agreement with the succeeding Custodian. The agreement shall, among others, state the terms of succession, and the outstanding obligations and liabilities to be borne by the succeeding Custodian;
 - c. Notify its clients of its intention to relinquish its Services License. The notice of its exit, subject to the approval of the Self-Regulatory Organization, shall state that clients are required to transfer their accounts and other assets to a Custodian of their choice ("hereinafter referred to as "target Custodian") within a maximum period of fourteen (14) days after the end of the one (1) month notice given;
 - d. Appoint a succeeding Custodian to manage the client's accounts and assets where a client fails to indicate its preferred target 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 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 Custodian is not able to carry out its clients' mandate before it exits the market, the Custodian shall in writing state the procedures to be adopted in carrying out the clients' requests by the succeeding Custodian;
 - g. Transfer to the client's target Custodian or the succeeding Custodian, the schedule prepared by the 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 Custodian.

- (2) The 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 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.

SECTION XII: MARKET MAKERS

87. 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 Market Maker License:
 - a. Has been licensed to perform the function of a Securities Dealer or Securities Broker Dealer by the Authority;
 - b. Has been issued a trading license to function as a Securities Dealer or Securities Broker Dealer by a securities exchange or over-the-counter trading facility in Ethiopia; 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, maintains such additional capital as may be specified by the securities exchange or over-the-counter trading facility where the applicant is desirous of carrying out market making activities.

88. Licensing Requirements for Market Makers

- (1) An applicant for a Market Maker License shall not be subjected to the requirements specified under Articles 6, 7 and 8 of this Directive.
- (2) The application processing timeline specified in Article 10 (1) – (4) of this Directive shall not be applicable to the processing of an application for a Market Maker License.
- (3) An application for a Market Maker License shall be processed by the Authority within ten (10) business days of receipt of a complete application, including the submission of additional documents as may be requested by the Authority.

89. Authorized Activities of 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.

90. 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 and/or transactions.

91. 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 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.

92. Obligation to Contribute to the Compensation Fund

Market Makers shall not be required to contribute to the Compensation Fund other than the contribution required to be made pursuant to the Securities Dealer License and any other Services License issued to it by the Authority, or as may be required the Authority from time to time.

SECTION XIII: CREDIT RATING AGENCIES

93. Eligibility

- (1) Only a share company or a private limited company that has a valid certificate of commercial registration and/or investment permit issued by the relevant government organ that is empowered in that regard on the date of filing the application, 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 consider on a case-by-case basis granting 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.

94. Additional Licensing Requirements for Credit Rating Agencies

(1) Domestic Credit Rating Agency:

- a. An applicant under Article 94 (1) of this Directive shall, in addition to the requirements specified under Article 6 (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 under Article 94 (1) of this Directive is affiliated to 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.

(2) Foreign Credit Rating Agency:

- a. Except otherwise stated in this Directive, an applicant for a Services License under Article 94 (2) of this Directive, shall not be subjected to the requirements specified under Articles 6, 7 and 8 of this Directive;
- b. An applicant under Article 94 (2) of this Directive shall provide:
 - i. a copy of the 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).
- d. The application processing timeline specified in Article 10 (1) – (4) of this Directive shall not be applicable to the processing of an application from a Foreign Credit Rating Agency.
- e. An application from a Foreign Credit Rating Agency shall be processed by the Authority within ten (10) business days of receipt of a complete application, including the submission of additional documents as may be requested by the Authority.

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95. 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.

96. 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.

97. Credit Rating Services Contract

- (1) Every contract between a Credit Rating Agency and a client shall be written and shall include the following provisions amongst others:
 - a. The objective of the contract;
 - b. The duration of the agreement and termination conditions;
 - c. The rights and obligation of each party in relation to the rating; and
 - d. The fees to be charged for the credit rating service;
- (2) The Credit Rating Agency shall be responsible for any loss incurred by a client or third party due to its failure to perform its function in line with the Code of Conduct.

98. Advertisement Restrictions

- (1) No Credit Rating Agency shall engage in any activity that can be considered advertising either directly or indirectly.
- (2) A Credit Rating Agency shall not solicit for business unless specifically requested by a prospective client.

99. Disclosure and Monitoring of Ratings

Every Credit Rating Agency shall:

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- (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; and
- (4) Within five (5) business days from the date the rating changes, disclose information on changes in earlier ratings and newly assigned ratings.

SECTION XIV: PORTFOLIO MANAGERS

100. Eligibility

Only a share company or a 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 Portfolio Management License.

101. Additional Licensing Requirements

In addition to the requirements specified under Article 6 (1) of this Directive and prior to the pre-certification inspection, an applicant for a Portfolio Manager License that intends to provide automated investment advice through digital channels, shall provide evidence of compliance with Articles 52, 53 and 58 of this Directive.

102. Authorized Activities of Portfolio Managers

- (1) A Portfolio Manager shall perform the following functions:
 - a. Render discretionary, non-discretionary portfolio investment management and/or advisory services with regards to its clients' portfolios;
 - b. Provide tailor-made investment advisory services to align with clients' investment objectives;
 - c. Offer viable investment opportunities for its clients;
 - d. Act in a fiduciary capacity with regard to clients' funds; and
 - e. Other activities as defined by the Authority from time to time.

103. Portfolio Managers Providing Advisory Services through Digital Channels

- (1) A Portfolio Manager that intends to provide automated investment advisory services via digital channels shall be required to comply with the stipulated requirements for Robo Advisers as contained under this Directive, and any other Directives or instruments issued by the Authority from time to time.
- (2) Where a 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 Portfolio Manager shall be required to obtain the prior approval of the Authority before providing a service in this regard.

104. Appointed Representatives of Portfolio Managers

- (1) A Portfolio Manager shall, in addition to the provisions of Article 14 (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 Portfolio Manager which shall make adequate provisions to ensure that its research is independent and impartial in order to provide a reasonable and adequate basis for making investment decisions and taking investment actions.

105. Agreement with Clients

A 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, amongst others, in the applicable Investment Policy Statement:

- a. Investment objectives and services to be provided;
- b. Investment approach and restrictions;
- c. Permissible instruments and attendant risks involved in the management of the portfolio;
- d. Fees payable;
- e. Custody of securities;
- f. Complaints and dispute resolution mechanisms;
- g. Conditions for termination of portfolio management services (voluntary or involuntary);
- h. Provision of services not included in the contract;
- i. Forms, scope and periodicity of reports to the Client;
- j. Rights, liabilities, and obligations of all parties relating to the management of the portfolio; and
- k. Other terms of portfolio management that the Authority may stipulate from time to time.

106. Delegation of Portfolio Management Functions

- (1) A Portfolio Manager shall not assign or delegate its functions as a Portfolio Manager to any other person unless such person is a licensed 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 Portfolio Manager shall not delegate any of the following:
 - a. Soliciting investors to be clients of the Portfolio Manager;
 - b. Conducting KYC, including the risk profiling of clients;
 - c. Any interaction and communication with clients of the Portfolio Manager;
 - d. Investment advisory activities; and
 - e. Reporting to clients in respect of the clients' assets or portfolios under management.
- (3) Where a Portfolio Manager delegates any of its portfolio management functions, the following, as provided for in the Directives and other instruments issued by the Authority from time to time, shall at all times remain with the Portfolio Manager:
 - a. Responsibilities and obligations to the clients;
 - b. Compliance obligations;
 - c. Monitoring of the conduct and activities of the Portfolio Manager to whom the function is delegated.
- (4) A Portfolio Manager which 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 change.

107. Advertisement Restrictions

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

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- (2) An advertisement, communication or statement made by a 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, communication or statement can be made by a Portfolio Manager to the public; and such approval shall be assumed by the Portfolio Manager if the Authority does not send a notice of disapproval within 14 days of submission of the advertisement, communication or statement.
- (4) Under no circumstance shall an advertisement made by a 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 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 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.
- (5) Any statement on the Portfolio Manager's services shall be independently verified, and the source of such verification shall be disclosed to its clients.
- (6) Where no verification with respect to the provisions in Sub-Article (4) of this Article is obtained, such non-verification shall also be disclosed to clients.

108. Appointment of a Custodian

- (1) Every Portfolio Manager shall appoint a Custodian who shall be responsible for holding the portfolios managed by the Portfolio Manager.
- (2) Only entities registered and issued a Custodian License by the Authority shall be eligible to be appointed as a Custodian for a Portfolio Manager.

- (3) A Custodian shall be functionally independent of the Portfolio Manager and shall keep in safe custody clients' funds and assets under the management of the Portfolio Manager.
- (4) Every Portfolio Manager shall seek and obtain approval of the Authority before the appointment or replacement of a Custodian.
- (5) Under no circumstances shall the position of a Custodian be vacant and a Portfolio Manager shall have an effective succession plan to this effect.

109. Relinquishment of a Portfolio Manager License

- (1) A Portfolio Manager seeking to relinquish its Portfolio Manager License shall, in addition to the provisions of Article 36 of this Directive:
 - a. Furnish the Authority with records of all of its clients' accounts and portfolio under management, nominated Custodian, and details of arrangements made to transfer its clients' accounts to another licensed Portfolio Manager (hereinafter referred to as the "succeeding Portfolio Manager") including information about the succeeding Portfolio Manager;
 - b. Enter into an agreement with the succeeding Portfolio Manager. The agreement shall, among others, state the terms of succession, and the outstanding obligations and liabilities to be borne by the succeeding Portfolio Manager;
 - c. Notify its clients of its intention to relinquish its Services License. The notice of its exit, subject to the approval of the Self-Regulatory Organization, shall state that portfolio management clients are required to transfer their accounts and other portfolios to a Portfolio Manager of their choice ("hereinafter referred to as "target Portfolio Manager") within a maximum period of fourteen (14) days after the end of the one (1) month notice given;
 - d. Appoint a succeeding Portfolio Manager to manage the client's accounts and portfolio where a client fails to indicate its preferred target 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 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 Portfolio Manager is not able to carry out its clients' instructions before it exits the market, the Portfolio Manager shall in writing state

the procedures to be adopted in carrying out the clients' instructions by the succeeding Portfolio Manager;

- g. Transfer to the client's target Portfolio Manager or the succeeding Portfolio Manager, the schedule prepared by the 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 Portfolio Manager.
- (1) The succeeding 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.

