DRAFT- FOR REVIEW

Proclamation No [.....]/2020

Capital Markets Establishment Proclamation

Federal Democratic Republic of Ethiopia

WHEREAS, it has become necessary to establish capital markets to support the development of the national economy through mobilising capital, promoting financial innovation, and sharing investment risks;

WHEREAS, it is necessary to adopt a legal framework for the regulation and supervision of capital markets to ensure the fairness, integrity, and efficiency of these markets and protect investors;

WHEREAS, it is necessary to develop uniform requirements for the regulation of issuers who desire to raise capital from public investors;

WHEREAS, effective monitoring and surveillance of capital markets is necessary to detect, mitigate, and prevent systemic risk to the country's financial system;

NOW, THEREFORE, in accordance with Article 55(1) of the Constitution of the Federal Democratic Republic of Ethiopia, it is hereby proclaimed as follows:

Table of Contents

PART I: GENERAL 6

1. Short Title 6
2. Definitions 6

PART II: CAPITAL MARKET AUTHORITY 13

3. Establishment of the Capital Markets Authority 13
4. Head Office 14
5. Objectives of the Authority 14
6. Functions, Powers and Duties of the Authority 14
7. Organisational Structure of the Authority 17
8. Composition and Appointment of Board of Directors 17
9. Powers and Duties of the Board 18
10. Meetings Procedures of the Board 18
11. Appointment, Powers, and Duties of Director General 19
12. Powers and Duties of the Deputy Director General 20
13. Protection from Legal Prosecution 20
14. Delegation of Power and Functions 20
15. Furnishing of Information to the Authority 21
16. Funds of the Authority 22
17. Accounts of the Authority 22
18. External Audit of the Authority's Accounts 22
19. Financial Year of the Authority 22

Part III: RECOGNITION OF A SELF-REGULATORY ORGANIZATION 23

20. Application for Recognition 23
21. Conditions for Delegation of Power and Functions to a Self-Regulatory Organization 23
22. Rules of a Self-Regulatory Organization 24
23. Restrictions on Decision 24
24. Disciplinary Action 25
25. Appointment and Change of Senior Personnel 25
26. Removal of a Senior Personnel 26
27. Annual Report 26

PART IV: SECURITIES EXCHANGE 26

28. Unlawful Securities Exchange 26
29. Establishment of the Ethiopian Securities Exchange 27
30. Other Securities Exchanges and Trading Platforms 27

31. Administrative Measures against a Securities Exchange and Trading Platforms 27
32. Management of a Securities Exchange 28
33. Rules of a Securities Exchange 29
34. Responsibilities of a Securities Exchange 29
35. Information Sharing, Reporting, and Assistance to the Authority 31
36. Amendment to Rules of a Securities Exchange 31
PART V: SECURITIES DEPOSITORY AND CLEARING COMPANY 32
37. Definition 32
38. Licensing 32
39. Obligations of Security Depository and Clearing Company 32
40. Rules and Regulations 33
41. Securities registration 33
42. Custody and Recordkeeping 33
43. Clearing and Settlement 34
44. Finality of Securities Transfer 35
45. Winding Up or Placement in a Scheme of Arrangement of a Participant 35
46. Arrangements and Rules Binding Liquidators 35
47. Collateral for Securities Transfer and Settlement Obligation 35
48. Prohibition in Dealings in Book-Entry Securities 35
49. Reporting on Counterparties 36
50. Business Continuity and Disaster Recovery 36
51. Revocation of Security Depository and Clearing Company Licence 36
52. Priority Procedures 37
PART VI: LICENCING OF CAPITAL MARKET SERVICE PROVIDERS 37
53. Regulated Capital Markets Activities and Services 37
54. Fit and Proper Persons 38
55. Applications for Licence 39
56. Refusal, Revocation and Suspension of Licences 39
57. Rights of Applicant 40
58. Review of Accounts 40
59. Appointment of Auditors 41
PART VII: CAPITAL MARKETS TRIBUNAL 41
60. Establishment of the Capital Markets Tribunal 41
61. The Jurisdiction of the Tribunal 41
62. Appointment of Members of the Tribunal 41

63. Disqualification of Members of the Tribunal 42
64. Administration of the Tribunal 42
65. Budget of the Tribunal 42
66. Annual Report of the Tribunal 42
67. Filing of an Appeal 43
68. Proceedings of the Tribunal 43
69. Decision of the Tribunal 43
70. Appeal to the Federal High Court 44
PART VIII: PUBLIC OFFERING AND TRADING OF SECURITIES 44
71. Registration of Securities 44
72. Prospectus for Securities Issued by Companies 45
73. Ongoing Disclosure Obligations 45
74. Offer of Asset-Backed Securities 46
PART IX: DISCLOSURE OF INTERESTS 46
75. Definition 46
76. Submitted Information 47
77. Notification of Changes 47
78. Register of Disclosure 47
PART X: ACQUISITION, TAKEOVER AND PROTECTION OF MINORITY INTERESTS 48
79. Description 48
80. Acquisition Offer 48
Part XI: COLLECTIVE INVESTMENT SCHEMES 49
81. Description 49
82. Registration of Collective Investment Schemes 50
83. Collective Investment Scheme Operator 50
84. Investment advisor of a Collective Investment Scheme 51
85. Restrictions on Collective Investment Schemes 52
PART XII: INSIDER TRADING AND IMPROPER TRADING PRACTICES 52
86. Information Made Public 52
87. Inside Information 53
88. Insiders 53
89. Insider Trading 53
90. Market Manipulation 53
91. False Trading 54
92. Fraudulent Transactions 54

93. Use of manipulative device 55
94. False or misleading statements inducing securities transactions 55
95. Front–running and other trading Practices 55
96. Restrictions on Selling of Securities 55
PART XIII: COMPENSATION FUND 55
97. Establishment of a Compensation Fund 56
98. Directives of the Fund 56
99. Sources of the Fund 57
100. Disbursements from the Fund 57
101. Management of the Fund 57
102. Assets and Liability of the Fund 57
Part XIV: MISCLLANEOUS 57
103. Offences and Penalties 57
104. Administrative Measures 60
105. Power to Issue Directive 60
106. Licence Renewal 60
107. Administration of Employees 61
108. Inapplicable Laws 61
109. Effective Date 61

PART I: GENERAL

1. Short Title

This Proclamation may be cited as "Capital Markets Establishment Proclamation No. […] /2020."

2. Definitions

In this Proclamation, unless the context otherwise requires:

1) **"Advertisement"** includes every form of advertising, whether:

   a) in a publication, by the display of notices or by means of circulars, or other documents;
   b) by the exhibition of photographs, cinematograph films or videos;
   c) by way of sound broadcast, television, or by the distribution of recordings; or
   d) in any other manner.

2) "**Asset-Backed Securities (ABS)"** means –
   a) securities that are primarily serviced by the cash flows of a discrete pool of receivables or other financial assets, either fixed or revolving, that by their terms convert into cash within a finite period of time, plus any rights or other assets designed to assure the servicing or timely distributions of proceeds to the security holders; or
   b) any securities including promissory notes but do not include shares or entitlements under a collective investment scheme; or
   c) any rights or interests, debentures or certificates evidencing the legal, equitable or beneficial interest or entitlement of its holder to a share of the assets of a special purpose vehicle or to entitlement to payment from such assets where payments or distributions of capital, income, principal or interest to investors accrue principally from the assets of the special purpose vehicle as a consequence of the establishment or operation of a securitization transaction; or
   d) any other right, interest, instrument of security or class of securities prescribed to be asset-backed securities;

3) "**Banks"**mean companies licenced by the National Bank of Ethiopia to undertake banking business and banks owned by the Government.

4) "**Broker**" means a person which conducts the business of purchase and sale of securities for the account of others in consideration of a commission.

5) "**Capital Market**" means a market where securities such as shares or equities, bonds, and derivatives are bought and sold.

6) **"Capital Market Participants"** means capital market services providers, issuers of capital market products, exchanges, central clearing counterparty, central securities depository

7) "**Capital Markets Products**" means any securities, units in a collective investment scheme, derivatives contracts, spot foreign exchange contracts for the purposes of leveraged foreign exchange trading, and such other products as the Authority may prescribe as capital markets products.

8) **"Capital Markets Services Licence**" means a licence that is granted by the Authority to a person to carry out a business in any regulated activity.

9) **"Capital Markets Services Provider"** means any person engaged in regulated capital markets activities and services under this Proclamation.

10) **"Central Clearing Counterparty"** refers to the act of;

a) providing post-trade clearing and settlement services for transactions in securities; and
b) taking on counterparty credit risks between parties to such a transaction.

11) "**Central Securities Depository**" refers to a system;

a) for central handling of securities;
   i. where securities are immobilised or dematerialised and held in custody by, or registered in the name of the company or its nominee company for depositors and dealings in respect of these securities are effected by means of entries in securities accounts without the physical delivery of certificates; or
   ii. which permits or facilitates the registration, clearing and settlement of securities transactions or dealings in securities without the physical delivery of certificates; and

b) that provides other facilities and services incidental thereto.

12) **"Collective Investment Scheme"** means any arrangement where:

a) it is made for the purpose, or having the effect, of providing facilities for persons to participate in or receive profits or income arising from the acquisition, holding, management or disposal of securities, or any other property or sums paid out of such profits or income;
b) investors who participate in the arrangements do not have day-to-day control over the management of the scheme's assets; and
c) the scheme's assets are managed by an entity who is responsible for the management of the scheme's assets and client accounts. It is approved or licensed under the provisions of this Proclamation to conduct fund management activities.

13) **"Collective Investment Scheme Operator"** means a legal entity that has overall responsibility for management and performance of the functions of a collective investment scheme.

14) **"Company"** means a share company as defined in the Commercial Code of Ethiopia.

15) **"Compensation Fund"** means the investor "Compensation Fund" established by this Proclamation.

16) "**Credit Rating Service**" means an opinion regarding the credit worthiness of an entity, a security or an issuer of securities using an established and defined rating systems or rating categories.

17) **"Custodian"** means a financial institution that holds customers' securities for safe-keeping or convenience as per the provisions of this proclamation.

18) **"Days"** means calendar days excluding Saturdays, Sundays and public holidays in Ethiopia.

19) **"Dealer"** means any person who engages either for all or part of his time, directly or indirectly, as agent, broker, or principal, in the business of offering, buying, selling, or otherwise dealing or trading in securities issued by another person.

20) **"Dealing in Securities"** means dealing in securities for own account or for the account of others by sale or purchase, or by submitting an offer of sale or purchase or acquisition regarding the same, or issuance, or public offer, or subscription, or waiver of the right to subscribe, or marketing, or promoting, or undertaking to cover the subscription, or custody, or listing, or depositing, or settling, or financing the dealing of, or lending, or short sale, or pledge or waiver of securities or any other transaction that the Authority considers as "dealing in securities".

21) "**Debt Security**" means any instrument creating or acknowledging indebtedness issued or proposed to be issued by a company including a debenture, debenture stock, loan stock, bond or note.

22) **"Dematerialisation"** means the issuance and recording of securities in electronic format.

23) **"Dematerialised Security"** means a security whereby the prima facie evidence of legal title to the security is established by an electronic book entry.

24) **"Derivatives"** or **"Derivatives Contract"** means financial instruments which derive their value from the value of the relevant assets such as shares, bonds, commodities, and currencies, and which can be purchased or sold or traded in a similar method as the trading of shares or of any other financial assets.

25) **"Derivatives Exchange"** means a securities exchange which has been granted a license to list exchange-traded derivative contracts by the Authority under this Proclamation or approved for such purposes and in accordance with the regulations or directives issued thereunder.

26) **"External Auditor"** means a public auditor licenced by the pertinent government organ to provide audit service.

27) **"False Statement"** includes a statement that is misleading in the form and context in which it is made. It also includes an omission from a prospectus or written statement of any matter that, in the context, is calculated to mislead investors or market participants.

28) **"Financial Instruments"** are assets that consist of monetary contracts between parties. They can be created, modified, exchanged, and settled.

29) **"Foreign Investor**" means any one of the following who has invested foreign capital in Ethiopia:
   a) A foreign national;
   b) An enterprise in which a foreign national has an ownership stake;
   c) An enterprise incorporated outside of Ethiopia by any investor;
   d) An enterprise established jointly by any of the investors specified under paragraphs (a), (b) or (c) of this sub-article; or
   e) An Ethiopian permanently residing abroad and preferring treatment as a foreign investor;

   but, doesn't include foreign nationals of Ethiopian origin.

30) **"Government and Public Debt Security"** means any loan stock, bond, note or other instrument creating or acknowledging indebtedness issued by or on behalf of the Government, public enterprises.

31) **"Immobilisation"** means depositing of physical certificates of securities in a central securities depository to facilitate book-entry transfers.

32) **"Immobilised Security"** means a security where the underlying physical certificates have been deposited with and are held by a central securities depository.

