



Public Offering and Trading of Securities Directive (No. 1030/2024)





What is a Public Offering?

- A public offering is the sale of securities (such as stocks or bonds) to the general public, typically through a regulated securities exchange or market.
- It allows issuers to raise capital by offering shares to individual or institutional investors.

Objective:

- Regulate public offering and trading of securities.
- Protect investors and promote market transparency.
- Enhance Ethiopia's capital market development.



Issued by

The Ethiopian Capital Market Authority, under the Capital Market Proclamation No. 1248/2021, to improve the Ethiopian securities market and investor confidence.

Scope of Application

Applies to:

- Public offerings in Ethiopia.
- Securities are traded on licensed exchanges or OTC markets.
- Securities issued by public enterprises of federal or regional governments.

Exemptions:

- Government-guaranteed securities.
- Small offerings, private placements, and offshore offerings.



Eligibility Criteria for Issuers

1. **Must be:**

- A share company as defined in the Commercial Code
- Companies under formation meeting specific requirements
- A statutory body authorized to issue securities.
- a Multilateral Agency
- Approved entities under ECMA guidelines.

2. **General requirements:**

- Compliance with governance standards.
- Audited financial statements.
- Solvency and free transferability of securities.



Key Registration Requirements

Comprehensive Registration Statement:

- Corporate registration, business licenses, and investment permits.
- Financial reports (audited for 3 years or interim statements if applicable).
- Valuation reports by transaction advisors.
- Legal opinions and material contracts.
- Escrow account evidence for subscription funds.

Prospectus:

- Clear and comprehensive information on securities.
- Inclusion of risk factors, financial forecasts, and business plans.



Key Registration Requirements

Specific Requirements for Debt Securities:

Eligibility:

- The issuer must have operated for at least one year.
- No breaches in loan repayment.
- Fully paid-up issued capital.

Registration Requirements:

- Bond indentures.
- Credit rating (mandatory for certain offerings).
- Feasibility reports for projects funded by proceeds.



Types of Securities Registration

1. **Equity Securities:** Shares, including bonus and convertible shares.
2. **Debt Securities:**
 - Tenure exceeding one year.
 - Must have fixed or variable coupon rates.
 - Credit rating is required if applicable.
3. **Shelf Registration:**
 - Valid for up to three years for listed entities.
 - Minimum value of five billion Birr.



Book Building:

What is a Book Building?

- A dynamic process used by issuers to assess market demand and determine the price for securities before their issuance.

Key Features

1. Demand Estimation:

- Involves collecting bids from potential investors.
- Helps gauge the interest level and willingness to pay for securities.

2. Price Discovery:

- Enables issuers to set an optimal price based on investor feedback.
- Balances issuer's revenue goals with market interest.



Book Building:

Key Features

3. Efficient Allocation:

- Securities are allocated to investors based on demand and bid amounts.

4. Transparency:

- Facilitates a clear and systematic approach to price determination, enhancing market confidence.

Role of the Book Runner

- A key intermediary (e.g., investment bank or financial advisor) responsible for managing the book-building process:
 - Collects bids and compiles data.
 - Advises the issuer on pricing and allocation.



The Offer Process: Step-by-Step

1. Preparation:

- **Appointment of a Transaction Advisor:** The issuer must appoint a Transaction Advisor in good standing with the Ethiopian Capital Market Authority (ECMA).
- **Compilation of Required Documentation:** Assemble a comprehensive registration statement, which includes:
 1. Certificate of Commercial Registration and business licenses.
 2. Audited financial reports (covering at least 3 years or interim statements if applicable).
 3. Valuation report and feasibility studies (for projects).
 4. A draft prospectus containing all material information.
 5. Legal opinions, material contracts, and corporate resolutions.
 6. Evidence of escrow account for subscription funds.



The Offer Process: Step-by-Step

2. Submission:

- **Filing Process:**

1. The completed application and supporting documents must be submitted to the ECMA.

2. Language Requirement:

- All documents should be in Amharic or English.
- If original documents are in another language, an authenticated translation must be provided.

- **Formatting and Completeness:**

- Ensure all submitted documents are typewritten, clear, and easily readable.
- Payment of requisite fees is required as per ECMA's fee schedule.



The Offer Process: Step-by-Step

3. Approval and Timeline:

Review Period:

- ECMA reviews the submitted application and documentation within:
 - 20 business days for standard securities.
 - 30 business days for Initial Public Offerings (IPOs).
- If revisions or clarifications are required:
 - The review timeline resets upon re-submission of updated documents.



The Offer Process: Step-by-Step

3. Approval and Timeline:

Approval:

- ECMA provides formal approval if all requirements are met.
- Issuance of a Certificate of Registration of Securities confirming the type and quantity of registered securities.

Publication of Approved Prospectus:

- The issuer must publish the approved prospectus:
 1. Within 30 calendar days of ECMA approval.
 2. At least 10 days before the start of the public offering.
- The prospectus must be accessible to potential investors without restrictions.



Governance and Disclosure Obligations

Ongoing Reporting:

- Periodic financial and operational updates.
- Disclosure of significant changes.

Transparency:

- Prospectus and financial statements available to the public.
- Investor protection is ensured through timely and accurate disclosures.



Prohibited Practices and Penalties

- **Prohibited Practices**
 - **Misleading Disclosures:** Providing false, incomplete, or intentionally deceptive information in prospectuses, financial statements, or public disclosures.
 - **Non-Compliance with Directives:** Failing to adhere to ECMA's registration, reporting, and corporate governance requirements.
 - **Fraudulent Activities:** Engaging in insider trading, market manipulation, falsification of records, or unauthorized offerings.
 - **AML/CFT Violations:** Ignoring anti-money laundering and counter-terrorism financing obligations or failing to mitigate systemic risks.



Prohibited Practices and Penalties

- **Penalties**

- **Financial Fines and Deregistration:** Monetary penalties and removal of securities from the market for severe violations.
- **Suspension of Trading:** Temporary halt of trading activities until compliance issues are resolved.
- **Legal and Criminal Actions:** Prosecution for fraud, gross misconduct, or other illegal activities.
- **Blacklisting and Public Reprimands:** Barring non-compliant personnel from future participation and issuing public warnings to safeguard investor trust.



Benefits to the Market

- Increased transparency and investor trust.
- Strengthened market integrity and regulatory compliance.
- Promotion of a fair and efficient capital market ecosystem.

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