SECTION XV: APPRAISAL FIRMS

110. 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 an Appraisal Firm License.

111. Additional Licensing Requirements

In addition to the requirements specified under Article 6 (1) of this Directive, prior to the pre-certification examination/inspection, an applicant for an Appraisal Firm License shall provide the following:

- (1) Policy(ies) 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 in the course of drafting the appraisal reports; and
 - c. activity principles and fundamentals, and workflow procedures.

112. Authorized Activities of Appraisal Firms

- (1.) An 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 consulting services in relation to associated rights, vacant land and developed project value analysis, and most efficient and best usage value analysis.
- (2.) Appraisal Firms shall not:
- a. Engage in the management of clients' funds or assets;
 - b. Engage in appraisal of assets:
 - i. other than the assets 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;
 - 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.
- (3.) Without prejudice to the provisions of Sub-Article (2) (d) of this Article, an Appraisal Firm may provide appraisal services under the terms of an outsourcing agreement, provided that annual revenues from appraisal services provided through outsourcing does not exceed twenty-five (25%) of the total revenues of the Appraisal Firm without the prior approval of the Authority.

113. Appointed Representatives of Appraisal Firms

- (1) An Appraisal Firm shall, in addition to the provisions of Article 14 (2) of this Directive, have an Appraisal Officer licensed by the Authority as an Appointed Representative.
- (2) The Appraisal Officer shall carry out their function in line with the written policies and procedures of the 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 their expertise;
 - c. Accept a position or role whatsoever in business organizations or their subsidiaries, which currently receive appraisal services from their Appraisal Firms

as their clients, until at least two (2) years have elapsed since their employment or appointment by the Appraisal Firm;

- (3) Under no circumstances shall the position of an Appraisal Officer be vacant, and an Appraisal Firm shall have an effective succession plan to this effect, including by employing an Assistant Appraisal Officer who can act as the Appraisal Officer, immediately the position becomes vacant.

114. Valuation Processes of Appraisal Firms

- (1) Every Appraisal Firm shall establish comprehensive, documented policies and procedures for its valuation process, in line with the provisions of **Schedule IV** of this Directive.
- (2) The policies and procedures referenced under Sub-Article (1) of this Article shall be reviewed periodically, and at minimum on an annual basis, by the Appraisal Firm to ensure their continued appropriateness and effective implementation.
- (3) In addition to the provisions of Sub-Article (2) of this Article, the valuation process of an Appraisal Firm shall be subjected to an independent review by a third party at least annually, which shall be arranged by the applicable client.

115. Appraisal Reports of Appraisal Firms

- (1) Every appraisal report issued by an 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 an 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 and/or applicable Self-Regulatory Organization.

116. Appraisal Agreements with Collective Investment Scheme Operators

- (1) Every Appraisal Firm shall enter into a written agreement with each client it provides appraisal services to.

- (2) The appraisal agreement shall be signed separately for each appraisal report by and between the firm and the client in order to set down the rights and obligations of the parties thereto.
- (3) Notwithstanding the provisions Sub-Article (2) of this Article, a single agreement may be signed for multiple appraisal reports, provided that the fee of each appraisal report is clearly and separately specified in the agreement.
- (4) Every appraisal agreement shall, at minimum, provide for the following matters:
 - a. A statement as to whether the appraisal report(s) to be prepared by the Appraisal Firm as a result of its appraisal services will be prepared in accordance with the provisions of Sub-Article (1) or (2) 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. Principles regarding working hours and designated individuals, and in case of appraisals to be conducted pursuant to the applicable capital markets legislation and Directives, the Appraisal Officer(s);
 - f. Duration of contract, and conditions of withdrawal from or termination of contract;
 - g. Principles regarding legal and financial responsibilities of the 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 appraisal firm;
 - i. Dispute resolution clause; and
 - j. Other matters relevant and/or material to the appraisal contract.
- (1) In consideration of the appraisal services received from the 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.
- (2) 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 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 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.

117. Conflicts of Interest Disclosures and Factors affecting the Independence of Appraisal Firms, their Directors, Appointed Representatives and Other Employees

- (1) Appraisal Firms, their Directors, Appointed Representatives and other employees shall make full and fair disclosure, and shall maintain independence as required under Schedule IV of this Directive.
- (2) The independence of an Appraisal Firm with respect to a client shall be deemed to have been compromised upon the occurrence of any one (1) of the following events:
 - a. With respect to the Appraisal Firm, its Directors, Senior Executive Officers and Appointed Representatives as well as their relatives, it is detected that:
 - i. an aggregate direct or indirect interest of five percent (5%) or more is held in the respective client;
 - 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;
 - iii. a commercial, partnership, employment or appointment relationship has been established within the last (2) financial years, also including the period of appraisal services, with the respective 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;
 - a. Failure of the client to pay the appraisal fees of previous years without a reasonable and just cause;
 - b. In the event that 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 Appraisal Firm by considering other services offered to the client;

- a. Where the 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.
- (3) For the purposes of Sub-Article (2) (a) of this Article, relatives shall include the following:
- a. Spouses and their blood relatives, relatives by adoption or relatives by marriage up to and including the third degree;
 - b. Blood relatives, relatives by adoption or relatives by marriage up to and including the third degree; and
 - c. Spouses of relatives up to the third degree.

118. Advertisement Restrictions

- (1) Without prejudice to obligations imposed by other relevant laws:
- a. No Appraisal Firm shall use an advertisement that contains any untrue statement of material fact or that is otherwise misleading.
 - b. Under no circumstance shall an advertisement made by an Appraisal Firm:
 - (1) Contain misleading or deceptive statements or statements exploiting the lack of knowledge or experience;
 - (2) Provide biased and false information;
 - (3) Make a comparison with respect to other 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;
 - (4) Offer promises or commitments as to the result of an appraisal; or
 - (5) Provide promises or commitments as to the provision of services beyond the scope of Article 115 of this Directive; or
 - (6) Be made without the prior approval of the Authority
- (2) Appraisal Firms may state that they are licensed by the Authority only for their asset appraisal activities conducted under the Proclamation, and this Directive.

SECTION XVI: APPOINTED REPRESENTATIVES

119. Eligibility

- (1) Only an individual that complies with the following conditions, and provides evidence of compliance where applicable, shall be eligible to apply for an Appointed Representative License:
 - a. Meets the applicable requirements specified in the Competency Framework for Capital Market Service Providers; and
 - b. Meets all other fit and proper requirements as specified under Article 15 of this Directive.
- (2) All applications for an Appointed Representative License shall be sponsored by a business organization, being a licensed Capital Market Service Provider or applicant for a Services License.
- (3) The Authority may, via Directives or other instrument, 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; and/or
 - g. Is involved in the operational decision-making activities.

120. 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 at minimum 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 as a result of the actions or inaction of the prospective Appointed Representative; and
 - g. Evidence of payment of the applicable licensing fees as stipulated under Schedule V of this Directive.
- (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);
 - 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.

121. 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 123 of this Directive, including the submission of additional documents as may be requested by the Authority, communicate a licensing

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- examination and interview date to the applicant where the Authority is responsible for the administration of such licensing examination and interview.
- (2) Where the administration of the applicable licensing examination and interview resides with another body specified by the Authority, the Authority shall within ten (10) business days, communicate a no-objection to the applicable body to administer a licensing examination and interview.
 - (3) The Authority or the body with which the administration of the applicable licensing examination and interview resides, shall have an annual calendar specifying fixed examination and interview 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 and interview, 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 and interview conducted by the specified body, issue a Services License or refuse to issue a Services License, as may be applicable.
 - (6) For an applicant sponsored by a prospective Capital Market Service Provider, the Authority shall upon administering a licensing examination and interview, or receiving the results of the licensing examination and interview conducted by the specified body, communicate:
 - a. A pre-certification inspection date to the prospective Capital Market Service Provider in line with the provisions of Article 10; or
 - b. the ineligibility of the individual to be an Appointed Representative, within five (5) business days.
 - (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.

122. 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 submitting an application for the renewal of its own Services License in line with Article 29 of this Directive.

123. 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; and/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 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 with an Appointed Representative whose Services License has been suspended or revoked.

124. 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 17 of this Directive, and the Appointed Representative shall be registered under the name of the new employer, subject to the approval of the Authority.
- (1) Notwithstanding, the provisions of Sub-Article (1) of this Article above, where an Appointed Representative changes employment or appointment from a Capital Market Service Provider to an employer or other entity outside the capital market for a period of two (2) years or more, the Appointed Representative shall be required to reapply to be licensed upon reentry into the capital market.

125. Conditions for Acting Roles

- (1) Upon the exit of an Appointed Representative, excluding Non-Executive Directors, Managing 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 17 of this Directive.