33) **"Initial Public Offering"** means an offer to the public of any securities or a company, if:
   a) no securities of that company have previously been the subject of an offer to the public; or
   b) all of the securities of that company that had previously been the subject of an offer to the public have subsequently been re-acquired by the company.

34) **"Investment Bank"** means a non-deposit taking financial institution that facilitates the creation of capital for other companies, governments, and other entities through underwriting, acting as an intermediary between a securities issuer and the investing public, facilitating mergers and other corporate reorganizations and acting as a broker or financial adviser for institutional clients.

35) **"Investment"** refers to:
   a) securities publicly offered;
   b) securities listed on a foreign securities exchange or facility;
   c) ownership interests and/or units in a collective investment scheme approved under this Proclamation;
   d) funds intended for the purchase of such securities, units or other instruments;
   e) any other instruments declared to be investments for the purposes of this Proclamation by a directive of the Authority;

36) **"Investment Adviser"** means a licenced person who:
   a) carries out the business of advising others concerning investments;
   b) as part of a regular business, issues or promulgates analyses or reports concerning investment; or
   c) a financial institution licenced to provide financial and investment advice on particular type of investment such as bonds, commodities, mutual funds, and stocks;

37) **"Issuer"** means any person who issues or proposes to issue any security; and shall include a government, company or other legal entity that offers securities to the public.

38) **"Licenced Securities Exchange"** means a securities exchange to which an exchange licence has been issued under this Proclamation.

39) **"Listed Securities"** means securities listed or quoted on a licenced securities exchange.

40) **"Listing Rules"** or **"Listing Requirements"** mean, in relation to a securities exchange, Rules governing or relating to:
   a) The grant of a listing or quotation of, and permission to deal in, securities on a securities exchange or the removal from listing and for other purposes; or
   b) The activities or conduct of issuers and other persons who are admitted to that list, whether those rules:
      i. are made by the securities exchange or are contained in any of the constituent documents of the securities exchange; or
      ii. are made by another person and adopted by the securities exchange.

41) **"Market Maker"** means a person who ensures the availability of supply and demand for one or more securities according to such controls as may be laid down by the Authority.

42) "**Mark the close"** means buying a security at the very end of the trading day at a significantly higher price than the current price of the security with the intention to raise the closing price of the security.

43) **"Mutual Fund"** means a company or partnership that issues equity interests or units, the purpose or effect of which is the pooling of investor funds with the aim of spreading investment risks and enabling investors in the mutual fund to receive profits or gains from the acquisition, holding, management or disposal of investments. It is an open-ended investment company or trust that offers investors the advantage of professional management of invested money and diversification of that investment.

44) **"National Bank"** means the National Bank of Ethiopia established under the National Bank of Ethiopia Establishment (as amended) Proclamation No. 591/2008.

45) **"Nominee"** means an entity (the registered owner) in whose name securities are recorded on a book-entry register and held for the beneficial owner (the actual owner) of the securities under a custodial agreement with the beneficial owner.

46) **"Over-the-Counter market**" means a market in which securities and/or derivatives are traded by parties directly with each other rather than through a recognized exchange. Over-the-counter trading is concluded directly face-to-face or using communication devices such as telephones and networked computers between the parties with documentation evidencing the trade exchanged between the contracting parties.

47) **"Person**" means a physical or legal person.

48) **"Primary Markets"** are markets facilitated by underwriters in which new capital is created or raised by selling newly issued stocks, bonds, notes, and other financial instruments.

49) **"Primary Regulator"** means a financial institution's primary federal regulatory agency, having a primary jurisdiction and supervising authority.

50) **"Private Placement"** means the act of offering securities to a limited number (no more than 50) of investors or to qualified investors, according to a directive to be issued by the Authority, rather than to the general public..

51) **"Prospectus"** refers to a document or a publication by, or on behalf of, a share company containing information on the character, nature, and purpose of an issue of shares, debentures, or other corporate securities that extends an invitation to the public to purchase the securities.

52) **"Public Company"** is a share company whose shares of stock are traded on a securities exchange or over-the-counter markets. A public company can be listed on a securities exchange (listed company), or not (unlisted public company).

53) **"Public Enterprise"** means an enterprise wholly owned by the government.

54) **"Public Offer"** means the act of offering securities to the general public in order to raise capital by the promoters prior to the incorporation of the company, or by the issuing company prior to the issuance of said securities.

55) **"Publicly Traded Security"** means a security traded on a securities exchange or through over-the-counter markets.

56) "**Regulated Person**" means any person who has been granted a licence under this Proclamation, or any other Proclamation for whose administration the Authority is wholly or partly responsible or an approved securities exchange or any persons associated with such licencees or approved securities exchanges.

57) **"Rules"** means, in relation to a securities exchange or a self-regulatory organization, the rules governing the activities and market conduct of a securities exchange or of its members, or the rules governing the activities and conducts of a self-regulatory organization or its members.

58) **"Secondary Market"** means market or markets where investors buy previously issued securities from other investors as opposed to the primary market, where investors buy new securities directly from the issuer or an intermediary.

59) **"Securities"** means any instrument - in any legal form - that evidences ownership of a share in a financial transaction and that is negotiable pursuant to approval from the Authority, such as:
   a) shares issued or proposed to be issued in the capital of a company;
   b) any instrument that creates or acknowledges a debt issued or to be issued by a company;
   c) loans, bonds, and other instruments that can be converted to shares in the capital of a company;
   d) all public debt instruments that are tradable and issued by the various government entities or public institutions and authorities;
   e) any right, option or derivative relating to securities;
   f) units in a collective investment scheme;
   g) any paper or instrument considered by the Authority as a security for the purposes of implementing this Proclamation.

but does not include commercial papers such as cheques, promissory notes, bills of lading, letters of credit, cash transfers and instruments negotiated by banks exclusively between each other, insurance policies and rights arising from retirement funds established for the benefit of the beneficiaries therefrom.

60) **"Securities Depository and Clearing Company"** means any legal entity that offers central securities depository and central clearing counterparty. However, it may not necessarily take on counterparty credit risks between parties.

61) **"Securities Exchange"** means, in relation to premises of a licenced securities exchange, the one place in those premises which constitutes, maintains or provides a market or a facility by means of which:
   a) offers to sell, purchase or exchange securities are regularly made or accepted;
   b) offers or invitations are regularly made, being offers or invitations that are intended, or may reasonably be expected to result, whether directly or indirectly, in the making or acceptance of offers to sell, purchase or exchange securities; or
   c) information is regularly provided concerning the prices at which, or the consideration for which, particular persons or particular classes of persons, propose, or may reasonably be expected, to sell, purchase or exchange securities; or
   d) clearing service for securities traded in the exchange takes place.

62) **"Securitisation Transaction"** means an arrangement that involves the sale, transfer or assignment of assets to a special purpose vehicle where —
   a) such sale, transfer or assignment is funded by the issue of debentures or units of debentures (whether by that special purpose vehicle or another special purpose vehicle); and
   b) payments in respect of such debentures or units of debentures are or will be principally derived, directly or indirectly, from the cash flows generated by the assets;

63) "**Self-Regulatory Organisations (SROs)"** means an entity that is recognized under this Proclamation to regulate its own members through the adoption and enforcement of rules of conduct for fair, ethical, and efficient practices in capital markets; with a

view to promoting the protection of investors and the public interest. These SROs include, among others, securities exchange, security depository and clearing company or securities association.

64) "**Senior Personnel**" means senior executive or any employee of a licensed person whose appointment requires consent or prior approval of the Authority.

65) **"Share"** means a portion of ownership interest in a share company, or an interest or stake in any collective investment scheme.

66) **"Special Purpose Vehicle"** means an entity that is established solely in order to do either or both of the following:
   a) hold (whether as a legal or equitable owner) the assets from which payments to holders of any asset-backed securities are or will be primarily derived;
   b) issue any asset-backed securities.

67) **"Underwriter"** means any person who has purchased from an issuer with a view to, or offers or sells on behalf of the issuer in connection with, the distribution of any security, or participates or has a participation in the direct or indirect underwriting of any such undertaking; but such term shall not include a person whose interest is limited to a commission from an underwriter or dealer not in excess of the usual and customary distributor's or seller's commission.

68) **"Warrant"** means any right, whether, conferred by warrant or otherwise, to subscribe for shares or debt securities.

69) Any expression in the masculine gender includes the feminine.

PART II: CAPITAL MARKET AUTHORITY

3. Establishment of the Capital Markets Authority

1) The Ethiopian Capital Market Authority (hereinafter "the Authority") is hereby established as an autonomous government regulatory Authority.

2) The Authority shall be accountable to the House of Peoples' Representatives to the extent prescribed by this Proclamation.

3) The Authority shall have its own juridical personality, and, in particular the capacity to:
   a) sue and be sued;
   b) purchase or otherwise acquire, hold, charge and dispose of both movable and immovable property;
   c) enter into contracts; and
   d) perform all such other things or acts necessary for the proper performance of its functions under this Proclamation which may lawfully be done by autonomous government organ.

4. Head Office

The head office of the Authority shall be in Addis Ababa and may have branch offices elsewhere as deemed necessary.

5. Objectives of the Authority

The principal objectives of the Authority shall be to: –

1) Protect investors;

2) Ensure the existence of capital markets ecosystem in which securities can be issued and traded in an orderly, fair, efficient and transparent manner;

3) Reduce systemic risk by ensuring the integrity of capital markets and transactions; and

4) Promote the development of capital markets by creating enabling environment for long term investments.

6. Functions, Powers and Duties of the Authority

For the purpose of carrying out its objectives, the Authority shall exercise, perform or discharge all or any of the following powers, duties and functions:

1) Issue directives on all matters within the jurisdiction of the Authority under this Proclamation.

2) Grant licence to any person to operate as a securities exchange, derivatives exchange, securities depository and clearing company, capital markets services provider, over-the-counter trading facility or any other activity deemed by the Authority as a regulated activity under its jurisdiction.

3) Determine and collect levies and fees from capital market participants for its services or to cover the cost of its operations.

4) Develop a framework to facilitate the use of information technology to effect linkages among functions provided by licenced persons or other market participants to allow:–

    a) the transfer and dissemination of market information to a wider number of users within and between networks;
    b) the offer, distribution or delivery in electronic form of securities or services ordinarily provided by licenced persons; and,
    c) the execution of securities transactions without the need for parties to the transaction to be physically present at the same location.

5) Develop plans for dealing with the eventuality of a licenced person's failures as well as an early warning system about potential defaults by market intermediaries.

6) Take administrative measures for the breach of the provisions of this Proclamation or the regulations or directives made thereunder, or for non-compliance with the Authority's requirements or directions, and such administrative measures may include:-

   a) levying of financial penalties pursuant to a directive that will be issued by the Authority with a principle of proportionality to the gravity or severity of the breach;
   b) ordering a person to remedy or mitigate the effect of the breach, make restitution or pay compensation to any person aggrieved by the breach;
   c) publishing findings of malfeasance by any person;
   d) suspending or cancelling licences or authorizations or approvals granted under this Proclamation; and
   e) any other administrative measures the Authority may determine by a directive, from time to time, in line with its mandate

7) Conduct off-site surveillance activities and onsite inspections, with or without prior notice, of all securities markets and licensed persons' activities, with access to all necessary books and records.

8) The powers of surveillance and inspections devolved to the Authority pursuant to sub-article (7) of this Article can be exercised over any transactions and financial instruments traded by licensed persons or sold to the public; and inspections can be carried out on the basis of documents or on site, according to rules specified by directive of the Authority.

9) In order to carry out its on-sight inspections or off-site surveillance, the Authority may use, in addition to its staff, police officers, judicial experts, and auditors.

10) Inquire into the affairs of or give directions to any person to which the Authority has granted a licence and any public company the securities of which are publicly offered or traded on an approved securities exchange or on an over the counter market.

11) Approve the appointment of external auditors of licenced and authorized market participants.

12) Appoint an external auditor to carry out a specific audit of the financial operations of any licenced and authorized market participants, at the expense of such market participants, as deemed necessary.

13) Facilitate the creation and management of a compensation fund and grant compensation to any investor who suffers pecuniary loss resulting from the failure of a capital market service provider or securities exchange to meet his contractual obligations.

14) Have recourse against any person whose act or omission has resulted in a payment from the compensation fund.

15) Give recognition and oversee the activities of self-regulatory organizations.

16) Be in charge of the surveillance of the market, including with the oversight of day-to-day trading activity on the exchange or trading system through a market surveillance program with the aim to:

a) monitor the conduct of market intermediaries
b) collect and analyse information gathered through these activities
c) verify compliance by the exchange with its responsibilities related to market integrity, market surveillance, the monitoring of risks and the ability to respond to such risks.

17) Regulate the use of electronic trading platforms for dealing in securities or offer services ordinarily carried out by a licenced person.

18) Co-operate or enter into agreements for mutual co-operation with other regulatory authorities to regulate cross-border activities in capital markets and address systemic risk in the financial system.

19) Regulate and oversee the issue, and subsequent trading, both in primary and secondary markets, of capital market instruments.

20) Supervise the listing and delisting of securities.

21) With a good cause, investigate and obtain data, information, documents, books and records, and voluntary statements or testimony from any person, including third party entities and individuals, whether regulated or unregulated, that are either involved in relevant conduct or who may have information relevant to a regulatory or enforcement investigation.

22) In writing, order caveats to be placed against the title to such assets or prohibit any such person from operating any such bank account as may be directed by the Authority, pending determination of any charges instituted against that person.

23) Prescribe notices or guidelines on corporate governance of a company whose securities have been issued to the public or a section of the public.

24) Implement transparent, fair, equitable and consistent operational procedures.

25) Promote investor education.

26) Conduct a regular review of products, markets, market participants and activities to identify and assess possible risks to investor protection and market fairness, efficiency and transparency or other risks to financial markets.

27) Ensure that conflicts of interest among regulated capital market service providers and misalignment of incentives are identified, avoided, eliminated, disclosed or otherwise managed.

28) Regularly review the perimeters of securities regulations in order to identify and assess evidence of changing circumstances and emerging risks and the need for revisions of regulatory framework.

29) Do all such other acts as may be incidental or conducive to the attainment of the objectives of the Authority or the exercise of its powers under this Proclamation.

7. Organisational Structure of the Authority

The Authority shall have:

1) Board of Directors (hereinafter the "Board")

2) A Director General and deputy Director General; and

3) The necessary staff.

8. Composition and Appointment of Board of Directors

1) The Board shall have seven members, consisting of;

   a) The Director General of the Authority, the Governor of the National Bank of Ethiopia, and the Director of the Accounting and Audit Board of Ethiopia as permanent ex-officio members of the Board;

   b) Four other members to be appointed based on qualification.

2) The Director General of the Authority shall be a non-voting member of the Board.

3) Members of the Board under sub-article (1) (b) of this Article shall be appointed by the House of Peoples' Representatives upon recommendation by the Prime Minister.

4) Members of the Board under sub-article (1) (b) of this Article may not hold other positions that may cause conflict of interests.

5) Members of the Board shall recuse themselves from participating and voting in matters which may have conflict of interests.

6) The Chairperson of the Board shall be appointed by the Prime Minister amongst the Board members; however, the Director General may not be a Chairperson.

7) The Chairperson and every member of the Board appointed under sub-article (1) (b) of this Article shall be appointed from amongst persons who have experience and expertise in legal, finance, economics, management, or related disciplines.

8) The Chairperson and every member of the Board appointed under sub-article (1) (b) of this Article shall hold office for a period of five years and may be eligible for re-appointment for a further term of five years.

9) Any member of the Board appointed under sub-article (1) (b) of this Article shall cease to hold office if-

   a) he delivers to the House of Peoples' Representatives a written resignation of his appointment;

b) he is found to be incapacitated by mental or physical illness or is otherwise unable or unfit to discharge the functions of a member or is unable to continue as a member;

c) he has been absent from three consecutive meetings of the Board of Directors of the Authority without leave or good cause;

d) he is adjudged bankrupt or enters into a composition scheme or arrangement with his creditors;

e) he is sentenced by a court to imprisonment for a term of six months or more; or

f) he is convicted of an offence involving dishonesty, fraud or moral turpitude.

10) In the event of vacation of office by any member appointed under sub-article (1) (b) of this Article, the Prime Minister shall recommend and the House of Peoples' Representatives may appoint another person to hold office until the expiry of the term of the member in whose place he is appointed.

11) If any member of the Board appointed under sub-article (1) (b) of this Article is temporarily unable to perform his duties, the Prime Minister shall appoint another person to act in his place during the period of his absence.

12) The members of the Board shall be paid such remuneration and allowances out of the general fund of the Authority as may be determined by the House of Peoples' Representatives.

9. Powers and Duties of the Board

1) The powers of the Board shall include:
   a) approve directives to be issued by the Authority
   b) approve the budget of the Authority
   c) review the strategy, annual work program, and performance report of the Authority
   d) upon the recommendation of the Director General, approve the salary and benefit structure of employees of the Authority
   e) oversee the power and functions of the Authority
   f) approve the delegated powers and functions of the Authority

2) The Board shall have an Audit Committee composed of at least three Board members, excluding the Director General. The Audit Committee shall receive and examine the findings and recommendations of the internal and external auditors and also give the necessary direction for the implementation.

3) The Board may have other committees as needed.

10. Meetings Procedures of the Board

1) The presence of four members of the Board shall constitute a quorum.

2) The Board shall meet at least monthly; provided, however, that the Chairperson or, in his absence, the person delegated by him, may call a meeting at any time or when the Director General or three Board members so request.

3) The Chairperson or a Board member delegated by him shall preside at every meeting of the Board.

4) All decisions of the Board shall be made by a simple majority vote of the members present. In case of a tie, the Chairperson shall have a casting vote.

5) The Board shall have its own secretary.

6) Minutes of meetings of the Board shall be recorded accurately and in such form as the Board may determine. Unless the Board decides otherwise, minutes of the Board shall be confidential.

7) The Board may adopt its rules of meeting procedure to determine the specific roles of the chairperson and Board members and agenda items for periodic meetings, to ensure proper participation or attendance of Board members, to set up Board self-assessment systems, to manage conflict of interest and to determine on other relevant matters which enable the Board to discharge its duties and responsibilities.

11. Appointment, Powers, and Duties of Director General

1) The Director General shall be appointed by the House of Peoples' Representatives upon recommendation by the Prime Minister.

2) No person shall be qualified for appointment as Director General unless such person:-
   a) has at least ten years' experience at a senior management level in matters relating to finance, economics, management, law or related issues; and
   b) has expertise in matters relating to money or capital markets or finance.

3) The Director General shall nominate and recommend a deputy Director General and other senior executives for approval to the Board.

4) The Director General shall direct and supervise the administration and operations of the Authority in accordance with this Proclamation and the decisions of the Board.

5) The Director General shall prepare the plans and annual budgets of the Authority and, upon approval by the Board, implement the same.

6) The Director General shall be the principal representative of the Authority, and in this capacity shall;
   a) represent the Authority in its all relations with other persons, the Government, and international bodies in which the Authority is a member
   b) sign individually or jointly with other authorized officers of the Authority contracts concluded by the Authority, securities issued by the Authority, periodic reports, balance sheets, profit and loss statements, correspondence and other documents of the Authority

c) represent the Authority, either personally or through counsel, in any legal proceeding to which the Authority is a party
d) hire and administer employees of the Authority in accordance with a regulation issued by the Council of Ministers.

7) The Director General may delegate part of his powers and duties to his deputy and other officers of the Authority, as may be required for the efficiency of the Authority.

8) The Director General shall, in all his actions, be guided by the objectives of the Authority as set out in this Proclamation.

12. Powers and Duties of the Deputy Director General

The deputy Director General of the Authority shall assist the Director General and, in the absence of the Director General, shall discharge all the functions conferred on the Director General.

13. Protection from Legal Prosecution

1) Neither the Authority, nor any of its officers, nor any entity delegated by the Authority shall be personally liable for any act which in good faith is done or purported to be done by such person, on the direction of the Authority or in the performance or intended performance of any duty or in the exercise of any power under this Proclamation or regulations and directives made thereunder.

2) Any expenses incurred by any person referred to in sub-article (1) of this Article in any suit or prosecution brought against him before any court in respect of any act which is done or purported to be done by him under this Proclamation or on the direction of the Authority shall, if the court holds that such act was done in good faith, be paid out of the general fund of the Authority, unless such expenses are recovered by him in such suit or prosecution.

14. Delegation of Power and Functions

1) The Authority may delegate any of its functions under this Proclamation to:–

a) a committee that is established for specific purpose;

b) a recognized self- regulatory organization; or

c) an authorized person.

2) The Authority may, at any time, revoke a delegation under this Article.

3) A delegation made under this Article shall not prevent the Authority from performing the delegated function.

15. Furnishing of Information to the Authority

1) The Authority or any person officially authorized on its behalf may, by notice in writing, require any person engaged in activities under the Authority's jurisdiction to furnish information to the Authority or to the authorized person, in the form and within such period as is specified in the notice. Details shall be prescribed by the directives of the Authority.

2) The Authority or any officer of the Authority shall not disclose to any person or use any information acquired under sub-article (1) of this Article except for the purpose of achieving the objectives of the Authority unless required to do so by a court of law.

3) Notwithstanding sub-article (2) of this Article, the Authority may share information, upon request or on unsolicited basis, with other regulatory bodies, whether established within or outside Ethiopia, for assistance in investigating a person specified by the regulatory body who has contravened or is contravening any legal or regulatory requirements which:–

   a) are enforced or administered by that regulatory body; or

   b) relate to the jurisdiction of that regulatory body,

   provided the Authority has entered into information sharing agreements with such foreign counterparts or any international agreement to which Ethiopia is a party.

4) For the purposes of sub-article (3) of this Article, the provisions of this Proclamation shall, with such modifications as may be necessary, apply and have effect as if the contravention of the legal or regulatory requirement referred to in sub-article (3) of this Article were an offence under this Proclamation.

5) A regulatory body which requests for assistance under sub-article (3) of this Article shall demonstrate that: –

   a) it is desirable or expedient that the assistance requested should be provided in the interest of the public; or

   b) the request shall assist the regulatory body in the discharge and performance of its functions.

6) The Authority shall, in deciding whether the requirement under sub-article (5) of this Article is satisfied in a particular case, take into account whether the regulatory body shall:–

   a) pay the Authority any of the costs and expenses incurred in providing the assistance; and

   b) be able and willing to provide reciprocal assistance within its jurisdiction in response to a similar request for assistance from Ethiopia.

7) Nothing in this Article shall be construed to limit the powers of the Authority to cooperate or coordinate with any other regulatory body in the exercise of its powers under this Proclamation; in so far any such cooperation or coordination is not contrary to the objectives of this Proclamation.

8) The staff of the Authority shall identify, avoid or disclose conflict of interest and observe procedural fairness.

16. Funds of the Authority

1) The funds of the Authority shall consist of:
    a) Levies payable to the Authority;
    b) Fees and administrative penalties payable to the Authority for licences issued and other things done by it in terms of this Proclamation; and
    c) Any other sources.

2) Funds not immediately required by the Authority may be invested in such a manner as the Authority may determine.

3) In the instance where the Authority's funds under sub-article (1) of this Article falls short of covering its budget, the shortfall shall be covered by budget allocated by the Government.

17. Accounts of the Authority

1) The Authority shall ensure that proper accounts and other records relating to the accounts are kept in respect of all its activities, funds and property.

2) Within three months after the end of each year, the Authority shall prepare statement of financial accounts and all other transactions.

3) The financial statements of the Authority shall be prepared in line with the international financial reporting standards or other frameworks as determined by a pertinent Government authority.

18. External Audit of the Authority's Accounts

1) The Board of Directors of the Authority shall appoint an external auditor annually.

2) The audit report shall be completed and issued to the Board's Audit Committee for review and approval by the Board within three months from the end of each financial year.

3) A duly audited financial statement signed by external auditor shall be published in the annual report to be issued by the Authority.

19. Financial Year of the Authority

The financial year of the Authority shall be the period of twelve months beginning the1st day of July of each year.

Part III: RECOGNITION OF A SELF-REGULATORY ORGANIZATION

20. Application for Recognition

1) An entity under the jurisdiction of the Capital Markets Authority which intends to be recognized and operate as a self-regulatory organization shall apply to the Authority, in the prescribed form.

2) An application made under sub-article (1) of this Article shall specify the functions and powers that the entity is seeking to exercise upon recognition.

3) The Authority may, in respect of an application made under sub-article (1) of this Article, subject to such terms and conditions as it considers necessary, by notice in a widely circulated newspaper, declare an entity to be a recognized self-regulatory organization where it is satisfied that the organization –

   a) has internal rules and policies which are consistent with this Proclamation or related regulations and directives;
   b) has the financial capacity and administrative resources necessary to carry out its functions as a self-regulatory organization, including dealing with a breach of the law or of any other applicable standards or guidelines;
   c) is fit and proper;
   d) has competent personnel for the carrying out of its functions; and
   e) satisfies such other conditions as may be determined by a directive to be issued by the Authority.

21. Conditions for Delegation of Power and Functions to a Self-Regulatory Organization

A delegation made under Article 14, sub-article 1 (b), shall specify –

1) the function or power delegated to the self-regulatory organization;

2) the extent of disciplinary powers delegated and the scope of sanctions that may be imposed;

3) the terms and conditions upon which the power or function has been delegated and may be exercised;

4) the persons authorized to exercise the delegation on behalf of the self-regulatory organization;

5) the manner in which a self-regulatory organization shall submit a periodical report to the Authority in respect of the exercise of a delegated power or function; and

6) any other matter as the Authority may prescribe.