- (2) Upon the exit of a Managing Director/Chief Executive Officer/General Manager, a Capital Market Service Provider shall, alongside the notification required under Article 17 of this Directive, nominate a Senior Executive Officer as the Acting Managing Director/Chief Executive Officer. This nomination shall be subject to the approval of the Authority.
- (3) Upon the exit of the Chairperson, a Capital Market Service Provider shall, alongside the notification required under Article 17 of this Directive, nominate a Non-Executive as the Acting Chairperson. This nomination shall be subject to the approval of the Authority.
- (4) Every Capital Market Service Provider shall comply with the following timelines with respect to the maximum permissible period within which a vacant Appointed Representative position must be filled:
 - a. The position of the Chairperson and an Appointed Representative required under this Directive, respectively, shall be filled within six (6) months of the positions becoming vacant;
 - 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, subject to the compliance with the provisions of Sub-Article (4) (c) of this Article;
 - c. A request for an extension of the timeline shall be made to the Authority in writing, providing detailed justification for the request, including steps taken to fill the vacant 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 on a monthly basis.
- (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.

126. Continuing Professional Education (CPE)

- (1) **General Requirements**
 - a. All Appointed Representatives of a CMSP shall:

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- i. 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
 - ii. Ensure that the types of CPE programs undertaken:
 - 1. are relevant to the functions and roles of the Appointed Representatives; and
 - 2. contribute to the skill, knowledge, as well as professional and ethical standard of the Appointed Representatives
 - b. A Capital Market Service Provider shall establish and maintain policies and procedures on CPE that include:
 - i. How its Appointed Representatives will:
 - 1. maintain knowledge and skills that are appropriate for their functions;
 - 2. update their knowledge and skills;
 - 3. develop new knowledge and skills to assist with their current functions as well as responsibilities contemplated in the future; and
 - ii. Training plans for each CPE cycle to ensure that CPE:
 - 1. addresses any identified knowledge and skills gaps; and
 - 2. continually improves the professional standards and practices of the Appointed Representatives.
 - c. Appointed Representatives shall be required to complete a minimum of one (1) CPE program relevant to their role within a financial year.
- (2) **Delivery of the CPE**
- a. The CPE program shall be administered only through service providers or bodies accredited by the Authority.
 - b. Each service provider accredited by the Authority shall have in place a mechanism of recording CPE hours of participants in a verifiable manner.
- (3) **Audit of CPE**
- a. All accredited service 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, if need be.

- b. At the end of the CPE cycle, all Appointed Representatives who have successfully satisfied their CPE requirements shall be provided with documented evidence by their service providers to enable them demonstrate their compliance to both their sponsoring Capital Market Service Provider and the Authority.
 - c. 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.
- (4) **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 V of this Directive.

SECTION XVII: SCHEDULES

These Schedules constitute an integral part of the Directive, and every CMSP shall ensure full compliance with the applicable provisions therein.

SCHEDULE I: MINIMUM CAPITAL REQUIREMENTS FOR CAPITAL MARKET SERVICE PROVIDERS

PART I: OVERVIEW

1. Introduction

These Minimum Capital Requirements for Capital Market Service Providers (hereinafter referred to as “Minimum Capital Requirements”) has been issued by the Ethiopian Capital Market Authority (hereinafter referred to as the “ECMA” or “the Authority”) in the exercise of its powers under the Capital Market Proclamation No.1248/2021 (hereinafter referred to as “Proclamation”) and forms part of and is issued pursuant to the Directives for Licensing and Supervision of Capital Market Service Providers Licensing and Supervision Directives No.1/2022, as may be amended.

These Minimum Capital Requirements set out the specific minimum level of capital which each type of Capital Market Service Provider in Ethiopia (“hereinafter referred to as “CMSP”) is required to maintain both at the licensing stage and as they evolve and expand their businesses, to withstand adverse operational results.

They also specify the acceptable components of such minimum capital (hereinafter referred to as “qualifying capital”), that will help maintain stability and ensure that CMSPs are competitive both domestically and globally.

Finally, they set out the approach for computing the qualifying capital maintained by each CMSP.

2. Definitions

In this schedule, unless the context otherwise requires:

- (1) “Net-worth” means the total value that remains, after the total liabilities of an individual has been deducted from the total assets of such individual.
- (2) “Qualifying Capital” means the acceptable components of the minimum capital to help maintain stability and ensure that CMSPs are competitive both domestically and globally.
- (3) “Net Shareholders’ Fund” means the fund available to shareholders after total liabilities have been deducted from total assets.

3. Scope of Application

- (1) No CMSP shall operate in the Ethiopian Capital Market, except such a CMSP meets the minimum capital requirements as stipulated herein for its licensed function.
- (2) Further, the ECMA may require that a CMSP or categories of CMSPs should hold additional capital in excess of what is stipulated in this schedule. In making this decision, the ECMA shall, at the point the decision is to be taken, take into consideration the following:
 - a. The type of business(es) being conducted by the CMSP(s);
 - b. The level of interconnectedness of the CMSP(s) within:
 - i. the Ethiopian Capital Market;
 - ii. the global capital market;
 - iii. the Ethiopian financial industry;
 - iv. the global financial industry;
 - c. The historical financial and operational performance of the CMSP(s);
 - d. The level of risk exposure for the CMSP(s); and
 - e. The financial needs of the Ethiopian Capital Market.

PART II: MINIMUM CAPITAL

4. Minimum Paid-up Capital

- (1) The minimum paid-up capital required, for a share company and private limited company, to obtain a license to operate as a Capital Market Service Provider (CMSP) shall be fully paid in cash deposited in a licensed commercial bank in Ethiopia.
- (2) The minimum paid-up capital which a prospective CMSP is expected to have to obtain a Services License, shall be the equivalent of the Net-Shareholders' funds existing CMSPs are required to maintain as provided for under Article 9.
- (3) The minimum paid-up capital provided under sub-Articles 1 and 2 of this Article shall appear in the Memorandum and Articles of Association, as applicable, and/or registered in the Commercial Registration Certificate according to the relevant law.

5. Partners 'Capital

- (1) The minimum total partners' capital required, for a Partnership, to obtain a license to operate as a CMSP shall be fully paid in cash deposited in a licensed commercial bank in Ethiopia.
- (2) The minimum total partners' capital which a prospective CMSP is expected to have to obtain a Services License, shall be the equivalent of the partners' funds existing CMSPs are required to maintain as provided for under Article 11.
- (3) The minimum partners' capital provided under sub-Articles 1 and 2 of this Article shall appear in the Memorandum of Association and registered in the Commercial Registration Certificate according to the relevant law.

6. Capital for Individuals

- (1) The minimum capital required for an individual, excluding Appointed Representatives, to obtain a license to operate as a CMSP shall be fully paid in cash deposited in a licensed commercial bank in Ethiopia.
- (2) The minimum capital which a prospective CMSP is expected to have to obtain a Services License, shall be the equivalent of the net-worth existing CMSPs are required to maintain as provided for under Article 9.
- (3) The minimum capital provided under sub-Articles 1 and 2 of this Article shall appear in the Commercial Registration Certificate according to the relevant law.

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

- (1) The paid-up capital of a CMSP being a share company or Private Limited Companies may be increased in line with relevant provisions of the Commercial Code.
- (2) The paid-up capital of all other CMSPs 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 10.

8. Qualifying Capital

- (1) The following shall be recognized in computing the paid-up capital of an existing CMSP:
 - a. Cash deposited in a licensed commercial bank in Ethiopia;
 - b. Treasury bills;
 - c. Securities, at market value, quoted on a recognized securities exchange or over-the-counter trading facility;
 - d. Unquoted Collective Investment Schemes at market value;
 - e. Bonds (including Federal, Regional and State, Supranational, and Corporate Bonds (not below investment grade);
 - f. Unencumbered property at net book value; and
 - g. Other unencumbered non-current tangible assets at net book value.
- (2) A CMSP or prospective CMSP may be required by the ECMA to provide evidence of existence and ownership at any point in time, either 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 CMSPs shall at a minimum maintain the liquidity requirements as specified under **Part III** of this schedule.

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

- (1) Every CMSP 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 CMSP 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 CMSP shall be as stated in **Table 1** below:

Table 1: Shareholders' Fund Requirement:

S/No.	Service License	Net-Shareholders' Fund/Partners' Fund/ Net-Worth
1	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	Custodian	Birr 100,000,000
6	Digital Sub-Broker	Birr 1,000,000
7	Portfolio Manager	Birr 15,000,000
8	Investment Adviser (Corporate)	Birr 500,000
9	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	Market Maker	Shall be specified by the securities exchange with the approval of the Authority.
13	Robo Adviser	Birr 500,000
14	Securities Broker Dealer	Birr 10,000,000
15	Securities Broker	Birr 6,000,000
16	Securities Dealer	Birr 4,000,000

S/No.	Service License	Net-Shareholders' Fund/Partners' Fund/ Net-Worth
17	Sharia Adviser (Corporate)	Birr 500,000
18	Sharia Adviser (Individual)	Birr 100,000

10. Components of Net- Shareholders' 'Funds

The components of Net-Shareholders 'Funds shall include:

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

11.Components of Partners' 'Funds

The components of Partners 'Funds shall include:

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

PART III: LIQUIDITY

12. Asset Mix Ratio

- (1) Every CMSP 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 current assets of a CMSP 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 CMSPs:
 - a. Investment Advisers;
 - b. Robo Advisers;
 - c. Sharia Advisers; and
 - d. Appointed Representatives.
- (4) The Authority may request for evidence of existence and ownership of assets when necessary, to substantiate the claims of a CMSP.
- (5) Where a CMSP is suspended from carrying out a regulated activity, as defined in the Proclamation, as a result of non-compliance with the prescribe asset-mix ratio, the CMSP shall be subject to verification for compliance before such a suspension is lifted by the Authority.

PART IV: SANCTIONS

14. Sanctions for Non-Compliance with the Minimum Capital Requirements

- (1) Where a CMSP fails to comply with any of the minimum capital requirements specified in this schedule, the Authority may impose either or a combination of the following:
 - a. Suspend the Services License of the CMSP
 - b. Revoke the Service License of the CMSP
 - c. Any other measures that it considers fit.