22. Rules of a Self-Regulatory Organization

1) A self-regulatory organization shall make rules relating to the matters for which it has regulatory or supervisory functions, including any sanction and disciplinary powers to be exercised in connection with the functions delegated to it.

2) The rules made under sub-article (1) of this Article shall make provisions relating to –

   a) management structures and shareholding rights of the self-regulatory organization taking into consideration the interests, rights and liabilities of its members, consumers, investors and users of their services;
   b) rules of membership and conditions for approval and admission of members;
   c) fair and consistent treatment of all members; and fair representation of members in the selection of its directors and administration;
   d) procedures for dispute resolution between members, users, investors and their clients and the right of appeal to the Authority or other relevant primary regulator;
   e) procedures to address potential conflicts of interest and cooperate with the Authority to investigate and enforce laws and regulations;
   f) the rules and procedures of self-regulatory organization with respect to reporting and accountability to any primary regulator other than the Authority;
   g) mechanisms of protecting personal data of the data subjects in compliance with the principles of data protection as set out by the Authority;
   h) avoidance of anti-competitive practices;
   i) standards of behaviour for its members; and
   j) investor protection and market integrity.

3) The rules made under sub-article (1) of this Article shall not be implemented unless approved by the Authority.

4) A self-regulatory organization shall submit any amendments to its constitution to the Authority for approval before the amendments come into effect.

23. Restrictions on Decision

A self-regulatory organization shall not make a decision, under its rules, which adversely affect the rights of a person unless the self-regulatory organization:

1) has given that person an opportunity to make representations about the matter; or

2) considers, on a reasonable ground, that a delay in making the decision will prejudice a class of consumers.

24. Disciplinary Action

1) A self-regulatory organization may take a disciplinary action against any of its members in accordance with its rules, if the member contravenes any provisions of the rules.

2) Any action taken by a self-regulatory organization under sub-article (1) of this Article shall not prejudice the power of the Authority to take any further action as it considers necessary with regard to the licenced person.

3) A self-regulatory organization shall, where it has taken a disciplinary action under sub-article (1) of this Article, within two working days inform the Authority, in writing, of the name of the member, the reason and the action taken, the amount of any fine and the period of suspension if any.

4) The Authority may, on application by an aggrieved person, review any disciplinary action taken under sub-article (1) of this Article and may affirm, modify or set aside the decision after giving the aggrieved person and the self-regulatory organization an opportunity to be heard.

5) Nothing in this Article shall preclude the Authority, in any case where a self-regulatory organization fails to act against its member, from suspending, expelling or otherwise disciplining a member of the self-regulatory organization.

6) The Authority shall, before taking any action under sub-article (5) of this Article, give the licenced person and the self-regulatory organization an opportunity to be heard.

7) The Authority may, after giving a self-regulatory organization reasonable opportunity to be heard in respect of any matter, give direction, in writing, to the self-regulatory organization in terms of this Article.

8) A direction given under sub-article (7) of this Article may-

   a) suspend a provision of the constitution or rules of a self-regulatory organization for a period specified in the direction;
   b) require a self-regulatory organization to amend its rules; or
   c) require a self-regulatory organization to implement or enforce its constitution or its rules.

25. Appointment and Change of Senior Personnel

1) A self-regulatory organization shall not appoint or change its senior personnel except with the prior written notification to the Authority of such intention to appoint or change.

2) Under sub-article (1) of this Article, if the Authority does not express its objection within 15 working days, the appointment or change of senior personnel shall be effective.

26. Removal of a Senior Personnel

The Authority may, if it reasonably believes that –

1) A senior personnel of a self-regulatory organization is not a fit and proper person to be an officer of the organization; or
2) The appointment of a person or continuing in office as a senior personnel of a self-regulatory organization is likely to be detrimental to the self-regulatory organization or may prejudice the interest of investors and consumers of financial services or members of the relevant sector or industry,

after giving the senior personnel and the self-regulatory organization an opportunity to be heard, direct the self-regulatory organization not to appoint or to remove the senior personnel from office.

27. Annual Report

1) A self-regulatory organization shall, within four months after the end of every financial year, submit to the Authority, its annual report which shall include –

   a) a report on the corporate governance policy and practices of the self-regulatory organization;
   b) financial statements prepared and audited in accordance with the accounts and audit requirements for regulated persons; and
   c) such other requirements as may be specified by directive of the Authority.

2) An external auditor who, in the course of his audit, has reason to believe that –

   a) there is or has been an adverse change in the risks inherent in the business of a self-regulatory organization with the potential to jeopardize its ability to continue as a going concern;
   b) the self-regulatory organization may be in contravention of any provisions of this Proclamation, or directions issued by the Authority;
   c) a financial crime has been or is likely to be committed; or
   d) serious irregularities have occurred;

   shall report the matter, in writing, to the Authority.

3) A report made under sub-article (2) of this Article shall not constitute a breach of the duties of the external auditor.

PART IV: SECURITIES EXCHANGE

28. Unlawful Securities Exchange

1) A person shall not establish or launch a business as a securities exchange or a derivatives exchange or over-the-counter trading facility, or hold himself out as creating a securities market or a derivatives market or over-the-counter trading facility

that is not licenced or approved as a securities exchange or a derivatives exchange or over-the-counter trading facility by the Authority under this Proclamation.

2) It is unlawful for a person to use the words "securities exchange" or "derivatives exchange" in connection with a business except with an exchange licence granted by the Authority.

29. Establishment of the Ethiopian Securities Exchange

1) The Ethiopian Securities Exchange (hereunder the "Exchange") shall be established by the Government in partnership with the private sector, including foreign investors.

2) The total ownership of the Government and government-owned entities shall not exceed 25% of the Exchange's capital.

3) Notwithstanding sub-article (2) of this Article, and if there is insufficient interest from the private sector, the Government's ownership of the Exchange can be increased to whatever amount is needed to establish the Exchange.

4) Notwithstanding sub-articles (2) and (3) of this Article, and if there is no interest at all from the private sector, the Exchange shall be established as a fully Government owned public enterprise by regulation of the Council of Ministers.

5) The Authority shall grant an exchange license to the Exchange upon its establishment and meeting minimum capital requirements, fit and proper criteria, conditions of work and management, evidence of competence, and any other requirements to be specified by directive of the Authority.

30. Other Securities Exchanges and Trading Platforms

1) The Authority may grant licence to other securities exchanges or derivatives exchanges or over-the-counter trading platforms which shall be established as share companies.

2) The Authority shall determine, by a directive, minimum capital requirements, fit and proper criteria, conditions of work and management, evidence of competence, and any other requirements for licencing under sub-article (1) of this Article.

31. Administrative Measures against a Securities Exchange and Trading Platforms

1) The Authority may direct, by notice in writing, that a securities exchange or derivative exchange shall be closed for such period as may be specified in the direction, where-

a) there is a major market disruption which prevents the market from accurately reflecting price signals based on the forces of demand and supply for such securities;
b) there is a threatened or actual manipulation of the market;
c) the Authority considers it necessary or beneficial in the interest of the public or for the protection of investors' interest;
d) there is in place, an act of Government affecting the trading of securities.

2) The Authority may take such steps as it considers necessary to:

a) Maintain or restore the fair, efficient, and transparent trading in securities or any classes of securities or exchange-traded derivative contracts.
b) Liquidate any position in respect of any securities or any classes of securities or exchange-traded derivative contracts.

3) The Authority may suspend or revoke a license, for such period or until the occurrence of such event as the Authority may specify if an exchange:

a) goes into liquidation or an order is issued for the winding up of the exchange
b) carries out any activity outside the scope of the exchange or approved activities
c) has contravened or failed to comply with any condition applicable in respect of the license
d) fails to comply with a direction of the Authority
e) fails to provide the Authority with such information as it may require
f) provides false or misleading information
g) for any other reason, is no longer fit and proper person to hold a license
h) is in breach of any other provision under this Proclamation; or
i) has requested it.

4) A suspension of a license under this Article shall not exceed a period of three months; the Authority, if deemed necessary, may extend the suspension for a further period not exceeding three months.

5) The Authority shall, at the expiry of the suspension period specified under sub-article (4) this Article, lift the suspension or revoke the license, as the Authority considers appropriate.

6) The Authority may revoke or suspend a license at the request of an exchange.

7) The Authority shall publish, in a widely circulated newspaper, all the licences suspended or revoked under this Article.

32. Management of a Securities Exchange

1) The affairs of a securities exchange shall be managed by a board of directors whose members shall be elected by the shareholders of the securities exchange subject to consent of the Authority.

2) Under sub-article (1) of this Article, if the Authority does not express its objection within 30 working days, the election of board of directors of the securities exchange shall be considered as having received the consent of the Authority.

3) A member of the board of directors of a securities exchange shall at all times while remaining in his position be subject to the following conditions:

   a) not have been convicted of a crime of breach of honour or trust
   b) not have been declared bankrupt under a final judgment
   c) be of good reputation
   d) have sufficient experience in finance, management, economics, legal, or related affairs

4) The board of a securities exchange shall ensure that the exchange is operated in compliance with this Proclamation, as well as regulations and directives made in accordance with this Proclamation, and the exchange's own rules and shall:

   a) be responsible for the general oversight of the affairs of the exchange; and
   b) oversee the administrative affairs of the exchange in order to ensure sound financial management structures and processes.

5) The members of the board of directors of a securities exchange shall individually and collectively be responsible for any non-compliance with the provisions of this Proclamation, as well as regulations and directives made in accordance with this Proclamation.

6) A securities exchange shall have a chief executive officer or more appointed by the board of directors of the exchange; and provided no objection from the Authority.

7) Under sub-article (6) of this Article, if the Authority does not express its objection within 30 working days, the appointment of the chief executive officer of the exchange shall be considered as having received the consent of the Authority.

8) It is prohibited to conjoin the position of the chairman of the board of directors with the position of the chief executive officer of a securities exchange.

33. Rules of a Securities Exchange

Subject to the approval of the Authority, a securities exchange shall make such rules or procedures of the exchange as it considers necessary or desirable for the proper and efficient regulation, operation, management and control of the exchange and the securities market operated by the exchange.

34. Responsibilities of a Securities Exchange

A securities exchange shall be responsible for:

1) Monitoring, surveillance and supervision of the exchange and its members to ensure fairness, efficiency, transparency, and investor protection, as well as compliance with the securities regulatory framework.

2) Having a market's dispute resolution and appeal procedures as appropriate, technical systems standards and procedures related to operational failure, recordkeeping system, reports of suspected breaches of law, arrangements for holding client funds and securities, if applicable, and information on how trades are cleared and settled.

3) Ensuring that the trading venue has in place suitable trading control mechanisms including trading halts, volatility interruptions, limit-up/limit-down controls and other trading limitations to deal with volatile market conditions.

4) Having mechanisms to monitor open positions, or credit exposures, on unsettled trades that are sufficiently large to pose a risk to the market or to the Securities Depository and Clearing Company.

5) Making sure that execution rules and trade order routing procedures are clearly disclosed to the Authority and to market participants and consistently applied to all participants.

6) Providing equal opportunity to all system users to connect, and maintain the connection to, the electronic trading system.

7) Designing systems and controls to enable the management of risk about fair and orderly trading including, in particular, automated pre-trade controls that enable members to implement appropriate risk limits.

8) Providing market participants equitable access to market rules and operating procedures.

9) Providing members access to relevant pre- and post-trade information on a real-time basis.

10) Ensuring the existence of a management that is aware of the risks associated with its business and operations.

11) Prioritizing the public interest in case of a conflict of interest with the securities exchange or its members, shareholders or management.

12) Adhering to provide and operate its services in accordance with the rules and regulations issued by the Authority.

13) Adhering to organize its operations, standards of its practices and its members' behaviours in accordance with the rules, policies and procedures of the securities exchange.

14) Adhering to organize the operations and standards of practices of the companies listed therein and their employees in accordance with the governing regulations.

15) Maintaining the confidentiality of all information under its custody with respect to its members and customers, unless it is required by the law or regulations to publish or disclose such information. It shall not disclose such information except for the Authority or by an order from the Authority or the court.

16) Issuing rules with requirements for providing pre-trade information (posting of orders), post-trade information (last sale price and volume of transaction) and information on completed transactions on an equitable basis to all market participants.

35. Information Sharing, Reporting, and Assistance to the Authority

1) A securities exchange shall provide such assistance to the Authority as the Authority may reasonably require for the performance of its functions and duties, including the furnishing of such returns and information relating to its business or in respect of dealings in securities or any other specified information as the Authority may require for the proper implementation of this Proclamation.

2) A securities exchange shall inform the Authority immediately about the following issues:

   a) If found that one of its members does not comply with any of the securities exchange's rules or its financial resources' regulations.
   b) If it deemed there is a financial irregularity or any other situation that may indicate inappropriateness of the member or his incapacity to fulfil his obligations.
   c) Any disciplinary action is taken against any member, operator, or his subordinates.

3) The board of directors of an exchange shall inform the Authority of any disciplinary action taken against any of its members under sub-article (2) (c) of this Article, the details of the violation committed, and the procedures taken and the penalty imposed. The Authority shall be provided with all documents related to the subject.

36. Amendment to Rules of a Securities Exchange

1) A securities exchange that wishes to make any amendment (whether by way of rescission, alteration or addition) to its rules shall submit a draft of the proposed amendment to the Authority for approval.

2) The Authority may, within twenty-eight days after receipt of a draft in accordance with sub-article (1) of this Article, by notice to the exchange concerned disallow the amendment; whereupon the amendment, if made, ceases to have force or effect.

3) If no such notice is given within twenty-eight days after the proposed amendment was submitted to the Authority, the proposed amendment shall be deemed to have been approved.

4) The Board of Authority may direct a securities exchange to prepare specific provisions within its scope of work or amend its rules within a certain period.

5) If the securities exchange fails to abide by the request or to meet the request within the specified period under sub-article (4) of this Article, the Authority may prepare the

rules or amend them on behalf of the securities exchange at the expense of the latter. The exchange shall have the obligation to abide by these amended rules.

PART V: SECURITIES DEPOSITORY AND CLEARING COMPANY

37. Definition

For the purpose of this part, "securities" refer all securities excluding government securities and commodities.

38. Licensing

1) The Authority shall licence, regulate, and supervise a Security Depository and Clearing Company which shall offer securities depository, clearing, and settlement and other services upon obtaining a Security Depository and Clearing Company license from the Authority.

2) No Person shall incorporate Security Depository and Clearing Company or manage, or assist in incorporating or assist in managing Security Depository and Clearing Company without obtaining licence from the Authority.

3) A Security Depository and Clearing Company licence may only be granted to a share company that meets minimum capital requirements, fit and proper criteria, conditions of work and management, evidence of competence, and any other requirements to be specified by directive of the Authority.

4) The Authority shall specify the conditions required for granting a licence under sub-article (1) of this Article and its procedures in a directive.

39. Obligations of Security Depository and Clearing Company

A company licenced by the Authority as Security Depository and Clearing Company shall abide by the following obligations:

1) Arrange for fair and effective clearing and settlement in relation to any commercial transactions of securities

2) Manage risks associated with its activity and operation at the highest levels of professionalism

3) Prioritize to the public interest and that of those who deal with the company over the company's own interests

4) Manage its services according to the related rules approved by the Authority

5) Maintain confidentiality of all information and data under its possession, except what is required by the Authority or the judicial authorities

6) Provide its services with an up-to-date technology and automated systems in line with international standards approved by the Authority or as requested or decided by the Authority.

40. Rules and Regulations

1) The Authority shall require the Security Depository and Clearing Company to prepare rules and regulations related to the operations of clearing, settlement, and registration of securities and other activities that relate to the company's business, or to amend the same within a certain period.

2) If the Security Depository and Clearing Company does not comply with the requirements within the specific period, the Authority may prepare or amend the said rules on behalf of the Security Depository and Clearing Company and its expenses shall be reimbursed by the Security Depository and Clearing Company.

3) No rules issued by the Security Depository and Clearing Company nor amendments thereto, either by withdrawal, replacement or change, or addition thereof, shall be valid and effective unless they are approved by the Authority.

4) The Security Depository and Clearing Company shall provide the Authority with the reasons and objectives for proposing new rules or amendments, and highlight the desired effects. The Authority may approve, disapprove or amend new rules and amendments and inform the Security Depository and Clearing Company in writing of its resolution within at latest one week of the resolution date.

5) In case of noncompliance by any trader with the clearing rules, the Security Depository and Clearing Company may penalize that trader to pay the charges resulting from his noncompliance.

41. Securities Registration

1) Publicly offered securities shall be registered at a central securities depository.

2) Securities of other issuers which authorize the central securities depository to act as their transfer agents, shall be registered at the central securities depository.

3) Public companies and other issuers under sub-articles (1) and (2) of this Article shall register the types of their securities and information on owners of the securities at the central securities depository.

42. Custody and Recordkeeping

1) The Security Depository and Clearing Company shall provide custody and safekeeping for securities immobilised at its vaults.

2) The Security Depository and Clearing Company shall create a computerized book-entry system to record changes of ownership electronically, using a computerized book-entry system, for securities that are dematerialised.

3) The records of securities ownership maintained by the issuer shall be replaced with electronic records of securities ownership in the book-entry register maintained by the central securities depository.

4) The Security Depository and Clearing Company shall create a global certificate to replace the securities certificates under sub-article (3) of this Article, for purposes of dealing, attending the general assembly, paying of dividends, pledging the security, and using priority and other rights, according to the provisions stipulated by this Proclamation and related directives issued in execution thereof.

5) The Security Depository and Clearing Company shall maintain and update electronic ownership records of dematerialised securities and responds to inquiries of issuers, owners and other interested parties.

6) The Security Depository and Clearing Company shall carry out all tasks it deems appropriate for the completion of securities registration, transfer of ownership of securities, and recording of related data, including obtaining from nominees the names of beneficial owners and their ownership of securities.

43. Clearing and Settlement

1) The Security Depository and Clearing Company shall clear securities transactions for the account of its members to determine the rights and liabilities of every member.

2) The Security Depository and Clearing Company shall settle securities transactions by delivery versus payment, and the period between the trade date and settlement date of a transaction may not exceed the period specified by the Security Depository and Clearing Company rules.

3) The discharge of settlement obligations between Security Depository and Clearing Company members shall be effected by book-entry made by the central securities depository on securities accounts opened on the book-entry register.

4) The ownership of securities shall not be transferred before the settlement of their transaction.

5) The Security Depository and Clearing Company rules shall:
   a) specify the operations and relevant procedures pertaining to the clearing and settlement of securities;
   b) be valid and binding on all participants of the central securities depository itself and any other party participating in the central securities depository.

44. Finality of Securities Transfer

1) A securities depository and clearing system shall specify the rules to achieve finality of securities transfer in its operations. This shall include rules establishing irrevocability of orders once these have entered into the books of the system.

2) The book-entry that has been effected in terms of rules issued under sub-article (1) of this Article shall be final and may not be revoked, reversed, or set aside, including, without limitation, by insolvency or bankruptcy proceedings or any other law or practice similar in purpose and effect and is not subject to any provision of law or order of an administrative or judicial authority that operates as a stay of that securities transfer.

3) The Authority may issue directives to prescribe finality of a securities trade, settlement, netting, and loss allocation and apportionment.

45. Winding Up or Placement in a Scheme of Arrangement of a Participant

Notwithstanding any provision of law to the contrary relating to insolvency or bankruptcy, the winding up or the opening of scheme of arrangement of a central securities depository member shall not affect the finality or irrevocability of any book-entry or securities transfer which became final and irrevocable in accordance with Article 44 of this Proclamation before the copy of the relevant order or decision was lodged with the central securities depository.

46. Arrangements and Rules Binding Liquidators

Notwithstanding any provision of law to the contrary relating to insolvency or bankruptcy, if a participant is wound up or placed in a scheme of arrangement or otherwise declared insolvent by court, any arrangement in relation to the central securities depository to which the participant is a party or any netting rules or practices applicable to the central securities depository shall be binding upon the liquidator.

47. Collateral for Securities Transfer and Settlement Obligation

The rights and remedies of an operator, a participant, a clearing house, a central counterparty on collateral granted to it as security for a securities transfer or the performance of an obligation incurred in a central securities depository shall not be affected by insolvency or bankruptcy proceedings or any other law similar in purpose and effect. In particular, such rights and remedies may not be the subject of any stay provision or order affecting the ability of creditors to exercise rights and remedies on the collateral.

48. Prohibition in Dealings in Book-Entry Securities

A central securities depository and clearing company shall not purchase, acquire, or deal in book-entry securities as principal other than for a purpose and in a manner that may be permitted by the Authority.

49. Reporting on Counterparties

The Security Depository and Clearing Company shall inform the Authority at the earliest of the following:

1) If it found that any of its counterparty became unable to abide by any of the rules applicable to operations of clearing, settlement, and placement.

2) If it deemed that the financial position of counterparty and his ability to fulfil his obligations has given signs of instability, or his ability to fulfil his obligation has already become unstable.

50. Business Continuity and Disaster Recovery

1) In case of disaster, crises and disturbance, which may result in substantial effects in the market, the Authority may direct the Security Depository and Clearing Company to amend or suspend any of its rules.

2) If the Security Depository and Clearing Company fails to comply with the Authority's directions issued pursuant to sub-article 1 of this Article, the Authority may take any procedure deemed necessary to maintain the fair settlement and efficiency of the commercial transactions of securities or any category thereof.

51. Revocation of Security Depository and Clearing Company Licence

1) The Authority may, by a written notice, cancel the Security Depository and Clearing Company's licence according to the provisions of this Proclamation, as of the date specified in the Authority's directive in the following cases:
   a) The Security Depository and Clearing Company lacks one of the conditions by which it was qualified to obtain a licence.
   b) The Security Depository and Clearing Company ceased to undertake the duties, which the Security Depository and Clearing Company is assigned to or licenced for management thereof.
   c) The Security Depository and Clearing Company is liquidated.
   d) When the Security Depository and Clearing Company makes any amendments to its objectives in its memorandum or articles of association without obtaining prior approval from the Authority.
   e) The Security Depository and Clearing Company requested cancellation of its licence.

2) The Authority shall publish the resolution of licence cancellation and reasons thereof in a widely circulated newspaper.

3) The Authority may grant the Security Depository and Clearing Company a specific time extension, or extend the given period after the date of licence cancellation, if the

Authority deems it necessary for the public interest, or pursuant to the request of the Security Depository and Clearing Company to suspend its operations or handover its activities to another licenced company.

52. Priority Procedures

If a person is subject to insolvency, bankruptcy, liquidation or appointment of a receiver on his properties, the clearing and settlement procedures of the Security Depository and Clearing Company shall have priority over any procedures or other debts.

PART VI: LICENCING OF CAPITAL MARKET SERVICE PROVIDERS

53. Regulated Capital Markets Activities and Services

1) The following capital markets activities shall be regulated under this Proclamation:
   a) buying, selling and dealing in capital markets products
   b) investment advice
   c) underwriting
   d) fund management
   e) corporate finance advice relating to acquisitions, mergers, divestures, combinations and other activities that involve buying, selling, and exchanging securities
   f) custodial services
   g) collective investment schemes
   h) credit rating services
   i) any other activity deemed by the Authority as a regulated activity pursuant to this Proclamation.

2) Sub-article (1) (b) of this Article shall not apply to any of the following persons, to the extent that the advice in securities to others is incidental to the ordinary course of their business: -

   a) A legal practitioner registered and recognized by pertinent government organ
   b) A public accountant or public auditor registered and recognized by pertinent government organ
   c) The printer or publisher of a newspaper, magazine or other periodicals in which advice, in regard to securities analyses or reports are published to the public and the advice in regard to securities is incidental to the ordinary course of a business of the printer or publisher, as the case may be.

3) Regulated capital markets activities shall only be undertaken by the following persons who hold a capital markets services licence for that activity:

   a) Securities Broker
   b) Investment Adviser
   c) Collective Investment Scheme Operator
   d) Investment Bank
   e) Securities Dealer

f) Custodian
g) Market Maker
h) Credit Rating Agency
i) Any person who conducts or participates in any activity that is deemed by the Authority to be an activity in securities to be regulated in accordance with the purposes of this Proclamation.

4) The capital market services licence is issued by the Authority to any person who satisfies the fit and proper criteria, minimum capital requirements, internal organization and risk management, and other regulatory and supervisory requirements to be determined by directive of the Authority.

5) A person licenced to engage in regulated capital markets activities shall establish a compliance system aimed at preventing, detecting, and correcting securities law violations.

6) A person licenced to engage in regulated capital markets activities shall comply with the rules and regulations to be determined by directives of the Authority.

7) An individual who conducts a regulated activity for the holder of a capital market services licence is required to be an appointed representative of the capital market services.

8) A person may be licenced to perform two or more capital markets activities and the Authority shall determine the terms and conditions for granting such licences, as well as the criteria for performing such activities in a directive.

9) The Authority may request from persons licenced to engage in capital market activities to submit periodic reports on all their activities, including annual reports and audited financial statements. The Authority shall check and audit all of their records and may take copies of these records or request a licenced person to submit copies thereof.

54. Fit and Proper Persons

1) For purposes of this Proclamation, in considering whether a person is a fit and proper person, the Authority shall have regard to the:

a) Financial status;
b) Educational or other qualifications or experience with respect to the nature of the application;
c) Ability to perform his proposed function efficiently, honestly and fairly; and
d) Reputation, character, financial integrity and reliability of that person.