SCHEDULE II: GUIDELINES ON CORPORATE GOVERNANCE FOR CAPITAL MARKET SERVICE PROVIDERS

PART I: OVERVIEW

1. Introduction

These Guidelines on Corporate Governance for Capital Market Service Providers (hereinafter referred to as “Corporate Governance Guidelines”) has been issued by the Ethiopian Capital Market Authority (hereinafter referred to as the “ECMA” or “the Authority”) in the exercise of its powers under the Capital Market Proclamation No.1248/2021 (hereinafter referred to as “Proclamation”) and forms part of the Capital Market Service Providers Licensing and Supervision Directives No.1/2022, as may be amended.

Corporate Governance defines minimum standards of best corporate practices and behaviors expected by Capital Market Service Providers (hereinafter referred to as “CMSP”) and their Appointed Representatives to ensure the highest standards of leadership, transparency, and accountability without stifling innovation.

Additionally, Corporate Governance requires the Board of Directors, Senior Executive Management and/or Appointed Representatives of Business Organizations to, at all times, observe high standards of professionalism and integrity in managing the affairs of their organizations and relationship with their stakeholders to enhance the integrity of the business, business environment and build public confidence in the Ethiopian Capital Market.

2. Definitions

In these guidelines, unless the context otherwise requires:

- (1.) “Appointed Representative” means a person licensed by the Authority to conduct regulated activities and/or act as an agent for a Capital Market Service Provider.
- (2.) “Authority” or “ECMA” means the Ethiopian Capital Market Authority established under the Capital Market Proclamation No.1248/2021.
- (3.) “Board” means Board of Directors of a CMSP.
- (4.) “Business Organization” shall have the meaning provided for under Article 172. of the Commercial Code of Ethiopia Proclamation No. 1243/2021.
- (5.) “Capital Market Service Provider” shall have the meaning provided for under the Proclamation.

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- (6.) Private Limited Company” shall have the meaning provided for under Article 495. of the Commercial Code of Ethiopia Proclamation No. 1243/2021.
- (7.) “Senior Executive Officer” means any officer of a Capital Market Service Provider, without regard to his/her title or designation, who is the deputy to the Chief Executive Officer or is 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 CMSP in writing as an individual who exercises significant influence over, or participates in, major policymaking decisions, whether or not hired as an employee.
- (8.) “Services License” means a license issued by the Authority.
- (9.) “Share Company” shall have the meaning provided for under Article 245. of the Commercial Code of Ethiopia Proclamation No. 1243/2021.

3. Scope of Application

- (1.) These Corporate Governance Guidelines:
 - a. Shall be applicable to the Business Organizations seeking to hold a Capital Market Services License in Ethiopia.
 - b. Shall not in any way relieve a Business Organization seeking to hold a Capital Market Services License from complying with the provisions of the Commercial Code of Ethiopia.
- (2.) CMSPs 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 CMSP is established and operating its business.
- (3.) Where there is a conflict between these guidelines and the provisions of any other corporate governance code in relation to a CMSP, the CMSP shall defer to and comply with the stricter corporate governance code.

4. General Principles

- (1.) No Capital Market Service Provider, its Board of Directors, Appointed Representatives and employees shall carry out capital market related activities that are contrary to the activities as authorized by the Authority.

- (2.) CMSPs and their Appointed Representatives are required to ensure compliance with these guidelines at all times.

PART II: GOVERNANCE STRUCTURE AND OVERSIGHT

5. Board of Directors

(1.) Responsibilities of the Board

The Board is responsible for -

- a. Defining the strategic objectives and goals of the company to ensure that its human and financial resources are effectively deployed towards attaining those goals.
- b. Ensuring that members of the Board as well as the Board committees act in the best interest of the company at all times.
- c. 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.
- d. Ensuring the establishment of acceptable standards of behavior by persons with significant influence, the CMSP's Appointed Representatives and employees.
- e. Ensuring compliance with the requirements of this Corporate Governance Guidelines.
- f. Ensuring compliance of persons with significant influence, its Appointed Representatives and employees of the CMSP with the Competency Framework for Capital Market Service Providers as well as the Code of Conduct for Capital Market Service Providers, their employees and persons with significant influence.
- g. Establishing guidelines and policies for identifying, assessing, and monitoring the risk arising from the activities of its company which is not limited to operational risk, strategic risk, legal risk, reputational risk, environmental risk, cybersecurity risk, and social risk. The Board is to 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.
- h. Ensuring the establishment and implementation of an effective succession plan, appointment process, training mechanism, remuneration structure, and

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replacement procedures for both the Board members and Senior Executive Officers of the Company.

- i. 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.
- j. 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.
- k. Undertaking a formal and objective annual evaluation to determine the effectiveness of the Board, its committees and each individual director. The Board evaluations can be carried out through self-assessment, peer review, facilitated by the company secretary or an external facilitated independent Board evaluation, with oversight of the entire process and methodology by the Nominating and Election Committee.

(2.) Board Structure, Size and Composition:

The Board shall:

- a. 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;
- b. Assume responsibility for carrying out duties imposed on the CMSP by law or regulation, the company's memorandum and articles of association, and resolutions of general meetings of shareholders;
- c. Constitute of a mix of Directors possessing core competencies including corporate finance, accounting, auditing, legal, investment management, ICT or Digital security, and Business administration;
- d. Be independent of Management to enable it to carry out its supervisory function in an objective and effective manner;
- e. Encourage diversity in its membership for better decision-making and effective governance;
- f. Ensure the existence of Non-Executive Directors in its composition;
- g. Ensure the Compliance Officer has a means to directly report to the Board; and
- h. Separate the position of the Chairperson and the Managing Director/Chief Executive Officer to promote accountability, facilitate the division of responsibilities between the roles and ensure that no one individual can influence the Board's discussions and decision-making.

(3.) Appointment to the Board and Removal

- a. The appointment and removal of Directors by a CMSP should be in line with the provisions of the Commercial Code of Ethiopia and Directives for Licensing and Supervision of Capital Market Service Providers.
- b. The CMSP 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.
- c. The Board is responsible for ensuring that proposed Directors meet the fit and proper criteria before consideration for directorship positions.

6. Managing Director/Chief Executive Officer in name or Function

(1.) Responsibilities of the Managing Director/Chief Executive Officer

The Managing Director (MD)/Chief Executive Officer (CEO) in name or Function:

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

(2.) Appointment of the Managing Director/Chief Executive Officer

- a. The appointment of the MD/CEO by a CMSP should be in line with the provisions of the Directives for Licensing and Supervision of Capital Market Service Providers.
- b. The CMSP should have a clearly defined procedure which serves as a guide for the appointment of qualified personnel to the position of the CEO.

7. Board Committees

- (1.) The Board shall determine the extent to which its duties and responsibilities shall be undertaken through the Board committees. Such 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 in order to avoid the committees' operating beyond their scope of authority or exceeding the Board's powers.
- (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 comprises of 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 (i) Nomination and Election Committee, (ii) Risk Management and Compliance Committee, and (iii) such other committee(s) as the Board may deem appropriate depending on the size, needs or industry or regulatory requirements of the company.

8.1 Nomination and Election Committee

- (1.) The Nomination and Election Committee shall be established at the ordinary general meeting of shareholders of the CMSPs. The Nomination and Election Committee shall be comprised of Non-Executive and Independent Directors.
- (2.) Among other things, the Nomination and Election Committee shall have the duty to:

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- a. Establish a formal and transparent 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 ECMA's Directives;
- 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 are in compliance with the Authority's defined process 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.
 - iv. Over fifty percent (50%) of the voters fail to accept nominees presented by 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.

8.2 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 amongst others:
 - 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.

8.3 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 comprise of 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 CMSP's financial reporting and internal control system and ensure checks and balances within the CMSP. It shall amongst others:
 - a. Ensure fair 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 to the rule and policies of the company and proclamations, directives and regulations of the Authority and other relevant laws.

8. Meetings

- (1.) The Board should meet at least once every quarter to effectively perform its oversight function and monitor management's performance.

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

9. Qualifications and Training

- (1.) The CMSPs shall meet the Competency Framework for Capital Market Service Providers, the Directives for Licensing and Supervision of Capital Market Service Providers and other amendments to be issued by the Authority.
- (2.) The CMSP shall establish a formal induction programme for new Directors, Senior Executive Management and/or Appointed Representatives of the Company to familiarise them with the Company's, strategic plan, operations, business environment, and their fiduciary responsibilities.
- (3.) The Directors, Senior Executive Management and/or Appointed Representatives are required to participate in periodic, relevant, continuing education programmes 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.

PART III: TRANSPARENCY

10. Sustainability

Effective leadership and oversight require the integration of sustainability considerations in corporate strategy, governance and decision-making to create durable and sustainable value and maintain the confidence of CMSPs' stakeholders. The CMSP should as a responsible corporate citizen in contributing to economic development, pay adequate attention to sustainability issues including environment, social, occupational and community health and safety as these ensures successful long term business performance.

11. Whistle Blowing Procedures

- (1.) CMSPs should have whistle-blowing policies that are known to employees, stakeholders, and the general public. It is the responsibility of the Board or the

Managing Director to implement such a policy and to establish a whistle-blowing mechanism for reporting any illegal or substantial unethical behavior.

- (2.) CMSPs should encourage their employees to report genuine concerns in relation to breaches of a legal obligation (including negligence, criminal activity, breach of contract and breach of law), miscarriage of justice, danger to health and safety, the environment and the workplace, as well as breaches to applicable market regulation.
- (3.) CMSPs are to ensure that their whistleblowing policies set out avenues where legitimate concerns can be objectively investigated and addressed. Individuals should be able to raise concerns about illegal, unethical or questionable practices in confidence and without the risk of reprisal.
- (4.) The whistle-blowing mechanism should be accorded priority and the Board or the Managing Director should also reaffirm continually, its support for and commitment to the company's whistle-blower protection mechanism.

12. Disclosures

- (1.) In order to foster good corporate governance, CMSPs should provide fair and meaningful disclosure on the company's corporate governance practices and application of such Corporate Governance Guidelines.
- (2.) The Board or the Managing Director should view corporate governance disclosures and reporting as avenues to demonstrate to stakeholders their holistic and effective corporate governance arrangements.
- (3.) The Board should disclose how its Board evaluation assessment was carried out, its outcome, actions taken and how it has or will influence the Board composition. This disclosure will guide interested parties in forming an opinion on the overall effectiveness of the Board and individual Directors.

SCHEDULE III: COMPETENCY FRAMEWORK FOR CAPITAL MARKET SERVICE PROVIDERS

PART I: OVERVIEW

4. Introduction

This Competency Framework for Capital Market Service Providers (hereinafter referred to as “Competency Framework”) has been issued by the Ethiopian Capital Market Authority (hereinafter referred to as the “ECMA” or “the Authority”) in the exercise of its powers under the Capital Market Proclamation No.1248/2021 (hereinafter referred to as “Proclamation”) and forms part of the Capital Market Service Providers Licensing and Supervision Directives No.1/2022, as may be amended.

The Competency Framework highlights the minimum skills and experience required for certain persons with significant influence and other employees occupying certain technical positions within a Capital Market Service Provider (hereinafter referred to as “CMSP”). It also serves as a guide for other professionals intending to occupy positions in a CSMP.

5. Definitions

In this Competency Framework, unless the context otherwise requires:

- (1.) “Appointed Representative” shall have the meaning provided for under the Proclamation.
- (2.) “Continuing Professional Education” means the continuous learning activities a professional engages in to develop and enhance his/her abilities/skills and knowledge in a particular field.
- (3.) “Control Function” means any business unit that is involved in driving, monitoring, detecting, and assessing the Capital Market Service Provider’s operational and business Units’ compliance with relevant regulation and required standards.
- (4.) “Corporate Function” means any business unit that is involved in the general running of the Capital Market Service Provider, separate from the Control and Client Functions.
- (5.) “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.
- (6.) “Senior Executive Officer” means any officer of a Capital Market Service Provider, without regard to his/her title or designation, who is the deputy to the Managing Director/Chief Executive Officer/General Manager or is 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 CMSP in writing as an individual who exercises significant influence over, or participates in, major policymaking decisions, whether or not hired as an employee.

- (7.) “Significant Influence” means the power to participate directly or indirectly in 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.

6. Scope of Application

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

PART II: GENERAL PROVISIONS

4. 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 trainings and completion of Continuing Professional Education programs.

5. 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 CMSP.
- (2.) Details of each function are provided in **Table 1** below, while the specific competency requirements are provided in **Table 2** under **Part III** of this Competency Framework.

Table 1: Capital Market Service Provider Functions

S/No	Function	Roles/Position or Functions
1.	Significant Influence Functions	Chairperson
		Non-Executive Directors
		Managing Director/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
	Client Functions	Trader

S/No	Function	Roles/Position or Functions
4.		Investment Manager
		Rating Analyst
		Research Officer
		Appraisal Officer/Assistant Appraisal Officer
		Sharia Officer

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PART III: COMPETENCY REQUIREMENTS

Table 2: 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.	Chairperson	To ensure effective operations of the Board towards achieving the strategic objectives of the Capital Market Service Provider (CSMP)	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 regulations • 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	<ul style="list-style-type: none"> • A first degree or its equivalent in any 	Seven (7) years post-graduation	<ul style="list-style-type: none"> • Ability to make meaningful 	<ul style="list-style-type: none"> • Conflict 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
		<p>day-to-day management of the organization but is involved in policymaking 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 an Independent NED, provide an independent view on the running of the CMSP's business and governance and boardroom structure; • Oversee and scrutinize the executive management's development and implementation of the CMSP's corporate strategy; • Satisfy themselves that the financial statements 	<p>discipline from a recognized higher learning institution.</p>	<p>experience, with a minimum of two (2) years at a Management level.</p>	<p>contributions to board deliberations.</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 CMSP; and • Basic understanding of the relevant laws, Directives and other regulations guiding the capital market. 	<ul style="list-style-type: none"> • Leadership skills; • Inter-personal 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>of the CMSP are 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.	Managing Director/Chief Executive Officer/General Manager	<ul style="list-style-type: none"> • Provide leadership to the achievement of the overall strategic direction of the CMSP. • Develop strategies to enable the CMSP achieve its corporate objectives. • Responsible for managing the CMSP'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 the Corporate Governance practice. • Knowledge of operational, statutory and regulatory issues as well as global best practices. 	<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 CMSP's organizational structure, strategy, and communication with the board. 			<ul style="list-style-type: none"> • Knowledge of the business operations of the CMSP. 	
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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DIRECTIVE FOR LICENSING AND SUPERVISION OF CAPITAL MARKET SERVICE PROVIDERS

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 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); 	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; <p>Integrity and strong ethics.</p>

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S/No.	Role	Role Description	Minimum Qualification and Required Certification	Minimum Years of Experience	Technical/Role-Specific Skills	Soft Skills
			<ul style="list-style-type: none"> ○ Chartered Financial Analyst (CFA); or Master's degree. 			
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>	<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"> ○ Licensing and registration as a certified public accountant by the pertinent government 	<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 	<ul style="list-style-type: none"> • Knowledge of the workings of the Capital Market; • Good understanding of the business operations of the CMSP; and • Good understanding of the relevant laws, Directives and other regulations; • Risk Management (including operational and regulatory); • Basic knowledge of financial analysis; 	<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
			<ul style="list-style-type: none"> organ in Ethiopia; or; o CAMS certification from the Association of Certified Anti-Money Laundering Specialists (ACAMS); or o Certified Fraud Examiner from the Association of Certified Fraud Examiners (ACFE). 	financial services industry.	Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT)	
7.	Compliance Officer (CO)	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	<ul style="list-style-type: none"> o A first degree or its equivalent in Management, Accounting, Finance or Law, from a recognized 	<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 CMSP; and 	<ul style="list-style-type: none"> • Strong verbal and written communication skills; • Good coordination and organizational skills; • Critical analysis 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>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 adherence, to minimize potential loss from non-compliance.</p>	higher learning institution.		<ul style="list-style-type: none"> • Basic understanding of the relevant laws, Directives and other regulations; • Basic knowledge of risk management (including operational and regulatory); • Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT). 	<ul style="list-style-type: none"> • Interpersonal skills; • Team management and leadership skills.
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. 	<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 	<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 	<ul style="list-style-type: none"> • Excellent quantitative, analytical, and critical thinking skills; • Problem solving skills; • Strong verbal and written communications skills; • Resilience; • Adaptability;

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S/No.	Role	Role Description	Minimum Qualification and Required Certification	Minimum Years of Experience	Technical/Role-Specific Skills	Soft Skills
			<ul style="list-style-type: none"> Recognized Professional certification in risk management or other related recognized professional certification such as Chartered Financial Analyst (CFA), Association of Chartered Certified Accountants (ACCA), etc. 	senior management level. <ul style="list-style-type: none"> 	capital market industry and the impact of risks on business operation and sustainability. <ul style="list-style-type: none"> Understanding and Knowledge of digital and IT risks. Deep understanding of widely used frameworks for risk management such as the International Organization for Standardization (ISO) 31000 framework. 	<ul style="list-style-type: none"> Team management skills.
9.	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. 	<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. 	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 	<ul style="list-style-type: none"> Problem solving Strong attention to detail Strong verbal and written communication skills Report writing and presentation 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
		<ul style="list-style-type: none"> • Develop and write research reports and publications to be presented to management and key stakeholders. • Conduct continuous research on the Capital market and daily monitoring of market activities. 	For Investment Advisers/Robo Advisers and Portfolio Managers, their Research Officers must possess a 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.		<ul style="list-style-type: none"> • Market research and analysis • Reporting skills 	<ul style="list-style-type: none"> • Research and analytical skills.
10.	Investment Manager	<ul style="list-style-type: none"> • The Investment Manager manages the investments or assets of clients using different strategies to generate returns. 	<ul style="list-style-type: none"> • A first degree or its equivalent in accounting, economics, finance or related fields, from a recognized 	<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. 	<ul style="list-style-type: none"> • Excellent communication and presentation skills. • 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>higher learning institution.</p> <ul style="list-style-type: none"> • Professional certification in accounting or finance is recommended but not compulsory e.g. <ul style="list-style-type: none"> ○ Chartered Financial Analysts (CFA) ○ Association of Chartered Certified Accountants (ACCA) etc. • For Collective Investment Scheme Operators, their Investment Managers and at least one (1) other Appointed 		<ul style="list-style-type: none"> • Good understanding of portfolio and investment risk management • Market research and analysis skills • Financial modelling • Regulatory compliance Strategic planning 	<ul style="list-style-type: none"> • 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
			Representative must possess a professional certification relevant to the collective scheme that they manage.			
11.	Chief Digital Officer/Chief Technology Officer/ Information Technology Manager	The IT Manager shall manage a team of technologists based on robust processes and communicate effectively at senior management levels to explain technical issues. Other key roles include, but not limited to: <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 	<ul style="list-style-type: none"> A first degree or its equivalent in any discipline, from a recognized institution of higher learning. Relevant IT Certification(s). Strong technical track record in supporting and implementing technology infrastructures and/or applications. 	<ul style="list-style-type: none"> Minimum of 4 years' relevant technical experience 	<ul style="list-style-type: none"> Hands-on current and deep expertise in technical disciplines (e.g., networks, OS, software development, hardware, technology quality assurance, telecoms) Technical programme and project management Strong knowledge of information security principles and application Technology architecture 	<ul style="list-style-type: none"> Strong verbal and written communication skills. 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
		<p>its execution, working in close collaboration with both internal and external stakeholders.</p> <ul style="list-style-type: none"> • Ensure the CMSP operates a high availability, robust and permanent technology infrastructure and services, visible to both internal and external stakeholders. • 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</p>			<p>experience within financial services industry</p> <ul style="list-style-type: none"> • Stakeholder Management • Lead transformational technology initiatives • Data quality management and support • Provide support services to users • 	