2) For the purposes of this Proclamation, the Authority may have regard to any information in the possession of the Authority, whether furnished by the applicant or not in considering the fit and proper requirement.

3) For the purpose of sub-article (1) of this Article, the Authority may take into account any matter relating to:

   a) Any person who is or is to be employed by, or associated with, the applicant for the purposes of the proposed business to which the application relates
   b) Any person who will be acting as a representative in relation to such business
   c) Where the applicant is a company, any substantial shareholder, director or officer of the company, any other company in the same group of companies or to any director or officer of any such company
   d) Where the applicant is a foreign company, whether that company meets the minimum requirements for foreign investors stipulated under Investment Proclamation No. 1180/2020.

4) A "substantial shareholder" in sub-article (3) of this Article means, in relation to a company, a person who has an interest in shares in the company:

   a) The nominal value of which is equal to or more than five percent (5%), or such other percentage as the Authority may determine by a directive, of the issued share capital of the company; or
   b) Which entitles the person to exercise or control the exercise of five percent (5%) or such other percentage as the Authority may determine.

55. Applications for Licence

1) An application for a licence shall be made to the Authority in the prescribed form and shall be accompanied by the prescribed fee.

2) In the case of an application for renewal of a licence, such application shall be made not later than one month before the expiry of the licence.

3) The applicant may be required to supply the Authority with such further information, in relation to the application, as the Authority considers necessary.

4) The Authority shall not refuse to grant or renew a licence without first giving the applicant or the holder of a licence, an opportunity of being heard.

56. Refusal, Revocation and Suspension of Licences

1) The Authority may decline or suspend or revoke a licence, or restrict the activity of a person licenced to engage in regulated capital markets activities, or any person related to it, if it were given evidence that the person has done one of the following:

   a) committed a major fault, gives misleading information, or omits to mention a material fact when applying for a licence, or omits to mention any other information that should be submitted to the Authority.

b) failed to meet the standards applied under this Part or any other subsequent directives and regulations issued accordingly.

c) violated any provision, regulation, or directives issued under this Proclamation.

d) was negligent in monitoring one of his affiliates (subordinates) by failing to prevent him from acting in a way which might be a violation of the provisions of this Proclamation or directives of the Authority.

2) In case of failure of a licenced person, the Authority may require the licenced person to take specific actions, such as moving client account to another market intermediary, and to request the appointment of a monitor, receiver, curator or other administrator to take possession or control of the assets held by a licenced person or a third party on behalf of the licenced person.

57. Rights of Applicant

1) The Authority shall not:-
   a) refuse to grant or renew a licence;
   b) revoke or suspend such a licence;

   unless it notifies the applicant or licencee of its intention to do so and affords him an opportunity to show cause in writing why it should not do so.

2) Where the Authority refuses an application for a licence or the renewal of a licence under this Article, it shall notify the applicant in writing of that fact and shall include in the notice a statement of the reasons for the refusal.

58. Review of Accounts

(1) A licenced person shall establish and maintain books, records, and detailed and accurate accounts that reflect transactions or transfers of ownership of the assets related to such licenced person, in accordance with accounting standards set out by the pertinent government organ.

(2) A licenced person shall maintain the records, books and accounts for a period of not less than ten years from the day of preparation thereof, or until any dispute between the licenced person and a client is resolved, during which they should be available for review if requested.

(3) These documents shall be subject to inspection and auditing at all times by the Authority or whoever assigned by the Authority to do so.

(4) A licenced person shall maintain records concerning client identity and maintain records that permit tracing of funds and securities in and out of brokerage and bank accounts related to securities transactions.

(5) A licenced person shall establish an internal control system and abide by the following;

a) Develop guidelines and procedures for supervision, risk management and prevention of conflict of interests.
b) Execute the operations according to general or special authorization obtained from a relevant department.
c) Ensure independence of disposition of assets under general or special authorization from a relevant department.
d) Compare registered assets during appropriate periods of time and take the necessary actions towards any material changes.
e) Record transactions to allow preparation of financial statements in accordance with the standards set out by a pertinent government organ.

59. Appointment of Auditors

1) Every licenced person shall appoint an external auditor approved by the Authority.

2) A person may not be qualified for appointment as an external auditor of a licenced person if:

   a) he is a shareholder, director, or employee of the licenced person;
   b) he is a spouse or relative by consanguinity or affinity to the first degree to a person falling within the categories provided under paragraph (a) of this sub-article; or
   c) it is a firm of auditors of which any partner or staff member falls within the categories provided under paragraph (a) or (b) of this sub-article.

3) The Authority may issue directives from time to time on the minimum professional knowledge and experience required of external auditors appointed to perform audits of a licenced person.

PART VII: CAPITAL MARKETS TRIBUNAL

60. Establishment of the Capital Markets Tribunal

The Capital Markets Tribunal is hereby established to hear appeals against decisions of the Authority.

61. The Jurisdiction of the Tribunal

The Tribunal shall have jurisdiction to hear and determine appeals of the decisions of the Authority or a person exercising the functions or powers of the Authority.

62. Appointment of Members of the Tribunal

1) The Prime Minister shall appoint five members to the Tribunal.

2) Members of the Tribunal shall constitute:

a) Chairperson and vice chairperson, who shall have similar qualifications to a person who is eligible to be a judge of the Federal High Court; and
b) Three other members with knowledge and experience in law, securities, commerce, finance or accountancy.

3) A member of the Tribunal:

a) may be appointed as either a full-time or part-time member;
b) shall be appointed for an initial term of five (5) years and shall be eligible for re-appointment for a further one term;
c) shall hold office on such terms and conditions, including in relation to remuneration and attendance fees, as determined by the Government.

63. Disqualification of Members of the Tribunal

A person shall not be appointed as a member of the Tribunal if he—

1) is declared bankrupt

2) is an employee of the Authority or persons licenced by the Authority

3) has been convicted of an offence under any law and sentenced to imprisonment for a period exceeding six months.

64. Administration of the Tribunal

1) The Chairperson of the Tribunal shall be responsible for managing the administrative affairs of the Tribunal.

2) The Tribunal shall have a Registrar and such other staff as the Chairperson determines.

65. Budget of the Tribunal

1) The budget of the Tribunal shall be allocated by the Government.

2) The Tribunal shall keep complete and accurate books of account.

3) The books of account and other financial documents of the Tribunal shall be audited by the Federal Auditor-General or by an auditor designated by the Federal Auditor-General.

66. Annual Report of the Tribunal

1) The Chairperson of the Tribunal shall prepare a report of the affairs of the Tribunal for each fiscal year.

2) A report under sub-article (1) of this Article for a fiscal year shall be submitted to the Prime Minister within three months after the end of the fiscal year.

67. Filing of an Appeal

1) A person may appeal to the Tribunal against the decision of the Authority by filing a notice of appeal to the Registrar, accompanied by the prescribed fee, within twenty eight days of service of notice of the decision.

2) Notwithstanding sub-article (1) of this Article, an appeal may be instituted out of time if the Tribunal is satisfied that there was a reasonable cause for not appealing within the time prescribed and that the appeal was filed thereafter without unreasonable delay.

3) A notice of appeal shall specify the grounds of appeal and be in such form and manner as may be prescribed by Tribunal.

4) The Authority shall, within seven days, after receiving a notice of appeal, forward to the Tribunal copies of all documents related to the decision appealed from.

68. Proceedings of the Tribunal

1) The Chairperson of the Tribunal shall serve as a member of one of the panels of the Tribunal.

2) The Chairperson of the Tribunal shall assign a member or members to the hearing of an appeal as the Chairperson considers appropriate having regard to the issues raised by the appeal.

3) The Tribunal shall have the power, given to an ordinary court under civil procedure code, to execute its own decision, decree, order and the court procedure.

69. Decision of the Tribunal

1) The Tribunal shall hear and determine an appeal and make a decision.

2) The Tribunal shall decide an appeal within 60 (Sixty) calendar days after the notice of appeal was filed.

3) The Chairperson of the Tribunal may, by notice in writing to the parties to an appeal, extend the period for deciding the appeal for a period not exceeding 30 (thirty) calendar days having regard to the complexity of the issues in the case and the interests of justice.

4) A failure by the Tribunal to comply with sub-article (2) or (3) of this Article shall not affect the validity of a decision made by the Tribunal on the appeal.

5) The Tribunal may dispose of an appeal by;

   a) confirming, varying or setting aside an original order, or decision and, where the original order or decision is set aside, by substituting the original order or decision as the Tribunal considers appropriate;
   b) remitting the matter in question to the Authority with such directions as it considers appropriate; or
   c) making any other order which the Tribunal considers appropriate

6) The Tribunal shall serve a copy of the decision on an appeal on each party to the appeal within 7 (seven) days of the making of the decision.

7) The Tribunal's decision shall include the reasons for the decision and the findings on material questions of fact, and reference to the evidence or other material on which those findings were based.

8) The decision of the Tribunal on an appeal shall come into operation upon giving of the decision or on such other date as may be specified by the Tribunal in the notice of the decision.

70. Appeal to the Federal High Court

A party to a proceeding before the Tribunal who is dissatisfied with the decision of the Tribunal may file a notice of appeal to the Federal High Court.

PART VIII: PUBLIC OFFERING AND TRADING OF SECURITIES

71. Registration of Securities

1) A publicly traded security shall be registered, prior to the offer or placement, by the Authority.

2) The issuer of a security or his representative must sign and file a statement of registration, with the Authority, in the prescribed form relating to the security together with the prescribed fee.

3) The Authority shall determine, by directive, information required for registration statements.

4) The registration of securities shall not apply to any of the following class of securities:

   a) Offering of securities issued by the Government of Ethiopia
   b) Sale of securities under court judgments or rulings, or sale of securities of asset management companies in case of bankruptcy or insolvency
   c) Securities offered in private placement
   d) Any other class of securities that the Authority shall, from time to time, determine as exempted securities, subject to such terms and conditions as may be prescribed therein, by directive.

5) Privately issued securities shall not be publicly traded; the Authority shall issue rules and regulations governing private placement of securities in a directive.

6) The Authority shall determine registration statement requirements for an emerging growth company by directive.

7) The Authority shall determine registration statement requirements for securities traded in over-the-counter markets.

72. Prospectus for Securities Issued by Companies

1) Without prior approval of its prospectus by the Authority, no person shall issue or advertise any securities for a public offering.

2) The prospectus under sub-article (1) of this Article shall be accurate, sufficiently clear, comprehensive and reasonably specific and timely.

3) Notwithstanding sub-article (2) of this Article, the Authority may issue specific requirements of the prospectus, including advertisement of public offerings, in a directive.

4) The Authority may refuse the prospectus for any of the following reasons:

   a) the prospectus is not in accordance with the provisions of the commercial code, this Proclamation, or any other requirements to be issued in a directive by the Authority; or
   b) the prospectus contains any inaccurate or incomplete statement that may influence the decision of the subscriber.

5) The issuer shall make the prospectus available to the public free of charge, in the terms and conditions as determined in a directive by the Authority.

73. Ongoing Disclosure Obligations

1) An issuer of securities that are the subject of a public offer, or which are publicly held, shall inform the Authority, members of the issuer and other holders of its securities as soon as reasonably practicable of any information relating to the issuer and its subsidiaries, if any, that:

   a) is necessary to enable them and the public to appraise the financial position of the issuer and of its subsidiaries.
   b) is necessary to avoid the establishment of a false market in its securities, or might reasonably be expected to materially affect market price of its securities.

2) All issuers of public offerings shall disclose their audited financial statements in accordance with directives issued by the Authority or rules issued by the securities exchange and approved by the Authority.

3) The Authority may require the securities exchange to take all necessary actions to urge listed companies to expedite the disclosure of any material changes that may occur in any of these companies.

4) The public may, for a fee specified by the Authority, have access to or obtain copies of periodic publications, reports, information and statements kept at a securities exchange, which was announced or disclosed.

5) Once registered securities are issued, the issuer must keep the public informed of all matters which affect the value of the securities, immediately upon their becoming known to the directors of the issuer, by placing an advertisement in a newspaper of general circulation and by reports to the Authority and to any securities exchange on which they are listed.

6) Notwithstanding sub-article (5) of this Article, the Authority may issue rules regarding disclosure of material information, including possible exceptions from this obligation, in a directive.

74. Offer of Asset-Backed Securities

1) An offer of asset-backed securities shall be made only if they are issued by a special purpose vehicle.

2) The Authority shall issue rules and regulations in a directive;
   a) on products and activities related to securitization and asset backed securities
   b) with respect to issuer of an asset backed security to disclose, for each class of security, information regarding to the asset backing that security.

3) The Authority may prescribe the contents of a prospectus or offering memorandum taking into consideration on the classification of the issue or offer and the nature of the assets backing the securities or such other factors that the Authority may consider appropriate.

4) A person shall not issue, offer for subscription purchase, or invite the subscription or purchase of asset-backed securities to the public or to restricted investors, except in accordance with this Part or approval by the Authority.