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S/No.	Role	Role Description	Minimum Qualification and Required Certification	Minimum Years of Experience	Technical/Role-Specific Skills	Soft Skills
		will be essential to achieve delivery objectives.				
12.	Trader	<ul style="list-style-type: none"> The Trader is responsible for executing clients' instructions/mandates, and/or executing transactions for its sponsoring CMSP'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 license issued by the applicable securities exchange or over-the-counter market. 	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 regulations. <p>Sound knowledge of trading strategies, associated risks and risk management.</p>	<ul style="list-style-type: none"> Good interpersonal skills Excellent research and analytical skills.
13.	Rating Analyst	Assess and evaluate debtors/borrowers' credit (past) financial and credit history to determine their	<ul style="list-style-type: none"> A first degree or its equivalent, preferably in accounting, finance, economics, and 	Minimum of 3 years of strong quantitative experience, preferably in the financial	<ul style="list-style-type: none"> Strong ability to conduct due diligence and credit analysis Financial analysis and ability to evaluate 	<ul style="list-style-type: none"> Decision making skills Strong attention to detail and ability to notice discrepancies in data

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S/No.	Role	Role Description	Minimum Qualification and Required Certification	Minimum Years of Experience	Technical/Role-Specific Skills	Soft Skills
		financial health and their ability to repay credit	<p>actuarial sciences fields, from a recognized higher learning institution.</p> <ul style="list-style-type: none"> • A Master's (MBA) degree. <p>While not compulsory, a professional certification in finance/accounting should be considered advantageous.</p>	services industry.	<p>audited annual report, financial statements, management accounts, and market data</p> <ul style="list-style-type: none"> • Ability to undertake rigorous credit risk analysis encompassing industry / business research and financial analysis of various large corporates • Good knowledge of financial services industry. • Proficiency in financial valuation and modelling 	<ul style="list-style-type: none"> • 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
14.	Appraisal Officer	The Appraisal Officer is responsible for carrying out appraisal and valuation activities in line with the documented policies and	<ul style="list-style-type: none"> • A first degree or its equivalent, preferably in accounting, finance, economics, actuarial sciences 	<ul style="list-style-type: none"> • Minimum of three (3) years of strong quantitative experience, preferably in the financial 	<ul style="list-style-type: none"> • Strong ability to conduct due diligence and related asset valuations. • Financial analysis and ability to evaluate audited annual report, 	<ul style="list-style-type: none"> • Strong numeracy skills • Decision making skills • Strong attention to detail and ability to notice discrepancies in data

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S/No.	Role	Role Description	Minimum Qualification and Required Certification	Minimum Years of Experience	Technical/Role-Specific Skills	Soft Skills
		procedures of their employer (i.e., an Appraisal Firm)	<p>fields, and Estate Management (for real estate appraisal activities), from a recognized higher learning institution.</p> <ul style="list-style-type: none"> • While not compulsory, the following should be considered advantageous: <ul style="list-style-type: none"> ○ membership of a relevant and recognized global or domestic appraisal institute should be considered advantageous; or • for real estate activities, relevant 	<p>services industry.</p> <ul style="list-style-type: none"> • 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 field. 	<p>financial statements, management accounts, and market data.</p> <ul style="list-style-type: none"> • Good knowledge of real estate, green investment and other specialised product, as may be applicable. • Strong ability to conduct and review evaluations on real estate and/or other applicable client's assets in line with applicable legislations; and • Strong ability to prepare and interpret an client's asset appraisal report. 	<ul style="list-style-type: none"> • 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 and time management skills • Good leadership skills • Basic customer-service 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
			certification in real estate valuation.			
15.	Assistant Appraisal Officer	The Assistant 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 report, financial statements, management accounts, and market data. • Basic knowledge of real estate, green investment and other specialised product, as may be applicable; • Basic ability to conduct and review evaluations on real estate and/or other applicable client's assets in line with applicable legislations; and • Basic ability to prepare and interpret a client's asset appraisal report. 	<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

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S/No.	Role	Role Description	Minimum Qualification and Required Certification	Minimum Years of Experience	Technical/Role-Specific Skills	Soft Skills
						<ul style="list-style-type: none"> • Good organizational and time management skills • Basic customer-service skills •
16.	Sharia Officer	The Sharia Officer is responsible for providing Sharia advice in accordance with Sharia principles.	<ul style="list-style-type: none"> • A first degree or its equivalent, preferably in, Sharia; Law, with a focus on Sharia; 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 sharia principles and its application in Islamic finance. • Strong understanding of Sharia-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 <p>Basic customer-service skills</p>

SCHEDULE IV: CODE OF CONDUCT FOR CAPITAL MARKET SERVICE PROVIDERS, THEIR EMPLOYEES AND PERSONS WITH SIGNIFICANT INFLUENCE

PART I: OVERVIEW

1. Introduction

This Code of Conduct for Capital Market Service Providers, their Employees and Persons with Significant Influence (hereinafter referred to as “Code of Conduct”) has been issued by the Ethiopian Capital Market Authority (hereinafter referred to as the “ECMA” or “the Authority”) in the exercise of its powers under the Capital Market Proclamation No.1248/2021 (hereinafter referred to as “Proclamation”) and forms part of the Capital Market Service Providers Licensing and Supervision Directives No.1/2022, as may be amended.

This Code of Conduct prescribes acceptable standards of behavior by persons with significant influence, Appointed Representatives and other Employees to foster good business relationship and a good corporate culture within the Ethiopian Capital Market.

This Code of Conduct requires that Capital Market Service Providers (hereinafter referred to as “CMSP”), their Employees and persons with significant influence shall at all times observe high standards of professionalism, integrity, and fairness in dealing with existing clients, prospective clients, employers, employees, professional colleagues, and others so as to enhance the public’s confidence in the Ethiopian Capital Market, when carrying on a capital market related activity.

2. Definitions

In this Code of Conduct, unless the context otherwise requires:

- (1) “Appointed Representatives” means a person licensed by the Authority to conduct regulated activities and/or act as an agent for a Capital Market Services Provider.
- (2) “Authority” or “ECMA” means the Ethiopian Capital Market Authority established under the Capital Market Proclamation No.1248/2021.
- (3) “Capital market” means a market where securities such as shares or equities, bonds, derivatives, or other related securities are issued, bought and sold.

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- (4) “Credit rating action” means to determine an initial credit rating, an upgrade of an existing credit rating, a downgrade of an existing credit rating (including to a default category), an affirmation (or confirmation) of an existing credit rating, or a withdrawal of a credit rating.
- (5) “Continuing professional education” means the continuous learning activities professionals engage in to develop and enhance their abilities/skills and knowledge in a particular field.
- (6) “Due Diligence” means a comprehensive investigation, audit, or review performed to confirm the facts or details of a matter under consideration.
- (7) “Employee” shall mean an individual who has been authorized to perform one or more regulated activity on behalf of the Capital Market Service Provider pursuant to directives issued by a Regulatory Authority.
- (8) “False Information” or “Misleading Information” shall have the meaning provided for under Article 100 of the Proclamation.
- (9) “Market Manipulation” shall have the meaning provided for under Article 96 of the Proclamation.
- (10) “Person” means any natural or juridical person.
- (11) “Regulatory Authority” means an independent body or institution established by a legislative act or in line with a legislative act, other than the ECMA; and is responsible for issuing Directives and/or setting standards in a specific field of activity, or operations, and enforce those standards.
- (12) “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 is the deputy to the Managing Director/Chief Executive Officer/General Manager or is 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 CMSP or the Authority in writing as an individual who exercises significant influence over, or participates in, major policymaking decisions.
- (13) “Significant Influence” means the power to participate in and/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.
- (14) “Trading instrument” means security, money market instrument, derivative, or other similar product.

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3. Scope of Application

- (1) This Code of Conduct applies to all CMSPs, their Employees who carry on or provide any capital market related activity and persons with significant influence in a CMSP.
- (2) A CMSP, 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 promotes open and effective communication with clients and regulators at all times.
- (3) As the above are the minimum standards of conduct expected of a CMSP, its employees and persons with significant influence, compliance with these standards shall not be excluded or modified by a CMSP through any provision, clause or term contained in any agreement, contract or document provided to clients.

PART II: GENERAL CODE OF CONDUCT

4. Overall Business Conduct

(1) Code of Conduct for Corporate Capital Market Service Providers

In its conduct as a CMSP, the Service Provider shall:

- a. Comply with all relevant laws governing the capital market;
- b. Comply with the Authority's Code of Conduct, and any other applicable code, regulations, and/or instruments governing standards of conduct;
- c. 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;
- d. Ensure that its Appointed Representatives and other employees conduct themselves in a manner consistent with this Code;
- e. Ensure that it provides Appointed Representatives and other employees with information, training, and supervision to enable them do their work competently, and comply with applicable laws and directives in the performance of their duties;
- f. 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;
- g. Ensure that it appoints a Compliance Officer responsible for ensuring that business is conducted in a manner that is compliant with applicable laws and regulations;
- h. Ensure that its Appointed Representatives are appropriately licensed by and approved by the Authority for appointment and/or employment to carry on any capital market related activities;
- i. Ensure that portfolio information provided to clients by an Appointed Representative and/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;
- j. 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;

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- k. Ensure that it has appropriate procedures and systems in place to carry out its capital market related service(s);
- l. Maintain records in accessible format for an appropriate period of time, or as specified in applicable Directives;
- m. 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
- n. Ensure that access to confidential records is restricted and appropriate permission requirements set.

(1) Code of Conduct for Individual Capital Market Service Providers

The Individual CMSP shall:

- a. Comply with all relevant laws governing the capital market;
- b. Conduct themselves in a manner consistent and comply with the Authority's Code of Conduct, and any other applicable code, regulations, and/or instruments governing standards of conduct;
- c. 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;
- d. 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;
- e. Ensure that they have appropriate procedures and systems in place to carry out their capital market related activity;
- f. Maintain accurate records in accessible format for an appropriate period of time, or as specified in applicable Directives; and
- g. Ensure that access to confidential records of clients is restricted and appropriate permission requirements set.

(3) Code of Conduct for Appointed Representatives and Other Employees of Capital Market Service Providers and Persons with Significant Influence in Capital Market Service Providers

An Appointed Representative or employee of a CMSP 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:

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- a. Comply with all relevant laws governing the capital market;
- b. Be honest and avoid any conduct that will bring its profession into disrepute;
- c. Be unbiased in the services they provide to all clients;
- d. 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 CMSP and colleagues;
- e. Comply with the requirements, regulations and standards of their profession notwithstanding pressure from clients, employers, sponsoring CMSP, peers, employees or others to compromise those requirements, regulations and standards; and
- f. Communicate and cooperate with relevant authorities to identify and address wrongdoing and incompetence in their respective professions.

5. Standards of Professional Conduct

CMSPs, their Appointed Representatives, Directors and Employees are required to comply with the following standards of professional conduct:

- (1) **Professional Competence:** Appointed Representatives, Directors and Employees must act with due skill, care and diligence in carrying out their functions. They have an ongoing duty to maintain their professional knowledge and skill at a level that ensures that their clients receive competent and quality professional service. They 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) **Independence and Objectivity:** Appointed Representatives, Directors and Employees must be independent and objective in their professional dealings and exercise reasonable care and judgment to maintain it. Appointed Representatives, Directors and Employees must not offer, solicit, or accept any gift, benefit, compensation, inducement or consideration that may reasonably be seen to compromise their independence or objectivity.
- (3) **Honesty and Fairness:** 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 regulation. Appointed

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Representatives, Directors and Employees must inform the Authority in the event that they become aware of any such misrepresentations or omissions of fact by, or on behalf of, their clients (whether existing, former, or prospective).

- (4) **Refraining from Misconduct:** 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.

6. Duties to Clients

A CMSP, its Appointed Representatives and other employees must, among others:

- (1) Prudence and Care: act with reasonable care when dealing with all clients;
- (2) Fair Dealing: deal fairly and objectively with all clients when furnishing advice or engaging with them in any other professional capacity;
- (3) Communication: 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) Risk Disclosure: ensure that clients are sufficiently informed of the risks associated with the product or service that is being recommended;
- (5) Due Diligence: have regard for the particular circumstances of each client, such as investment objectives, when advising on a product or service and to offer products or services that are fit for such client's purpose;
- (6) Fees Disclosure: disclose to clients all fees and charges payable by the client and the basis for such fees and charges including any charges that may be payable in the future and which amount is not known at the time of the transaction;
- (7) Dispute: 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. Complete records of all complaints received and the outcome of the review of such complaints are kept; and

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- c. An internal process/procedure for dealing with complaints and disputes is established by the CMSP.

- (8) Safeguard Asset: 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) Confidentiality: 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. The existing, former or prospective client consents to the disclosure of the information.

7. 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 CMSP's office such as the changes in the directorship, shareholding structure, principal officers of the CMSP within the appropriate timelines etc.; and

- (4) Ensure that the CMSP at least annually, disclose all legal or disciplinary actions taken against it or its Appointed Representatives and/or Employees, in line with relevant disclosure requirements of the Regulatory Authorities.

8. Disclosure to the Capital Market Service Provider

Appointed Representatives, Directors and Employees shall ensure that they:

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

9. Duties to Regulatory Authorities

- (1) **Insider Information:** Appointed Representatives, Directors and Employees in possession of material, price-sensitive, non-public information shall not trade on or disclose such information to third parties unless a legal obligation of disclosure exists. Appointed Representatives, Directors and Employees 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 CMSP is maintained and disclosed to the CMSP.
- (2) **Market Manipulation:** 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.

10. Conflict of Interest

- (1) A CMSP and its Employees, as the case may be, must use their best endeavors to identify and avoid any actual or potential conflict of interest.
- (2) A conflict of interest may arise as between:
 - a. The CMSP and its clients;
 - b. The CMSP's employees and its clients;
 - c. The CMSP and its shareholder(s);
 - d. The CMSP and its Director(s);
 - e. Employees of the CMSPs; or
 - f. A client and another client.

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- (3) A CMSP 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, in line with the CMSPs set procedures for resolving conflict with stakeholders.
- (4) A CMSP 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.
- (5) Where a conflict of interest cannot be avoided, the CMSP must have adequate arrangements in place to effectively manage or mitigate the conflict of interest including:
 - a. **Disclosure of Conflict:** CMSPs 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, CMSPs and their Employees must ensure that such disclosure is presented prominently, and worded in plain language such that effectively communicates the relevant information.
 - c. **Independence of Disclosure:** CMSPs and their Employees must take all reasonable steps to ensure fair treatment of clients before proceeding with the transaction.
 - d. **Obligations During Disclosure:** No disclosure shall remove or eliminate the obligation on CMSPs, 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.

11. Use of Name

A CMSP shall not permit others to use its name to conduct capital market related activities or any other business.

12. Compliance with the Code of Conduct

- (1) A CMSP'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 CMSP and its Employees.

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- (2) The controls, policies and procedures established must be appropriate to and commensurate with the nature, scale and complexity of the business of a CMSP.
- (3) The controls, policies and procedures must be reviewed, and its implementation be monitored, on a regular basis to ensure they remain relevant and effective.
- (4) A CMSP's board of directors and Appointed Representatives must ensure that the employees of the CMSP observe the controls, policies and procedures that are duly established.
- (5) A CMSP must ensure that its Appointed Representatives, Directors and Employees are aware of their obligations under these Guidelines.

PART III: CODE OF CONDUCT SPECIFIC TO A CAPITAL MARKET SERVICE PROVIDER

13. Securities Brokers and Dealers

A Securities Broker and Securities Dealer shall:

- (1) Document the key policies and procedures put in place to implement their operational framework and establish appropriate processes, systems and internal controls to ensure compliance with their operational framework;
- (2) Ensure that clients' orders are promptly executed and in line with stipulated best execution standards, deal with their clients and their own account orders fairly, 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) Not neglect or fail or refuse to pay required returns;
- (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) Not execute an order outside the agreements reached with the client;
- (10) Operate securities dealing 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 preference to itself or to any of the clients;
- (15) Give priority to satisfying orders for client transactions, where applicable;

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- (16) Deal on securities registered or quoted on a recognized securities exchange or over-the-counter trading facility only. Dealings on securities outside a licensed securities exchange or over-the-counter trading facility shall be reported to the Authority and in such manner as may be prescribed by the Authority;
- (17) Shall not under any circumstance utilize a client's funds other than in strict 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.

14. Investment Banks

Investment Banks shall:

- (1) Exercise sound judgment and maintain a professional relationship with the client at all times;
- (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 includes but is not limited to inducing any client to enter into any transaction, communicating such information to any client or third party and engaging 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;

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- (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) Ensure that key terms of a transaction are disclosed 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 for institutional clients, comply with the code of conduct for Securities Brokers.

15. Investment Advisers and Robo Advisers

Investment Advisers and 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 to be received directly or indirectly by the Investment Adviser or 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 Investment Adviser or Robo Adviser.

16. Sharia Advisers

Sharia Advisers shall:

- (1) Act honestly and uphold the principles of Sharia; and

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- (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 Sharia Adviser is an employee of such entity.

17. 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 Trustee, licensed by the Authority as an Appointed Representative, 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 trust deed 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) Appoint and entrust with an independent custodian all Collective Investment Scheme assets or funds for safe-keeping;
- (7) In accordance with the Directives, advertise and market the scheme when and if necessary in a manner that is not fraudulent, misleading, or deceptive;
- (8) Avoid investing scheme's funds in securities or assets of related parties to the CIS and their affiliates except as otherwise permitted by the Authority;
- (9) Deal fairly, objectively, and impartially with all parties including fund managers, custodians, fund contributors, unit trust holders, beneficiaries, lenders and investors; and
- (10) Ensure that the scheme's publications and marketing material shall not contain any misleading or false statements regarding the Scheme or a participatory interest in the Scheme.

18. Custodians

Custodians shall:

- (1) Maintain the highest standard of integrity, fairness and professionalism in the discharge of its duties;

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- (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 custodial services to the satisfaction of clients;
- (5) Document and maintain robust operating procedures and systems; which shall be backed by operations manuals;
- (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) Co-operate 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 Custodian to any other person who is not a registered 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 to 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 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.

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19. 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 portal, are fit and proper as stipulated by Authority (in the Directives);
- (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 including directing the person in breach to take any necessary remedial measure; and
- (6) Use, at all times, sufficient and appropriate human, financial and technical resources that are necessary for the proper management of the crowdfunding platform.

20. Market Makers

Market Makers shall:

- (1) Only carry out its market making activities for its proprietary accounts and not for clients or its related corporations;
- (2) Carry out permitted short selling as prescribed by the Authority;
- (3) Avoid any act or practice likely to lead to a false or misleading appearance of active trading in any securities on a recognized securities exchange;
- (4) Operate within the established transaction spread specified by the supervising Self-Regulatory Organization (SRO);
- (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 the confidential nature of information and avoid unnecessary dissemination of information.

21. Credit Rating Agency

A Credit Rating Agency shall:

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- (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 class of entity or obligation;
- (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;
- (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 entity or obligation;
- (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;

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- (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 reviewing the past work of an Appointed Representative and/or Employee who participated in the credit rating process and leaves its agency to join an entity the Appointed Representative or the Employee participated in rating or an investment Bank with which the Appointed Representative and/or Employee had significant dealings as part of his or her duties at the agency;
- (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.
- (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; and
- (18) Differentiate credit ratings of structured finance products from other credit ratings of other type of entities, preferably through different rating identifier.

22. Portfolio Managers

A 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;

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- (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, for a reasonable period of time and 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 reasonable 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) Not employ individuals with demonstrable compromised integrity;
- (13) Not implicitly or explicitly give any assurance or guarantee of a particular product;
- (14) Separate, operationally and legally, its 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 its 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 its 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

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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.

23. Appraisal Firms

An Appraisal Firm shall:

- (1) Establish comprehensive, documented policies and procedures that provide for the following:
 - a. Governance of the valuation of assets held or employed by a client; and
 - b. 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;
- (5) Maintains appropriate systems, and controls, as well as a sufficient complement of personnel with an appropriate level of knowledge, experience and training commensurate with the client's valuation needs;
- (6) Have in place appropriate policies prohibiting and preventing:
 - a. a shareholder from being, simultaneously, a shareholder in another Appraisal Firm or Capital Market Service Provider which is not within the group structure of the Appraisal Firm;
 - b. a Director or employee from being simultaneously in the appointment or employment of another Appraisal Firm or Capital Market Service Provider which is not within the group structure of the Appraisal Firm;
- (7) Not act or behave in such manner incompatible with their profession and professional dignity;

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- (8) 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;
- (9) Conduct adequate examination and reviews to arrive at valuations, and in this regard maintain a verifiable, auditable and easily accessible trail of work papers and other relevant documentation which:
 - a. explain in detail the contents of an issued appraisal report;
 - b. provides sufficient information with respect to conclusion arrived at in an issued appraisal report; and
- (10) Maintain and abide by the utmost principles of integrity, honesty, independence, neutrality, reliability, professional care and diligence.

SCHEDULE V: PENALTIES, FINES AND OTHER ENFORCEMENT ACTIONS

1. General Offences:

S/No.	Activities	Administrative Measures
A.	<p>Unauthorized Activities</p> <p>These include, but are not limited to the following;</p> <p>i. Engaging in off-market securities exchange/transactions (changing ownership of securities outside approved Securities Exchange or over-the-counter trading facility);</p> <p>ii. Dealing on/in unregistered securities;</p> <p>iii. Maintenance or management of investors' funds where not authorized or permitted to do so;</p> <p>iv. Engaging in prohibited practices and/or carrying out activities on a clients' account without obtaining the clients' authorization;</p> <p>v. Engaging in an activity not expressly stated an authorized activity; and</p> <p>vi. Dealing in or marketing guaranteed investment products.</p>	<p>Individual/Appointed Representative/ Other Employee:</p> <ul style="list-style-type: none"> ● 150,000 to Birr 300,000 <p>Capital Market Service Provider:</p> <ul style="list-style-type: none"> ● Fine of Birr 1,000,000 birr to Birr 2,000,000 <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
<p>B.</p>	<p>Arbitration/Enforcement Instructions</p> <p>These include, but are not limited to the following;</p> <p>i. Failure to honor arbitration and or enforcement instructions to reflect full intent of cooperation;</p> <p>ii. Failure to fulfill enforcement instructions pursuant to resolving a dispute in whole or in part and in good-faith; and</p> <p>iii. Failure to honor arbitration and or enforcement instructions in a timely manner.</p>	<p>Failure to honor Instructions</p> <ul style="list-style-type: none"> ● Birr 500,000 to Birr 1,000,000 ● In cases of continuous failure, a daily multiple of Birr 10,000 into the fine amount is applied. <p>Failure to honor instructions in a timely manner</p> <ul style="list-style-type: none"> ● Birr 500,000 to Birr 1,000,000 <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.

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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><i>Penalties for First-Time Offenders</i></p> <ul style="list-style-type: none"> ● Individual/Appointed Representative - Birr 200,000 to Birr 250,000 ● Capital Market Service Provider - Birr 1,000,000 to Birr 1,200,000 <p><i>Penalties for Second-Time Offenders</i></p> <ul style="list-style-type: none"> ● Individual/Appointed Representative - Birr 250,000 to Birr 300,000 ● Capital Market Service Provider - Birr 1,200,000 to Birr 1,500,000 <p>Penalties for Serial offenders (more than twice)</p> <ul style="list-style-type: none"> ● Individual/Appointed Representative - Fine for second time offender plus Birr 50,000 and in multiple of breach occurrence. ● Capital Market Service Provider - Fine for second time offender plus Birr 500,000 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; or

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S/No.	Activities	Administrative Measures
		<ul style="list-style-type: none">● Payment of administrative charges.

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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 1,000,000; 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 Birr 1,000,000; ● 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.

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S/No.	Activities	Administrative Measures
E.	<p>Appointed Representatives, Employees and Office Supervision</p> <p>These include but not limited to the following;</p> <p>i. Failure to notify the Authority prior to changing office locations;</p> <p>ii. Failure to register/obtain approvals for the firm's branch offices;</p> <p>iii. Using an impostor, or representatives possessing forged professional qualifications;</p> <p>iv. Failure to comply with requirements on mandatory continuing professional education;</p> <p>v. Failure to comply with requirements on dealing with unapproved and/or unlicensed representatives, or disqualified or blacklisted persons;</p> <p>vi. Failure to discharge supervisory obligations; and</p> <p>vii. Weak supervisory written procedures and failure in supervisory obligations.</p>	<p>Penalties for First-Time Offenders</p> <ul style="list-style-type: none"> ● Individual/Appointed Representative - Birr 100,000 to Birr 120,000 ● Capital Market Service Provider - Birr 500,000 to Birr 1,000,000 <p>Penalties for Second-Time Offenders</p> <ul style="list-style-type: none"> ● Individual/Appointed Representative - Birr 120,000 to Birr 150,000 ● Capital Market Service Provider - Birr 1,000,000 to Birr 1500,000 <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 days for repeated violations; and/or ● Revocation of Services License where no corrective actions and unwillingness to comply with applicable instructions and/or enforcement actions.

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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><i>Penalties for First-Time Offenders</i></p> <ul style="list-style-type: none"> ● Individual/Appointed Representative - Birr 200,000 to Birr 250,000 ● Capital Market Service Provider - Birr 1,000,000 to Birr 1,200,000 <p><i>Penalties for Second-Time Offenders</i></p> <ul style="list-style-type: none"> ● Individual/Appointed Representative - Birr 250,000 to Birr 300,000 ● Capital Market Service Provider - Birr 1,200,000 to Birr 1500,000 <p><i>Penalties for Serial Offenders</i></p> <ul style="list-style-type: none"> ● Individual/Appointed Representative - Birr 300,000 to Birr 350,000 ● Capital Market Service Provider 1,500,000 to Birr 2,000,000 <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; ● Public or private warning; ● Removal of Directors; ● Removal of Senior Executive Officers; and/or ● Blacklisting of employees.

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S/No.	Activities	Administrative Measures
G.	<p>Annual Renewal of Services License</p> <p>i. Failure to apply for the renewal of a Services License within the stipulated 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"> ● Birr 500,000 to Birr 1,000,000 ● 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. Offences 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>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>Individual/Appointed Representative/ Other Employee:</p> <ul style="list-style-type: none"> ● 150,000 to Birr 300,000 <p>Capital Market Service Provider:</p> <ul style="list-style-type: none"> ● Fine of Birr 1,000,000 birr to Birr 2,000,000 <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;

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S/No.	Activities	Administrative Measures
	<ul style="list-style-type: none"> 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; c. Compensating any finder or introducer for providing the Crowdfunding Intermediary with information about potential investors; d. Soliciting investments or making recommendations; e. Facilitating secondary trades between buyers and sellers for investment instruments issued pursuant to this Directive; 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 g. Holding, possessing or handling investor funds or investments. 	<ul style="list-style-type: none"> ● Public or private warning; and/or ● Revocation of the Services License.
<p>B.</p>	<p>Business Conducts (Financial & Operations)</p> <p>These include, but not limited, to the following;</p> <ul style="list-style-type: none"> i. <u>Market Maker</u>: <ul style="list-style-type: none"> a. Failure to operate within the established transaction spread specified by the supervising Self-Regulatory Organization (SRO). ii. <u>Credit Rating Agencies</u>: <ul style="list-style-type: none"> a. Failure to carry out a rating action based on the potential effect (economic, political, or otherwise) of the action on the 	<p><i>Penalties for First-Time Offenders</i></p> <ul style="list-style-type: none"> ● Individual/Appointed Representative - Birr 200,000 to Birr 250,000 ● Capital Market Service Provider - Birr 1,000,000 to Birr 1,200,000 <p><i>Penalties for Second-Time Offenders</i></p> <ul style="list-style-type: none"> ● Individual/Appointed Representative - Birr 250,000 to Birr 300,000 ● Capital Market Service Provider - Birr 1,200,000 to Birr 1,500,000

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S/No.	Activities	Administrative Measures
	<p>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>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>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>Penalties for Serial offenders (more than twice)</p> <ul style="list-style-type: none"> ● Individual/Appointed Representative - Fine for second time offender plus Birr 50,000 and in multiple of breach occurrence. ● Capital Market Service Provider - Fine for second time offender plus Birr 500,000 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.