PART IX: DISCLOSURE OF INTERESTS

75. Definition

For the purpose of this Part, an **"Interested Person"** means any person who has an interest that represents five (5) percent or more in the capital of a company listed on an Exchange, whether directly, indirectly, or in alliance with others.

76. Submitted Information

1) An interested person shall, within a period of 5 (five) days from acquiring the interest, send an authenticated and signed statement to the Authority, the exchange where the securities are traded, and to the issuer of those securities; and such statement shall contain the information specified by the rules and regulations issued by the Authority in a directive.

2) Any share company listed on an exchange shall disclose the names of interested persons and any change in their shareholding. The Authority may specify procedures and timing for such disclosures in a directive.

3) The exchange in which a security is listed shall announce the information received concerning the disclosures of interests under sub-articles (1) and (2) of this Article immediately upon receipt thereof as specified by the rules and regulations issued by the Authority in a directive.

4) A person under the obligation of disclosure shall be held liable for any damages incurred by the Authority, the exchange or a third party as a result of a failure to disclose the interest according to the provisions of this Proclamation and the rules and regulations issued by the Authority in a directive.

77. Notification of Changes

1) An interested person and a share company listed on an exchange shall report to the Authority and the exchange on which securities are traded of any changes in any interest, subject to disclosure under Article 75 of this Proclamation, that exceeds more than 0.5 percent of the issuer's capital within a period of 10 (ten) business days as of the date of the change.

2) The reporting under sub-article (1) of this Article remains mandatory until the change results in a decline of the interest to below 5 percent of the capital.

78. Register of Disclosure

1) Any share company listed on an exchange shall maintain a special register for the disclosure of the members of the board of directors, executive directors, and managers, which involve all statements and information determined by the Authority, and shall include all data related to remunerations, salaries, incentives, and other financial benefits as included in the report of the general assembly.

2) Any stakeholder shall have the right to access this register during regular working hours

PART X: ACQUISITION, TAKEOVER AND PROTECTION OF MINORITY INTERESTS

79. Description

1) For the purpose of this part, the "**acquisition offer**" means the offer, or solicitation to offer, or request to own:

   a) All shares of a publicly traded company or all shares of any class(es) in a publicly traded company, other than the shares owned by the offeror, or its subsidiaries or affiliates on the offer submission date.
   b) All of the remaining shares in the Offeree Company, and which are offered to all the other shareholders in that company as a result of the acquisition of the offeror and its subsidiaries and affiliates of a majority share in the company, which enables it to control the board of directors.

2) The Authority shall issue a directive determining the required majority percentage to apply for the provisions of this Article.

80. Acquisition Offer

1) A person shall not make or pursue an offer in respect of a takeover or acquisition of the securities of any company except in accordance with the conditions prescribed by this Proclamation or the directives issued by Authority or any other law.

2) The person, wishing to submit an acquisition offer, shall submit copies of the offer documents, along with the relevant information to the Authority, securities exchange, and the issuer of the securities subject to the acquisition offer. The offeror shall obtain the Authority's approval before taking any further steps in the acquisition process.

3) The Authority shall, within a maximum period of 10 (ten) days, review the application and offer documents and issue its approval.

4) The Authority may refrain from issuing its approval pursuant to sub-article (3) of this Article if:

   a) The offer does not comply with the provisions of this Proclamation and related directives issued by the Authority.
   b) The application fees are not included in the offer.
   c) The offeror fails to submit the necessary documents in accordance with the provisions of this Proclamation and related directives issued by the Authority.
   d) The offer includes incorrect or incomplete statement, which shall have an influence on the decision of the shareholders of the company.

5) The Authority shall specify by directive rules that regulate the operations of a persons' ownership of a percentage not more than 30% of the shares of any listed company in a securities exchange.

6) A person who acquires directly or indirectly more than 30% of the securities admitted to trading of a listed company shall within 30 (thirty) days from the date of acquisition submit an offer to purchase all the remaining shares traded in the exchange as per the conditions set by directive of the Authority.

7) Any shareholders adversely impacted under sub-article (6) of this Article may challenge the resolutions of the General Assembly of the listed company, as per the Commercial Code, if such decisions harm the interests of the minority.

8) The following cases shall be exempted from sub-article (6) or (7) of this Article:

   a) Acquisition in consideration of the public interest and in the interest of the remaining shareholders. Any such exemption decision issued by the Authority shall be written and reasoned.
   b) Gaining the stated percentage when the company increases its capital and some shareholders refrain from subscription.
   c) Obtaining the stated percentage because of debt restructure.
   d) Gaining the stated percentage because of an inheritance, a will or a judicial ruling. In such case, the person shall regularize its situation within not more than 2 (two) years as from the increase.
   e) Such other cases as provided for in the rules and regulations issued by the Authority.

9) An issuer whose securities are the subject of an acquisition or takeover shall, within 7 (seven) business days from receipt of the offer, submit a response to the Authority stating its opinion and recommendations to the shareholders.

10) Existing investors of the company being offered for takeover or acquisition shall be;

   a) given a reasonable time to consider the proposal;
   b) supply with adequate information to enable them to assess the merits of the proposal;
   c) as far as practicable, given a reasonable and equitable opportunities to participate in any benefit accruing to the shareholders under the proposal; and
   d) given fair and equitable treatment in relation to the proposal.

Part XI: COLLECTIVE INVESTMENT SCHEMES

81. Description

1) A Collective Investment Scheme may exist in any of the following forms:

   a) Investment companies such as mutual funds
   b) Limited partnerships
   c) Any other such forms or mechanisms the Authority decides to include as a collective investment scheme.

2) The Authority shall set rules for regulating collective investment schemes, taking into consideration the provisions of this Part.

3) Securities or units pertaining to a collective investment scheme shall not be managed or sold unless the Scheme has been licenced by the Authority according to its directives, rules, and regulations and the issuance of the licence has been announced to the public in a widely circulated newspaper.

4) Participants are entitled to redeem their units from a collective investment scheme in accordance with the Memorandum or Articles of Association or Contract, without giving prior notice.

5) In instances where the collective investment scheme operator is:

    a) Failing to honour redemptions; or
    b) Imposing a suspension of redemptions in a manner that is not consistent with collective investment scheme Memorandum or Articles of Association or contracts or prospectus; or
    c) Deemed to be in violation of this Proclamation,

    the Authority shall intervene and address the situation.

82. Registration of Collective Investment Schemes

1) An application for the registration of a collective investment scheme shall be made to the Authority in the prescribed form and manner and shall be accompanied by:—

    a) application form
    b) application fee payable to the Authority
    c) offering and constitutive document and most recent financial report
    d) such other documents and information as may be prescribed or as the Authority may reasonably require.

2) If, after considering an application in terms of sub-article (1) of this Article, the Authority is satisfied, the Authority shall register the scheme and shall notify the applicant in writing accordingly.

3) The Authority shall issue the rules and regulations in a directive on types of the schemes, on issuance and redemption of investment units, asset valuations, pricing controls, and disclosure requirements of collective investment schemes.

83. Collective Investment Scheme Operator

1) Any person acting as a collective investment scheme operator shall meet minimum requirements for licencing with regard to:

    a) Risk management mechanisms
    b) Internal controls

c) Accounting procedures
d) Corporate governance
e) Appropriate and sufficient human and technical resources
f) Minimum capital requirements; and
g) Any other requirements to be determined by directive of the Authority.

2) The Authority may issue directive regarding ongoing requirements for collective investment scheme operators with minimum standards regarding:

a) Due diligence in the selection of collective investment scheme investments
b) Acting in the best interest of collective investment scheme investors and in accordance with the principles of fair treatments
c) Identification and managements of conflicts of interests, especially with regards to related party transactions
d) Procedures for orderly winding up of collective investment schemes businesses.

3) Collective investment scheme operators shall keep books and records in relation to transactions involving collective investment scheme assets, and all transactions in collective investment scheme shares or units.

4) A collective investment scheme operator shall report to the Authority any information relating to material changes in its management or organisation or investor rights or in the operations of the collective investment scheme.

5) A collective investment scheme operator shall separate its own assets from collective investment scheme assets.

6) Collective investment scheme assets should be under the custody of an independent party, a custodian and/or depository, to whom such assets shall be identified as clients' assets.

7) Client's asset should be protected from losses or insolvency of collective investment scheme operator.

8) A collective investment scheme operator shall give notice to investors of material changes to investor rights notice before they take effects, in cases where such changes do not require prior approval from investors.

9) Before material changes to investor rights take effects, the investors should be given the possibility to redeem their shares with no redemption fee, if applicable.

84. Investment Advisor of a Collective Investment Scheme

Any person acting as an advisor for a Collective Investment Scheme shall comply with the following:

a) Be licenced by the Authority to act as an Investment Advisor.
b) Act in the conformity with the regulations and procedures governing the Collective Investment Scheme, which aims to achieve the unit holders' interests.

c) Exert reasonable care of the person that is protecting his own property when offering investment advices.
d) Maintain regular records according to the accounting systems related to the collective investment schemes.
e) Submit periodic reports to the Authority, as requested and in accordance with its issued regulations.

85. Restrictions on Collective Investment Schemes

1) The collective investment scheme is prohibited from carrying out the following:

   a) Grant credit
   b) Purchase any securities issued by the company managing the scheme or any of its subsidiaries, except to the extent of the rules established by the Authority in this regard.
   c) Purchase any securities of the entity, where the scheme's manager is acting as the subscription manager or sales agent, except to the extent of the rules established by the Authority in this regard.

2) A manager or custodian of a collective investment scheme may not be replaced unless upon approval from the Authority; and the Authority shall notify an applicant for such a change of its reasoned decision within 30 (thirty) days from the date of receipt of the request. The bylaws shall specify the procedures required in this regard.

PART XII: INSIDER TRADING AND IMPROPER TRADING PRACTICES

86. Information Made Public

(1) For the purposes of this Proclamation, information is made public if it:

   a) is published in accordance with the directives of the Authority or a securities exchange for the purpose of informing investors and their professional advisers
   b) is contained in records which by virtue of any enactment are open to inspection by the public
   c) can be readily acquired by those likely to deal in any securities:
      i. to which the information relates; or
      ii. of an issuer to which the information relates
   d) is derived from information which has been made public.

(2) Information may be treated as made public even though it:

   a) can be acquired only by persons exercising diligence or expertise; or
   b) is communicated to the public on subscription or payment of a fair and reasonable fee; or
   c) can be acquired only by observation; or
   d) is published only outside Ethiopia.

87. Inside Information

(1) For the purposes of this Part **"inside information"** means information which:

a) is specific or precise,
b) has not been made public, and
c) if it were made public would be likely to have a material effect on the price of any securities.

(2) Securities are **"price-sensitive securities"** in relation to inside information, if the information would, if made public, be likely to have a material effect on the price including the value of the securities.

88. Insiders

1) For the purposes of this Part, an insider" means a person in possession of inside information.

2) For the purposes of sub-article (1) of this article, a person has information from an inside source if that person has it through:

a) being a director, employee or shareholder of an issuer of securities; or
b) having access to the information by virtue of his or her employment, office or profession; or
c) the direct or indirect source of the information falls under a person in paragraphs (a) and (b) of this sub-article.

89. Insider Trading

(1) A person who has inside information is prohibited from trading in securities if:

a) the securities are price-sensitive in relation to the inside information; or
b) that person encourages another person, whether or not that other person knows it, to deal in securities or their derivatives which are price-sensitive in relation to the information in the possession of the insider, knowing or having reasonable cause to believe that the dealing would take place; or
c) that person discloses the information, otherwise than in the proper performance of the functions of his employment, office or profession, to another person.

(2) A contract shall not be void or unenforceable by reason only of the commission of an offence under this Article.

(3) The Authority may issue additional rules and regulations in a directive to regulate and supervise insider trading activities.

90. Market Manipulation

1) A person who enters into or carries out, directly or indirectly, two or more transactions in the securities of a company, or in other publicly traded securities, which by themselves or in conjunction with any other transaction –

   a) increase, or are likely to increase the price of securities with the intention of inducing another person to purchase, or subscribe for, or to refrain from selling securities issued by the same company or a related company, or such other listed securities;
   b) decrease, or are likely to decrease, the price of securities with the intention of inducing another person to sell , or to refrain from purchasing, securities issued by the same company or a related company, or such other listed securities; or
   c) Stabilize, or are likely to stabilize, the price of securities with the intention of inducing another person to sell, purchase, or subscribe for, or to refrain from selling, purchasing or subscribing for, securities issued by the same company or by a related company, or such other listed securities.

91. False Trading

1) A person shall not create or cause to be created, or do anything with the intention of creating a false or misleading appearance:

   a) of active trading in securities on the securities market of a securities exchange; or
   b) with respect to the market for, or the price for dealings in, securities traded on the securities market of a securities exchange

2) Without prejudice to the generality of sub-article (1) of this Article, a false or misleading impression of active trading in securities is created for the purpose of this section if a person –

   a) enters into or carries out, directly or indirectly, any transaction for the sale or purchase of securities which does not involve a change in the beneficial ownership of the securities, or offers to do so; or
   b) offers to sell securities at a price which is conspicuously the same as the price at which he has made or proposes to make, or knows that his counterpart has made or proposes to make, an offer to buy the same or conspicuously the same, number of securities.

92. Fraudulent Transactions

A person shall not induce or attempt to induce another person to subscribe for, sell or purchase securities by;

1) making or publishing any statement, promise or forecast that is false, misleading or deceptive;
2) concealing any material facts;
3) recording or storing in, or by means of, any mechanical, electrical or other device, information that is false or misleading

93. Use of Manipulative Device

A person shall not, directly or indirectly, in connection with any transaction with any other person involving the subscription, purchase or sale of securities –

1) using any device, scheme or artifice to defraud the other person; or
2) engaging in any act, practice or course of business which is fraudulent, deceptive, or likely to defraud or deceive that other person; or

94. False or Misleading Statements

A person shall not make, directly or indirectly, for the purpose of inducing the subscription for, sale or purchase of securities by another person of any company, or of any other listed securities, or to maintain, increase, reduce or stabilize the price of such securities, with respect to the securities –

a) any statement which is, at the time and in light of the circumstances in which it is made, false or misleading with respect to any material fact and which that person knows or reasonably ought to know is false or misleading; or
b) any statement which is, by reason of the omission of a material fact, rendered false or misleading and which that person knows or ought to know is rendered false or misleading by reason of omission of that fact;

95. Front–Running and Other Trading Practices

1) Any licenced person who has insider information on client orders with a price differential or is aware of such orders and effects an own account transaction in the securities concerned or in any related investments directly through any other person, shall not take advantage of the price differential before the client order is executed.

2) A licenced person shall not deal ahead of his clients or mark the close or excessively deal on behalf of clients.

96. Restrictions on Selling of Securities

A person shall not sell securities which that person does not hold at, or through a securities exchange, unless at the time that person sells them:

a) that person has or, where that person is selling as agent, the principal has; or
b) that person reasonably and honestly believes that he has or, where that person is selling as agent, that the principal has,

a presently exercisable and unconditional right to vest the securities in the purchaser of them.

PART XIII: COMPENSATION FUND

97. Establishment of a Compensation Fund

(1) There shall be established a Fund to be known as the Compensation Fund (or the "Fund") for the purposes of granting compensation to investors who suffer pecuniary loss resulting from the failure of a capital markets service provider or securities exchange to meet his contractual obligations and paying beneficiaries from collected unclaimed dividends when they resurface.

(2) Where the Authority is satisfied that adequate arrangements, other than those required under sub-article (1) of this Article for the protection of investors exist, the Authority may exempt a securities exchange from the requirements of that sub-article.

(3) The Compensation Fund shall consist of: -

a) such moneys as are required to be paid into the Compensation Fund by licenced persons;
b) such sums of money as are paid under this Proclamation as fines or penalties or as ill-gotten gains where those harmed are not specifically identifiable;
c) such sums of money as accrued from interest and profits from investing Compensation Fund moneys;
d) such sums of money recovered by or on behalf of the Authority from entities whose failure to meet their obligations to investors result in payments from the Compensation Fund;
e) interest deemed to accrue on the proceeds of a public issue or offer for sale of shares of a company listed or to be listed on an approved securities exchange, between the closing date and the date of dispatch of refund cheques, or where there is no refund, the date of dispatch of share certificates or crediting of securities accounts, to be determined at the rate prescribed by the Authority;
f) such sums of money as are received for purposes of the Compensation Fund from any other source approved by the Government.

(4) The Authority may reward any person who provides new and timely information leading to the recovery of sums of money referred to in sub-article (3) of this Article, provided that: –

a) this provision shall not apply to any officer of the Authority;
b) the reward payable under this Article shall be three per cent of the amount recovered subject to a maximum of five million birr; and
c) the reward referred to in paragraph (b) shall be paid before the recovered sums of money are transferred to the Fund.

(5) Moneys which have accumulated in the Compensation Fund may be invested by the Authority.

98. Directives of the Fund

The Authority may issue directives as to the:

a) Moneys constituting the fund;
b) Accounts to be maintained by the fund;
c) Administration of the fund and powers of the market committee administering the fund;

d) Minimum amount to be kept in the fund and provisions if the fund is reduced below the minimum amount;
e) Levies that may be imposed to meet liabilities of the fund;
f) The power of a securities exchange to make advances to the fund;
g) Investment of moneys of the fund;
h) Manner of lodging claims against the fund;
i) Any other matter incidental to the establishment and maintenance of the fund.

99. Sources of the Fund

The main sources of funding of the Fund shall be:-

a) all moneys paid to or deposited into it by any licenced capital markets service provider;
b) all moneys recovered by or on behalf of the Authority by the exercise of any right of action conferred by this Proclamation; and,
c) all other moneys accruing to the Fund.

100. Disbursements from the Fund

(1) The contributions to, and payments out of the Fund shall be made in accordance with directives to be issued by the Authority.
(2) Any disbursement from the compensation fund that is accountable to the default of any licenced person is a debt due to the fund and is recoverable at the suit of the Authority in any court of competent jurisdiction.

101. Management of the Fund

The Authority may issue directives prescribing all such matters and things as are necessary or expedient to be prescribed for or with respect to the administration, management, and application of any compensation fund established under this Part.

102. Assets and Liability of the Fund

1) The assets of the Fund shall be the property of the Authority, but shall be kept separate from all other properties and shall be kept in trust for the purposes set out in this Part.

2) The Authority may limit the payment from the compensation fund, in respect of each licencee in default, to such amount as the Authority may by directive provide.

Part XIV: MISCLLANEOUS

103. Offences and Penalties

1) Procedure in Capital Market Offence Cases

a) A capital market offence is a violation of the criminal law of Ethiopia and shall be charged, prosecuted, and appealed in accordance with Criminal Procedure Code of Ethiopia.
b) Commission of an offence under this chapter violating various provisions of this Proclamation shall be construed as separate criminal act committed or omitted in contravention of this law; and the penalty prescribed for each offence under the relevant provisions shall apply.

2) Whoever operates or purports to operate as a self-regulatory organization without being recognized as such by the Authority shall be punishable with a fine of not exceeding birr 100,000 (One Hundred Thousand Birr) and with simple imprisonment.

3) A person who establishes or launches a business as a securities exchange or a derivative exchange, or holds himself out as creating a securities market or a derivatives market that is not licensed or approved as a securities exchange or a derivative exchange by the Authority under this Proclamation shall be punishable with a fine of not exceeding birr 1,000,000 (One Million Birr) and with rigorous imprisonment of not exceeding 15 years.

4) A person who deals in securities at or through a securities exchange by contravening of Article 31(3) of this Proclamation, shall be punishable with a fine of not exceeding birr 1,000,000 (One Million Birr) and with rigorous imprisonment of not exceeding 15 years.

5) A person, other than a licensed securities exchange, who takes or uses, or has attached to, or exhibited at, any place:
   a) the title "securities exchange" or "stock exchange" or "derivatives exchange"; or
   b) any title which so closely resembles either of the titles specified in paragraph (a) of this sub-article as to be likely to deceive,

   shall be punishable with a fine of not exceeding birr 100,000 (One Hundred Thousand Birr) and with simple imprisonment.

6) Any person who issues a security that has not been registered or is not guaranteed by the Government or exempted by directives made under this Proclamation from the requirements of registration of securities, shall be punishable with a fine of not exceeding birr 1,000,000 (One Million Birr) and with rigorous imprisonment of not exceeding 15 years.

7) A person who performs a regulated capital markets activity without licence from the Authority shall be punishable with a fine of not exceeding birr 1,000,000 (One Million Birr) and with rigorous imprisonment of not exceeding 15 years.

8) A person who deals in registered securities otherwise than through a licenced securities exchange or over-the-counter market shall be punishable with a fine of not exceeding birr 100,000 (One Hundred Thousand Birr) and simple imprisonment.

9) A person who deals in any securities otherwise than through a licenced dealer shall be guilty of an offence shall be punishable with a fine of birr not exceeding birr 100,000 (One Hundred Thousand Birr) and simple imprisonment.

10) A person who trades with inside information pursuant to sub-article (1) of Article 82 of this Proclamation shall be punishable with a fine of not exceeding birr 1,000,000 (One Million Birr) and with rigorous imprisonment of not exceeding 15 years.

11) A person who acts as a representative without holding a representative's license commits an offence and shall be punishable with a fine of not exceeding birr 100,000 (One Hundred Thousand Birr) and simple imprisonment for a term of one to three years.

12) A person who, for the purpose of obtaining a license in accordance with this Proclamation, whether directly or indirectly, makes any representation, in writing, orally or otherwise, which is false or misleading commits an offence and shall be punishable with a fine of not exceeding birr 1,000,000 (One Million Birr) and with rigorous imprisonment of not exceeding 15 years.

13) A person who enters or offers to enter into any agreement for, or with a view to, acquiring, disposing of, or subscribing for, shares, units or other securities representing an interest in a collective investment scheme that is not registered in accordance with the provisions of this Proclamation, or establishes and operates a collective investment scheme that is not registered in accordance with the provisions of this Proclamation, shall be punishable with a fine of not exceeding birr 1,000,000 (One Million Birr) and with rigorous imprisonment of not exceeding 15 years.

14) A person who destroys, falsifies, conceals or disposes of, or causes or permits the destruction, falsification, concealment or disposal of, any document, which the person knows or ought to know is relevant to an inspection or investigation under this Proclamation shall be punishable with simple imprisonment, or according to the gravity of the case, with rigorous imprisonment of not exceeding 15 years.

15) Where the offence is committed by body corporate under this Article, without prejudice to the confiscation of the property with which the offence is committed, shall be punishable with a fine from birr 1,000,000 (One Million) to 20,000,000 (Twenty Million).

16) Where any offence under this Article is committed by a body corporate, the board director or senior personnel who was, at the time of the commission of the offence, responsible for the management of the body corporate shall be liable and shall be punishable with rigorous imprisonment from 7 to 10 years, unless he can prove sufficiently to the court that he had no knowledge and could not, by the exercise of reasonable diligence, have had knowledge of the commission of the offence.

17) A person who:

a) engages in market manipulation or false trading or fraudulent transactions or front running; or
b) uses manipulative devices to defraud or deceive that other person under Article 93 of this Proclamation; or
c) deals ahead of his clients or mark the close or excessively deal on behalf of his clients; or
d) makes false or misleading statements, directly or indirectly, for the purpose of inducing the subscription for, sale or purchase of securities by another person of any

company, or of any other listed securities, or to maintain, increase, reduce or stabilize the price of such securities under Article 94 of this Proclamation,

shall be punishable with a fine of not exceeding birr 1,000,000 (One Million Birr) and with rigorous imprisonment of not exceeding 15 years.

18) Whoever, directly or indirectly, makes, circulates or publishes a prospectus that he knows is false, with intent to induce other persons, whether ascertained or not, to purchase a security, or deceive or defraud the shareholders or creditors shall be punishable with a fine of not exceeding birr 1,000,000 (One Million Birr) and with rigorous imprisonment of not exceeding 15 years.

19) A person who under sub-article (3) of Article 97 of this Proclamation:

a) colludes with an officer of the Authority for the purpose of collecting the reward; or
b) while working at the Authority aids another person to get and provide information; or
c) provides false information,

shall be punishable with a fine of not exceeding birr 1,000,000 (One Million Birr) and with rigorous imprisonment of not exceeding 15 years.

20) In addition to the imprisonments and fines imposed under this Article, the proceeds of the crime shall be confiscated and transferred to the compensation fund.

104. Administrative Measures

1) Notwithstanding criminal conviction of a person under Article 103 of this Proclamation, the Authority may impose administrative measure based on its supervision or investigation report to revoke or suspend a license and/or order the dismissal or suspension of senior personnel or board of directors of the licensed person and/or impose fine on a person who contravenes the provisions of this Proclamation, or regulations or directives issued under this Proclamation.

2) The Authority shall specify the administrative measures under sub-article (1) of this Article by directive.

105. Power to Issue Directive

The Authority may issue directives necessary for the implementation of this Proclamation and regulations issued by the House of Peoples' Representatives.

106. Licence Renewal

Any licence granted under this Proclamation shall be renewed annually by paying required fees to be prescribed by the Authority.

107. Administration of Employees

The employees and management of the Authority shall be governed by regulation to be issued by the Council of Ministers.

108. Inapplicable Laws

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

109. Effective Date

This Proclamation shall enter into force on the date of its publication in the Federal Negarit Gazette.

Done at Addis Ababa, this […th] day of [Month] 2020

SAHLEWORK ZEWUDIE

PRESIDENT OF THE FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA