

**DIRECTIVE ON THE PUBLIC OFFERING
AND TRADING OF SECURITIES**

Issued on:

.....

TABLE OF CONTENTS

PREAMBLE	1
PART ONE – GENERAL PROVISIONS	2
SECTION 1: PRELIMINARY	2
1. Short Title	2
2. Definitions	2
3. Scope of Application	8
SECTION II – REGISTRATION OF SECURITIES	9
4. Prohibition	9
5. Exempted Securities	9
6. Application Requirements	9
7. Registration Requirements	10
8. Registration of Bonus Shares	12
9. Registration Requirement for Convertible Debt	13
10. Offer for Sale	14
11. Timeline and Processing of Application	15
12. Principles for Review of Registration Statement	15
13. Approval of Registration Statement by the Authority	16
14. Refusal of Registration Statement	17
15. Certificate of Registration	18
16. Interim Provision	18
PART TWO – OFFER OF SECURITIES	19
SECTION I – GENERAL	19
17. Eligibility	19
18. Sale Method of Registrable Securities	20
18. Prospectus Requirement	21
19. Appointment of a Transaction Advisor	21
20. Additional Registration Requirements	21
21. Exemption from Obligation to Issue a Prospectus	23
22. Structure and Content of a Prospectus	24
23. Incorporation by Reference	26
24. Persons Responsible for Prospectus	27
25. Expert Statement in a Prospectus	28
26. Omission from Prospectus	28
27. Review of Prospectus	29

28.	Advertisement	30
29.	Underwriting of Public Offers	32
30.	Underwriting Commission	33
31.	Amendment of Information Before Approval	33
32.	Publication of a Prospectus	34
33.	Effective Date of Prospectus	35
35.	Material Changes to Prospectus	36
36.	Indivisibility of Prospectus	37
37.	Authority's Power to Suspend or Cancel Offer	37
38.	Allotment of Securities	37
39.	Publication of Allotment Result	38
40.	Under-subscription	39
41.	Over- Subscription	39
42.	Conclusion of a Successful Offer	40
43.	Conclusion of an Unsuccessful Offer	40
44.	Notice of Completion of Offer	40
45.	Document Retention Obligation	40
46.	Listing on a Licensed Securities Exchange	40
47.	Condition for Approval of Subsequent Public Offers	40
	SECTION II – SHELF REGISTRATION	41
48.	Eligibility	41
49.	Validity of a Shelf Registration	41
50.	Requirement for Shelf Prospectus and Pricing Supplement	42
51.	Contents of a Shelf Prospectus and Pricing Supplement	42
52.	Processing of Application for Shelf Registration	43
53.	Publication of Shelf Prospectus	43
	SECTION III – BOOK BUILDING	44
54.	Eligibility	44
55.	Investors in a Book Building	44
56.	Conditions for Clearance	44
57.	Bidding Process	45
58.	Offer Period for the Book Building Process	45
59.	Rights of Qualified Investors	46
60.	Allotment of Securities Offered in the Book Building Process	46
61.	Determination of Price and Offer Size for the Fixed Portion	46

62.	Approval of the Updated Prospectus by the Authority	46
63.	Offer in the Fixed Portion	47
64.	Allotment of Securities of the Fixed Portion	47
65.	Records to be Maintained	47
66.	Other Requirements	47
SECTION IV – PREFERRED RIGHTS OF SUBSCRIPTION		47
67.	General Requirements	47
68.	Conditions for Approval	48
69.	Registration Requirements	49
70.	Publication of Notice of Subscription	49
71.	Underwriting of Preferred Rights of Subscription	50
72.	Under-subscription of Preferred Rights of Subscription	50
73.	Allotment of Preferred Rights of Subscription	50
74.	Other Requirements	51
SECTION V – ISSUANCE OF SECURITIES EXEMPTED FROM REGISTRATION		51
75.	Applicability	51
76.	Issuance Through Private placement	51
77.	Issuance Through Offer or Sale to Qualified Investors	52
78.	Small Offerings	52
79.	Report to be filed with the Authority	53
SECTION VI – SHARE COMPANY UNDER FORMATION		53
80.	Prohibition	53
81.	Requirement to Obtain Approval of the Authority	53
82.	Appointment of a Compliance Advisor	53
83.	Conditions for Approval	55
84.	Period of Offer	56
85.	Under Subscription	57
86.	Obligation of Promoters	57
87.	Registration requirements	57
PART THREE - DEBT SECURITIES		58
88.	Applicability	58
89.	Eligibility	58
90.	General Requirements	58
91.	Rating Requirements	60
92.	Additional Registration Requirements for Debt Securities	61

93.	Other Requirements	61
__PART FOUR – CROSS BORDER SECURITIES TRANSACTIONS		61
94.	Offer of Securities Made Outside of Ethiopia	61
PART FIVE- ONGOING INFORMATION DISCLOSURE OBLIGATIONS		62
SECTION I – GENERAL ONGOING OBLIGATIONS		62
95.	Timely Disclosure of Information	62
96.	Method of Disclosure	64
97.	System of Internal Controls	65
SECTION II - PERIODIC DISCLOSURE OBLIGATIONS		65
98.	Filing of Financial Statements	65
99.	Semi-Annual Financial Statements	66
100.	Annual Audited Financial Statement	67
101.	Annual Reports	67
102.	Earnings Forecast	69
103.	Other Ongoing Obligations	69
PART SIX – TRADING IN SECURITIES		70
104.	Prohibition	70
105.	Suspension and Delisting	70
106.	Disclosure of Interest by Interested Persons	70
107.	Market Abuse	71
108.	Prohibition Against Insider Dealing	71
PART SEVEN: CONTENT OF THE PROSPECTUS		72
SECTION 1: CONTENTS OF PROSPECTUS – EQUITIES		72
109.	Front page	72
110.	Table of Content	73
111.	Person Responsible for the Information Disclosed	73
112.	Person Responsible for the Information Disclosed	74
113.	Third Party Information	74
114.	Statutory Auditors	75
115.	Definitions and Corporate Directory	75
116.	Summary of the Offer	75
117.	Information on the Issuer	77
118.	Business Overview	77
119.	Organizational Structure	79
120.	Regulatory Environment	79

121.	Management Discussion and Analysis on Operation and Financial Results	79
122.	Corporate Governance	80
123.	Board Committees and Practices	81
124.	Remuneration	82
125.	Directors Interest	82
126.	Major Shareholder/Interested Persons	82
127.	Related Party Transactions	82
128.	Employees	83
129.	Financial Information	83
130.	Legal and arbitration proceedings	84
131.	Significant change in the issuer's financial position	84
132.	Profit Forecast	85
133.	Pro Forma Financial Information	86
134.	Dividend Policy	86
135.	Going Concern	86
136.	Share Capital	86
137.	Memorandum of Association	87
138.	Material Contracts	87
139.	Risk Factors	88
140.	Working Capital Statement	89
141.	Capitalization and Indebtedness	90
142.	Interest of natural and legal persons involved in the issue or offer	90
143.	Reasons for the Offer and Use of Proceeds	90
144.	Information Concerning the Securities Being Offered	90
145.	Terms and Conditions of the Offer of Securities to the Public	91
146.	Pricing	92
147.	Distribution and Underwriting	93
148.	Trading Arrangements	93
149.	Expense of the Offer	93
150.	Documents Available	94
SECTION II: CONTENT OF PROSPECTUS FOR OFFER OF DEBT SECURITIES BY CORPORATE BODIES		94
151.	Applicable Articles	94
152.	Summary of the Offer	94
153.	Trend Information	96
154.	Information Concerning the Securities Being Offered	97

155.	Additional information	98
SECTION III: CONTENTS OF OFFERING MEMORANDUM (PREFERRED RIGHTS OF SUBSCRIPTION)		98
156.	Offering Memorandum	98
157.	Investments	99
158.	Trend Information	99
159.	Dilution	99
160.	Documents Available	100
PART EIGHT: ENFORCEMENT: ADMINISTRATIVE SANCTIONS (MEASURES) and PENALTIES		100
SECTION I: Enforcement and Administrative Sanctions (Measures)		100
162.	Penalties and Others	100
SECTION II: PENALTIES, FINES AND OTHER ENFORCEMENT ACTIONS		101
163.	Unauthorized Publication	101
164.	Unauthorized Activities	102
165.	Late Filing of Reports	103
166.	Late filing of Ongoing Reporting Obligation	104
167.	Trading in Securities Failure to Notify	104
168.	Arbitration and Enforcement Instructions	105
169.	General	106

PREAMBLE

Whereas, Part Eight of the Capital Market Proclamation No.1248/2021(hereinafter referred to as the “Proclamation”) mandates the Ethiopian Capital Markets Authority (hereinafter referred to as “ECMA” or “Authority”) to determine the requirements for public offerings and trading of securities by a directive;

Whereas, it is necessary to provide for a regulatory framework that allows for effective and efficient regulation of the public offering and Trading of Securities; protects the interest of investors; ensures the integrity of capital market transactions; and ensures the existence of orderly, fair, efficient and transparent capital markets that promote the development of Capital Market in Ethiopia;

Now, therefore, the Authority hereby issues this Directive on the Public Offer and Trading of Securities in accordance with Articles 6(5), 6(8), 6(10), 6(17), 75, 76, 77, and 108(2) of the Proclamation.

PART ONE – GENERAL PROVISIONS

SECTION 1: PRELIMINARY

1. Short Title

This Directive may be cited as the “Directive on Public Offer and Trading of Securities No. /2024.”

2. Definitions

Unless the context otherwise requires:

1. “**Allotment Policy**” means the criteria set by the issuer regarding the allocation and distribution of securities to investors in respect of an offering.
2. “**Book Building**” means the process undertaken by an issuer to determine the demand and price for its securities prior to their issuance.
3. “**Book Closure Date**” means a date on which only shareholders marked in the company's record in the Central Securities Depository by such date would be entitled to receive the benefits for which a closure date is determined.
4. “**Book Runner**” means Transaction Advisor licensed by the Authority that is responsible for marketing and promoting the securities offered in a book building process to potential investors.
5. “**Bonus Shares**” means shares of an issuer distributed to shareholders in proportion to their existing holdings without the requirement for any additional payment.
6. “**Calendar Days**” means consecutive days, including Saturdays, Sundays, and public

holidays in Ethiopia.

7. **“Certificate of Commercial Registration”** means an official document issued by the Government of Ethiopia to verify the legal existence of and registration of a commercial entity pursuant to the Commercial Code of Ethiopia, Commercial Registration and Licensing Proclamation No 980/2016, and any amendments or succeeding as thereto.
8. **“Certificate of Registration of Securities”** means a legal document issued by the Authority upon registration of an issuer’s securities.
9. **“Certification”** means the act of attesting the authenticity of a corporate document by a corporate secretary by affirming in writing the authenticity of the document and placing his signature.
10. **“Company Under Formation”** means a company that has started its formation under Article 254 of the Commercial Code, but which has not yet completed its commercial registration as required under Article 265 of the Commercial Code and Article 5 of the Commercial Registration and Business Licensing Proclamation (Proclamation No. 980/2016).
11. **“Convertible Loan Agreement”** means a loan agreement between an issuer and an investor that can be converted into a predetermined number of equity shares on specified terms and conditions.
12. **“Compliance Advisor”** means an investment bank licensed by the Authority, any other eligible licensed capital market service provider, or lawyers or auditors approved by the Authority, as described in Article 82(3) of this Directive.
13. **“Escrow Account”** means a blocked account opened in a bank licensed by the National Bank of Ethiopia where funds are held in trust while the offering process is completed.

14. **“Expert”** means a person who is very knowledgeable or skilled in a particular area.
15. **“False Market”** means an instance where there is misinformation or incomplete information in the market that compromises proper price discovery of a security.
16. **“Feasibility Report”** means a report on the assessment of the practicality or viability of a proposed plan or project and shall include information on the business, risk, potential, and other relevant information that will enable an investor to fully understand the nature of the proposed business or project.
17. **High Net Worth Individual** means an individual with a net worth of at least 5,000,000 (five million) Birr, excluding automobiles and primary residence, or such amount as may be prescribed by the Authority.
18. **“Institutional Investor”** means:
- a. Financial institutions, including banks, insurance companies, and micro-finance institutions,
 - b. Federal and Regional Governments;
 - c. Collective Investment Schemes;
 - d. Pension and Retirement Funds; or
 - e. Any other institution as the Authority may determine from time to time based on its financial capacity and the ability to appreciate investment and risk.
19. **“Information Memorandum”** means circular, explanatory memorandum, or other equivalent document relating to securities.
20. **“Investment Permit”** means authorization received from the Ethiopian Investment Commission to carry out investment activities in Ethiopia as described in Investment Proclamation No. 1180/2020 or any amendments or succeeding legislation thereto.

21. **“Listing by Introduction”** means the process of listing an issuer’s securities held by existing investors on a licensed securities exchange without an Initial Public Offering.
22. **“Listing”** means the admission of a security to the official list of a licensed securities exchange, and the terms ‘list’ and ‘listed’ shall be construed accordingly.
23. **“Material Information”** means any information that may affect the price of a security or influence investment decisions, including both material facts and material changes relating to the business and affairs of a company, and includes, without limitation, the examples in Part Five of this Directive.
24. **“Memorandum of Association”** means an instrument drawn up to establish a business organization, as described in Article 173 of the Commercial Code Proclamation No. 1243/2021.
25. **“Offer Document”** means any document containing relevant information to help an investor make an investment decision. Such documents may include prospectus, information memorandum or offering memorandum, pricing supplement, or any equivalent document.
26. **“Offer of Securities”** means a proposition for subscription or offer for sale of securities, which, if accepted, would give rise to a contract for the purchase of the securities.
27. **“Offer for Sale”** means the offer of a portion, or all of the securities held by shareholder(s) in a company to the public.
28. **“Offer for Subscription”** means a public offering where an issuer invites investors to purchase newly issued securities with a set minimum level of subscription.
29. **“Offer Period”** means the period during which an offer for subscription or sale of securities to the public remains open.

30. **“Person”** means a physical or juridical person.
31. **“Preferred Rights of Subscription”** means a process through which an issuer offers its existing shareholders the right to purchase additional shares in proportion to their existing holdings.
32. **“Preliminary Prospectus”** means the initial prospectus issued in a Book-Building process that does not have complete particulars on the price and quantum of securities to be issued.
33. **“Pricing Supplement”** means a document that provides indicative terms (which includes but not limited to issue date, size, tenure, price, utilization of proceeds, etc.) of a specific offer under a shelf registration that is issued prior to opening of such offer to the targeted investors.
34. **“Proclamation”** means “Capital Market Proclamation No. 1248/2021.”
35. **“Professional Parties”** means securities advisers, experts, and/or any party that is involved in an offering process.
36. **“Publicly Held Company or Issuer of Securities that are Publicly Held”** means a share company that has more than fifty (50) shareholders.
37. **“Publicly Traded Security”** means a security traded on a licensed securities exchange or through over-the-counter markets.
38. **“Qualified Investor”** means buyer of securities with a high level of financial sophistication or expertise to appraise investment opportunities and shall include:
- a. Institutional investors as defined by this Directive;
 - b. A high-net-worth individual as defined in this Directive; and
 - c. Any other category of investors as the Authority may determine from time to time.

39. **“Quoted”** means the placement of a bid or offer price for the purpose of buying or selling the securities on a security not listed on a securities exchange.
40. **“Registration Statement”** means a filing with the Authority by an issuer, or a person duly authorized to file a Registration Statement on behalf of an issuer, making required disclosures for the registration of a security.
41. **“Retail Investor”** means an individual other than an institutional investor or high-net-worth individual who typically invests small amounts of money and requires a greater level of protection relative to institutional or high-net-worth individual investors.
42. **“Securities”** shall have the meaning provided under Article 2(62) of the proclamation.
43. **“Share-Based Payment”** means a form of compensatory payment that issuers provide to their employees, Directors, or other service providers in the form of equity instruments, such as shares or stock options.
44. **“Shelf Registration”** means a filing undertaken by an issuer that allows the issuer to make multiple offerings at intervals in the near future, inviting investors to subscribe to securities but within the validity period as approved by the Authority.
45. **“Supplementary Prospectus”** means a document that contains material information necessary to update, amend, change, or supplement the information in a prospectus.
46. **“Transaction Advisor”** means a duly licensed Investment Bank or a duly licensed and eligible investment advisor approved by the Authority.
47. **“Underwriting”** means an arrangement between an issuer and an underwriter whereby the underwriter, for an agreed fee, undertakes to pay the issuer an amount based on an

agreed price and volume of securities in connection with the issuance of that security, with a view to resell the securities and not as a form of investment.

48. In this Directive, any expression in the masculine shall include the feminine.

49. Any term used in this Directive shall have the meaning assigned to it in the Proclamation.

3. Scope of Application

- 1) This Directive shall apply to the offer of securities to the public and trading in Ethiopia whether or not the securities are to be traded on a securities exchange or over-the-counter (OTC) market.
- 2) The issuance of Collective Investment Schemes, Asset-Backed-Securities, Derivatives, securities offered through Crowd funding and any other securities covered by any other directive issued by the Authority shall not be subject to the provisions of this Directive.
- 3) Issuers of securities listed in Sub-Article (2) of this Article shall refer to the applicable directive for the appropriate regulations pertaining to such securities.
- 4) Where no applicable provisions exist in this Directive or any other Directive issued by the Authority concerning a security proposed to be issued to the public, the general principles of the Proclamation, this Directive, or any other Directive issued by the Authority may be applied by the Authority as deemed appropriate.
- 5) The Authority may, on its own initiative or upon application, grant an exemption from or a waiver to the requirements of this Directive if the Authority is satisfied that:
 - a) Such exemption or waiver is not contrary to the intended purpose of the relevant requirement in this Directive, and
 - b) There are mitigating factors that justify the exemption or waiver.

SECTION II – REGISTRATION OF SECURITIES

4. Prohibition

Except those securities exempted by the Proclamation, this Directive, or any other directive issued by the Authority from time to time, no securities of an issuer shall be transferred, sold, offered for sale to the public, listed, or quoted on a securities exchange or OTC market without the prior registration of the security by the Authority.

5. Exempted Securities

- 1) In addition to securities exempted by the Proclamation, the registration requirement of Article 4 shall not apply to the following:
 - a. Securities guaranteed by the Federal Government of Ethiopia;
 - b. Securities offered through private placement, as set out in Article 76 of this Directive;
 - c. Securities offered to qualified investors;
 - d. Small Offerings where the total amount to be raised by the issuer is not more than Birr 5,000,000 (five million), or
 - e. Any other classes of securities exempted by the Proclamation and any class of security the Authority may exempt from the registration requirement from time- to-time.
- 2) The exemption provided under Article 75 (4)(a) to securities issued by the Federal Government of Ethiopia shall not include securities issued by public enterprises fully or partially owned by the Federal Government of Ethiopia.

6. Application Requirements

- 1) Subject to Article 5 of this Directive, issuers of securities shall register their securities with

the Authority by filing a registration statement, which shall:

- a. be made in accordance with the provisions of this Directive and any other directive which the Authority may issue from time to time;
 - b. be accurate, adequate and disclose material facts concerning the issuer, its business, financial position, the securities it offers, and associated risks to enable potential investors to make informed investment decisions; and
 - c. be submitted to the Authority in the form to be prescribed by the Authority and in effect on the date of filing the application.
- 2) All applications and accompanying documents shall be filed with the Authority in Amharic or English. If any information or document to be filed with the application is in any other language, then it shall be accompanied by an authenticated translated version in Amharic or English.
- 3) All application information and documents, or copies of such information and documents, shall, in so far as practicable, be typewritten and, in all cases, shall be clear and easily readable.

7. Registration Requirements

- 1) Unless otherwise stipulated by the Authority, a registration statement filed with the Authority shall include a copy of the prospectus as set out in Article 22 and prepared in accordance with the requirements of the Proclamation, this Directive, or any other Directive issued by the Authority from time to time, accompanied by:
 - a. evidence of payment of fees as prescribed by the Authority which are in effect on the date of filing the application;
 - b. a certified extract of the resolution(s) of the Board of Directors authorizing the offer of the securities;
 - c. where applicable, a certified extract of the resolution(s) of shareholders passed at an

- extraordinary general meeting authorizing the increase in capital and issuance;
- d. where applicable, a copy of the certificate of commercial registration and investment permit or business license of the issuer issued by the relevant government organ;
 - e. an authenticated copy of the memorandum of association of the issuer and other applicable incorporation documents, including any amendment thereof, showing the shareholders, Directors, and capital of the issuer;
 - f. where the issuer is a financial institution, a no-objection from the issuer's primary regulator;
 - g. a copy of the annual report for the preceding 3 (three) years, signed by the board Chairman, disclosing the following information:
 - i. audited financial statements prepared in accordance with the prevailing accounting standard for the reporting period as set by the Accounting and Audit Board of Ethiopia or any relevant Authority in Ethiopia;
 - ii. where the latest audited annual financial statement of the issuer is dated more than 6 (six) months, a reviewed interim financial statement reviewed under the prevailing auditing standard shall also be submitted; and
 - iii. the amount of capital of the company clearly showing the issued and paid-up capital;
 - h. a report issued by a Transaction Advisor on the valuation of the securities issued;
 - i. a copy of any material contracts;
 - j. a schedule of pending claims and litigation; and
 - k. any other document that may be required by the Authority from time to time.

- 2) Notwithstanding the valuation report submitted in accordance with Sub-Article 1(h) of this Article, where the Authority is in doubt as to the veracity and accuracy of the information stated in the valuation report, the Authority may request for a second valuation of the securities by a different Transaction Advisor at the expense of the issuer or offeror.

8. Registration of Bonus Shares

- 1) An application for registration of securities to be issued as bonus shares shall be made in a form designated by the Authority within 1 (one) month of the approval by the shareholders and shall be accompanied by the following:
 - a. certified extracts of each of the board and shareholders' resolutions authorizing the Bonus shares; and
 - b. evidence of payment of appropriate fees to the Authority;
 - c. A copy of the certificate of commercial registration and investment permit or business license of the issuer, as applicable, issued by the relevant government organ; and
 - d. an authenticated copy of the company's Memorandum of Association.
- 2) The Authority will confirm that provision has been made for the bonus shares from the Company's most recent audited accounts.
- 3) The Authority will register the bonus shares within 7 (seven) business days of receipt of the application, subject to compliance with all registration requirements.
- 4) The company shall forward the required data to the Central Securities Depository within 5 (five) business days of receipt of the Authority's approval, and the securities depository shall credit shareholders' accounts within 2 (two) business days of receipt from the company.

9. Registration Requirement for Convertible Debt

- 1) Securities to be issued after the conversion of debt instruments or other fixed income instruments into equity, based on predetermined agreements or conditions by the parties involved, shall file an application for registration with the Authority within one month of conversion.
- 2) An application for registration of securities arising from convertible debt shall be duly filed with the Authority, accompanied by:
 - a. Information Memorandum containing the following details:
 - i. summary of the convertible debt;
 - ii. the convertible amount;
 - iii. name of borrower and lender;
 - iv. Outstanding share capital of the issuer;
 - v. basis of conversion;
 - vi. class of securities as well as rights attached to them;
 - vii. effects of conversion, including on the company's share capital, share structure and debt profile; and
 - viii. Shareholding structure pre-conversion and post-conversion.
 - b. where applicable, conversion loan agreement duly certified by the company secretary;
 - c. a certified extract of the resolution(s) of the Board of Directors authorizing the conversion and issuance of the debt;
 - d. where applicable, a certified extract of the resolution of the shareholders passed at an extraordinary general meeting approving the increase in capital, or issuance;
 - e. where applicable, evidence of collection of the loan;
 - f. evidence of payment of fees to the Authority;
 - g. a copy of the memorandum of association of the issuer (including amendments);
 - h. a copy of each of the audited financial statement for the preceding 3 (three) years;

- i. where the most recent audited account of the issuer is dated more than 6 (six) months, a reviewed interim financial statement shall also be submitted; and
- j. any other information that may be relevant to the transaction or required by the Authority.

10. Offer for Sale

- 1) All outstanding shares of companies that apply for Listing by Introduction or quotation on an OTC market shall be registered with the Authority, in accordance with Article 8.
- 2) In an offer of securities by Listing by Introduction or through a quotation on an OTC market, an issuer can register and offer only already issued securities, and no new securities shall be offered and registered by the Authority.
- 3) An issuer proposing to list its shares by introduction on a securities exchange or offer for sale on an OTC market shall file its application for registration with the Authority on the prescribed form, accompanied by the following documents:
 - a. a Prospectus prepared in accordance with Part Seven, Section I, of this Directive except the required disclosure regarding allotment policy and use of proceed;
 - b. certified extract of the Board of Directors resolution authorizing the securities for offer for sale;
 - c. a copy of the certificate of commercial registration and investment permit or business license of the issuer, as applicable, issued by the relevant government organ;
 - d. an authenticated copy of the memorandum of association of the issuer and other applicable incorporation documents showing the shareholders, Directors, and capital of the issuer (including amendments);
 - e. a copy each of the audited financial statement for the preceding 3 (three) years;

- f. where the latest audited annual financial statement of the issuer is dated more than 6 (six) months, a reviewed interim financial statement shall also be submitted;
- g. a certified copy reflecting the capital and allotted shares of the company;
- h. a certified copy containing the particulars of Directors;
- i. evidence of payment of fees to the Authority; and
- j. any other document or information that may be required by the Authority.

11. Timeline and Processing of Application

- 1) Except as otherwise stated in this Directive, a registration statement filed with the Authority shall be reviewed within 20 (twenty) business days. In the case of an initial public offer, this time frame shall be 30 (thirty) business days.
- 2) Once an application for registration is filed with the Authority, any communication regarding a pending application from or to the Authority shall be conducted by a formal letter.
- 3) The timeline specified under Sub-Article (1) of this Article shall reset once the Authority communicates to the issuer, offeror, or the Transaction Advisor its comments to revise, update, or clarify information or a deficiency in the application.
- 4) Delay by the Authority to act on the registration statement within the time limits laid down in Sub-Article (1) of this Article shall not be construed to constitute approval or non-approval of the registration statement by the Authority.

12. Principles for Review of Registration Statement

- 1) In reviewing the Registration Statement filed with the Authority, the Authority shall give regard to the consistency, comprehensibility, and completeness of the information

contained therein.

- 2) The Authority in consideration of the issuer's activities, operations, purpose of the offer, and/or nature of the securities to be issued, may request the inclusion of additional information in the prospectus or offer document.

13. Approval of Registration Statement by the Authority

- 1) The Authority shall approve the registration statement where it considers that the registration statement is complete and the information contained therein is accurate, sufficiently clear, comprehensive, and reasonably specific and timely, and where the offer or issuance shall not jeopardize the core mandates of the Authority as contained in Article 5 of the Proclamation.
- 2) An approval by the Authority is not an affirmation of the accuracy of the information contained therein or as advice or a recommendation of the related securities.
- 3) A copy of the approved prospectus or offer document shall be signed by all members of the issuer's Board of Directors, the chief executive officer and the chief financial officer, or, in the absence of such persons, persons performing such functions, or, in the case of a new company under formation, by all the promoters and the transaction advisor, and shall be filed with the authority for registration within forty-eight (48) hours of approval by the Authority or at such other time as the Authority may stipulate.
- 4) The approved prospectus that is to be filed with the Authority pursuant to Sub-Article 3 of this Article shall be accompanied by a written resolution signed by all Directors who have not withheld their consent to the offering, or in the case of a company under formation, all promoters, acknowledging, among other things, that each director or promoter has read and taken responsibility for the content of the prospectus, and has authorized the filing of the prospectus with the Authority. The written resolution may be executed in multiple originals.
- 5) A registration statement shall be deemed approved only as to the securities specified therein as proposed to be issued or introduced.

- 6) The approval of the registration statement shall be communicated to the issuer through a formal letter issued by the Authority.

14. Refusal of Registration Statement

- 1) The Authority shall refuse an application for registration if it finds that:
 - a. the registration statement is, on its face, incomplete, misleading, inaccurate in any material respect, includes any untrue statement of a material fact or omits to state a material fact required to be stated therein and the issuer fails to amend the registration statement as required;
 - b. the issuer, senior officer, director or controlling person of the issuer, or person performing similar functions, or any underwriter has been convicted by a competent judicial body of an offense involving dishonesty, fraud, breach of trust, or market abuse;
 - c. the issuer, senior officer, director or controlling person of the issuer, or person performing similar functions, or any underwriter has been judicially declared insolvent;
 - d. the issuer has violated any of the Articles of the Proclamation, this Directive, the Commercial Code, or any directive or any request of the Authority of which the issuer has notice in connection with the offering for which a registration statement has been filed;
 - e. the issuer has failed to comply with any requirement that the Authority may impose as a condition for registration of the security for which the registration statement has been filed; or
 - i. the issuance thereof might be contrary to the interests of investors and the public in general, having regard to whether a reasonable investor would lose confidence in the capital market and be less willing to invest if the Authority

did not take action to deter the issuance in question, and may include an offering structured to manipulate or circumvent the provisions of the Proclamation or this Directive.;

- ii. an offering that would otherwise be illegal;
 - iii. where it is determined that the business of the issuer may not be conducted with integrity and in the best interest of the security holders of the issuer because of past conduct of the issuer or any of the issuer's officers, Directors, promoters, or control persons;
 - iv. a person or company that has prepared or certified any part of the prospectus, or that is named as having prepared or certified a report or valuation used in connection with the prospectus, is not acceptable; or
 - v. an escrow for the holding of the proceeds payable to the issuer from the sale of the securities pending the distribution of the securities that is in the name of the issuer has not been opened in a licensed bank.
- 2) The Authority, having provided the issuer with an opportunity to be heard, may reject an application for registration and refuse registration of the security. Any rejection by the Authority shall be in writing, and it shall state in a clear and precise manner the basis for the decision.
- 3) An issuer whose application for registration is rejected may appeal against such decision.

15. Certificate of Registration

The Authority shall issue a certificate of registration to the issuer upon the registration of the securities.

16. Interim Provision

- 1) Following the effective date of this Directive, existing publicly held companies shall register their existing securities with the Authority in accordance with the provisions of this Directive.
- 2) Except as approved by the Authority, existing publicly held companies shall have 1 (one) year following the effective date of this Directive to register their securities with the Authority.
- 3) The application for registration of securities under this Article shall be conducted pursuant to the requirements set under Article 10 of this Directive.
- 4) Public offers of securities by companies under formation that has been started before the issuance of this Directive and which have not been completed as of the effective date of this Directive shall have until the time set under the Commercial Code to finalize their offer.
- 5) An issuer subject to the provision of Sub-Article (4) of this Article shall file an application for registration of its securities with the Authority in accordance with Article 10 of this Directive within one month of its commercial registration.

PART TWO – OFFER OF SECURITIES

SECTION I – GENERAL

17. Eligibility

- 1) No person shall make any offer to the public to acquire or dispose of any securities of an entity unless the entity concerned is:
 - a. a share company;
 - b. a share company under formation, and the public offering is made in compliance with this Directive;

- c. a statutory body or bank established by or pursuant to a proclamation and is empowered to issue its own securities; or
 - d. a multilateral agency, or such other entity approved by the Authority to issue securities under this Directive.
- 2) In addition to the foregoing qualification under Sub-Article (1) of this Article, and without prejudice to share companies under formation, an entity shall meet the following eligibility requirements to issue securities to the public:
- a. applicable corporate governance requirements and standards;
 - b. have audited financial statement audited by an ECMA approved auditor that meets the prevailing accounting standard for the reporting period as set by the Accounting and Auditing Board of Ethiopia or any other relevant Ethiopian Authority;
 - c. be solvent; and
 - d. the securities to be issued are freely transferable.
- 3) Share companies under formation shall meet and comply with the requirements of Section VI of this Part.

18. Sale Method of Registrable Securities

All securities subject to registration by the Authority may be offered through any of the following:

- 1) Offer for Subscription or Offer for Sale;
- 2) Preferred Rights of Subscription;
- 3) Bonus Shares;
- 4) Convertible Debt; or

5) Share-Based Payments.

18. Prospectus Requirement

In connection with the issuance of securities, no person shall offer, issue, solicit, receive money, or in any way transact to sale, offer, or solicit the sale of such securities unless the securities are accompanied by a valid prospectus that is approved by the Authority.

19. Appointment of a Transaction Advisor

An issuer proposing to offer its securities to the public shall:

- 1) appoint a transaction advisor. Where more than one Transaction Advisor is appointed, a lead shall be identified.
- 2) the Transaction Advisor appointed under Sub-Article (a) of this Article shall be responsible for ensuring that the offer of securities is made in accordance with the provisions of the Proclamation, this Directive and any other Directive issued under the Proclamation that the Authority may issue consistent with the Proclamation; and
- 3) the lead Transaction Advisor shall be responsible for:
 - a. coordinating the preparation of the registration statement and other transaction documents;
 - b. coordinating the activities of other professional parties to the offer;
 - c. filing of the registration statement and offer documents with the Authority including responding to any question or clarifications that the Authority may seek on behalf of the issuer; and
 - d. carrying out any other activity as may be contained in this Directive or requested by the Authority with respect to the issuance from time to time.

20. Additional Registration Requirements

In addition to the requirement of Article 7 of this Directive, a registration statement for the public offer of securities shall be accompanied by:

- 1) An external independent legal opinion on:
 - a. whether all licenses and consents required to perform the business or proposed business of the issuer have been duly obtained;
 - b. any agreements or contracts with respect to the proposed issue of securities, including, where applicable but not limited to, underwriting contracts, other agreements, or contracts material to the offer of securities;
 - c. any material claim, litigation, prosecution or other civil or criminal legal action in which the issuer or any of its director is involved;
 - d. whether the existing capital of the issuer and any proposed changes thereto are in conformity with applicable laws and have received all necessary authorizations;
 - e. any other material items with regards to the legal status of the issuer and the proposed issue; and
 - f. any other matter as may be requested by the Authority.
- 2) a copy of agreements with underwriters, Transaction Advisors and other agreements entered in respect to the securities, offer or listing;
- 3) evidence of escrow account opened for the subscription monies in a bank licensed by the National Bank of Ethiopia (NBE) and empowered to accept deposit and savings;
- 4) schedule of estimated expenses and fees payable to all external professional parties related to the offer;
- 5) Written consent of all professional parties, Directors, promoters, and experts who

are named in the prospectus. A corporate body giving consent shall do so through duly authorized persons who shall be a Director, company secretary or persons acting in those capacities; and

6) any other document as may be requested by the Authority.

21. Exemption from Obligation to Issue a Prospectus

- 1) The obligation to issue a prospectus set out in Article 18 of this Directive shall not apply to any of the following:
 - a. an offer of securities through private placement;
 - b. an issuance of shares resulting from the conversion or exchange of other securities or from the exercise of the rights conferred by other securities, where the resulting shares are of the same class as the shares, provided that, a document is made available containing information on the number and nature of the securities and the reasons for and details of the offer or allotment;
 - c. shares issued in substitution for shares of the same class already issued, if the issuing of such new shares does not involve any increase in the issued capital, provided that, a document is made available containing information on the number and nature of the securities and the reasons for and details of the offer or allotment;
 - d. shares offered, allotted or to be allotted free of charge to existing shareholders, and bonuses paid out in the form of shares of the same class as the shares in respect of which such bonus are paid, provided that a document is made available containing information on the number and nature of the securities and the reasons for and details of the offer or allotment;
 - e. shares offered, allotted or to be allotted to existing employees by their employer, provided that a document is made available containing information on the number and nature of the securities and the reasons for and the details of the offer or allotment;

- f. shares offered upon merger, acquisition, division, or exchange of shares, within the context of the laws and regulations pertaining to merger and division, provided that the issuer is a listed company and requisite disclosures as maybe required by the Authority have been made; or
 - g. shares offered to existing shareholders in proportion to their existing holdings.
- 2) Notwithstanding the provisions of Sub-Article (1) of this Article, any document issued in relation to the issue of securities shall not contain any untrue, misleading, or incomplete statement.

22. Structure and Content of a Prospectus

- 1) The content of a prospectus shall include disclosure information required by Part Seven of this Directive, as applicable.
- 2) The information in the prospectus shall be presented in a manner that can be easily comprehensible and analyzable by investors under appropriate captions or headings reasonably indicative of the principal subject matter set forth thereunder.
- 3) The information in the prospectus must not include a presentation of estimates, projections, forecasts, or forward-looking statements or overviews, without sufficient qualification or factual basis.
- 4) Where a prospectus contains financial information based on financial statements that are unaudited or unreviewed by an external auditor, such information must be consistent with and not contradict any information given in an audited or reviewed financial statement.
- 5) It must be clearly stated that the information referred to in Sub-Article (4) of this Article is not from audited financial statements, and the basis for their preparation must also be stated.

- 6) The names, functions, and contact information of the persons responsible for the prospectus shall be clearly indicated in the prospectus.
- 7) The front cover of the prospectus shall clearly state that the Authority does not assume any responsibility for the correctness of any statements made or opinions or reports included therein, and the registration by the Authority of the prospectus and the securities that it offers should not be construed as an endorsement of the issuer or of the securities that are the subject of the prospectus.
- 8) The information required in a prospectus shall follow the order set out under Part Seven of this Directive, and thereafter it need not follow any particular order provided that the information is set forth in such a manner as not to obscure any of the required information necessary to keep the required information from being incomplete or misleading.
- 9) Notwithstanding the provisions of Part Seven of this Directive, a prospectus shall contain all such information as investors would reasonably require and reasonably expect to find therein, for the purpose of making an informed assessment of:
 - a. the assets and liabilities, financial position, profits and losses, and prospects of the issuer of the securities; the securities being offered and the rights attaching to those securities;
 - b. the reasons for the issuance and its impact on the issuer; and
 - c. the risk associated with such investment.
- 10) In determining what information is required to be included in a prospectus by virtue of Sub-Article (9) of this Article, the Authority shall consider the nature of the issuer or offeror and the type of securities being offered.
- 11) The information to be included by virtue of this Directive shall be such information as is referred to in Sub-Article (9) of this Article that is within the knowledge of any person responsible for the prospectus, or that it would be reasonable for him to obtain

- by making inquiries.
- 12) The Authority may require additional information to be included in a prospectus if, in its opinion, it deems it in the interests of investors to be in a prospectus, or any offer document.
 - 13) An issuer may provide a prospectus in English as long as a summary prospectus prepared in accordance with Article 116 of this Directive is prepared and published in Amharic.
 - 14) The prospectus shall include an application form to be filled out by subscribers with provisions for subscribers to indicate their names, addresses, the number of shares they seek to purchase, the date of the application, and a declaration that they have read the prospectus, as well as any information incorporated by reference to the Prospectus.

23. Incorporation by Reference

- 1) Except for the information required under Article 22 to be included in the prospectus, any other information that has been previously submitted to the Authority and released to the public through the Authority or a securities exchange and that remains publicly available may be incorporated by reference in the prospectus.
- 2) Information included in the prospectus by reference must be the most recent information held by the issuer, refer to the source of such information, and state how such information may be accessed.
- 3) All information incorporated by reference shall be clearly identified by document type, date, page number, paragraph, caption, or other means of identification as the Authority may prescribe.
- 4) If only certain pages of a document are incorporated by reference and filed as an exhibit, the document from which the material was taken shall be clearly identified in the reference.

- 5) A matter shall not be incorporated by reference in any case if such incorporation would render the statement incomplete, unclear, or confusing.

24. Persons Responsible for Prospectus

- 1) Where a prospectus invites a person to subscribe for securities, the persons responsible for the information in a prospectus shall be jointly and severally liable to pay compensation for losses or damage suffered by persons who subscribe to securities relying on information included in the prospectus that is inaccurate, misleading, or incomplete.
- 2) For the purposes of this Directive, persons responsible for a prospectus shall include:
 - a. the issuer of the securities to which the prospectus relates,
 - b. where the issuer is a share company, each person who is a Director and has given consent to be named and is so named in the prospectus as a Director or as having agreed to become a Director of that company either immediately or at a future time,
 - c. each person who accepts and is stated in the prospectus as accepting responsibility for all or any part of the prospectus or supplementary prospectus,
 - d. the offeror of the securities, where the offeror is not the issuer,
 - e. where the offeror is a corporate entity but is not the issuer and is not making the offer in association with the issuer, each person who is a Director of that corporate entity at the time when the prospectus is published,
 - f. each person who has given his consent under Article 24 of this Directive, or
 - g. each person not falling within any of the foregoing paragraphs who has authorized

the contents or any part of the prospectus, supplementary prospectus, or offer document.

- 3) Where a person has accepted responsibility for, or authorized, only part of the contents of any prospectus, he shall be responsible under sub-article (2)(f) only for that part and only if it is included or substantially included in the form and context to which he has agreed.
- 4) Any agreements, provisions, disclaimer, or expressions mitigating, limiting, disclaiming or removing the responsibility arising from a prospectus or offer document shall be null and void.

25. Expert Statement in a Prospectus

A prospectus inviting persons to subscribe for the securities of an issuer and including a statement asserting to be made by an expert shall not be issued unless:

- 1) the expert has given his consent in writing and has not, before delivery of the prospectus for registration and distribution to the public, withdrawn his written consent to the issue of the statement included in the form and context in which it is issued.
- 2) a statement appears in the prospectus that the expert has given and has not withdrawn his consent.

26. Omission from Prospectus

The Authority may authorize the omission from a prospectus or offer document of information whose inclusion would otherwise be required by these Directives if the Authority considers that:

- 1) disclosure of such information would be contrary to the public interest; or
- 2) disclosure of such information would be seriously detrimental to the issuer, provided that the omission of such information would not be likely to mislead the public, and the

information is, in the Authority's view, of minor importance only and, as such, will not influence the assessment of the activities, assets, liabilities, financial position, profits and losses, or implicit risks and prospects of the issuer.

27. Review of Prospectus

- 1) The Authority shall review a prospectus or offer document submitted to ensure the information contained therein is accurate, sufficiently clear, comprehensive, reasonably specific, and timely. However, the Authority does not evaluate the merits of any transaction or determine whether an investment is appropriate for any investor. The Authority's review process is not a guarantee that the disclosure is complete and accurate, and responsibility for complete and accurate disclosure lies with the issuer and others involved in the preparation of an issuer's filings.
- 2) Where applicable, the Authority shall communicate comments on the prospectus requesting the issuer and Transaction Advisor to revise, update, or clarify information or a deficiency in the prospectus.
- 3) Each version of the draft prospectus submitted after the first draft shall highlight all changes made to the preceding draft and shall be accompanied by an unmarked draft and an explanation as to how the outstanding issues notified by the Authority have been addressed.
- 4) A final draft of the prospectus or offer document submitted to the Authority shall be accompanied by:
 - a. a cross reference list stating how the disclosure requirements of the prospectus and any additional requests by the Authority have been complied with;

b.any information that is incorporated by reference (where not already submitted); and

c. any other information requested by the Authority for review and approval.

28. Advertisement

- 1) No person shall advertise the offer or sale of securities prior to the approval of a prospectus by the Authority.
- 2) Any advertisement shall not be issued to or caused to be issued to the public unless it states that a prospectus is or will be published, as the case may be, and indicates where investors can obtain or will be able to obtain a copy.
- 3) The advertisements referred to in Sub-Article (2) of this Article shall be submitted to the Authority not later than 3 (three) business days prior to the publication, and the Authority may require such amendments thereto as it may consider necessary.
- 4) Advertisements shall be clearly recognizable as such, and the information contained therein shall not be inaccurate or misleading and shall be consistent with the information contained in the prospectus approved by the Authority.
- 5) All information disclosed in an oral or written form concerning the offer of securities to the public, even where not for advertising purposes, shall be consistent with the information contained in the prospectus or offer documents.
- 6) Any advertisement reproducing or asserting to reproduce any information contained in a prospectus or offer document shall produce such information in full, disclose all relevant facts, and not be restricted to selected extracts relating to that item.
- 7) An advertisement shall avoid the use of extensive technical legal terminology or complex language and the inclusion of excessive details that may distract the investor. Ambiguous and high-sounding words shall be avoided, and slogans and terminologies that can mislead the investor, such as **“top offer,” “superior offer,” “brighter future,” “reliable,” “profitable,” and other similar language**, shall be avoided.

- 8) An advertisement shall not contain statements that promise or guarantee a rapid increase in profits.
- 9) Advertisements disseminated to potential investors shall be amended where:
 - a. supplement to the prospectus is subsequently published in accordance with Article 35 of this Directive, or
 - b. the significant new factor, material mistake, or material inaccuracy mentioned in the supplement renders the previously disseminated advertisement materially inaccurate or misleading.
- 10) Models, celebrities, fictional characters, landmarks, caricatures, or the like shall not be displayed on or form part of the advertisements. Advertisements shall not appear in the form of crawlers (the advertisements that run simultaneously with the program in a narrow strip at the bottom of the television screen) on television.
- 11) An advertisement shall present the information in the prospectus in a balanced way, including by way of presentation of the negative aspects and the positive aspects of such information with the same prominence without omission or selective presentation of certain information.
- 12) An advertisement shall be misleading if it contains:
 - a. statements made about the performance or activities of the company (in the absence of necessary explanatory or qualifying notes), which may give an exaggerated picture of the performance of the company; or
 - b. an inaccurate portrayal of the company's past performance or its portrayal in a manner that suggests that past gains or income will be repeated in future.
- 13) The following advisory clause shall be stated in all print and electronic media advertisements:

“Please read the prospectus and, where in doubt, consult your securities broker, portfolio manager, or any other securities adviser for guidance before subscribing. The approval of the prospectus by the Authority should not be understood as an endorsement or recommendation of the securities offered.”

- 14) Issuers or their intermediaries are prohibited from stating, directly or indirectly, that the Authority has approved, authorized, or certified the merits or weaknesses of an offering.
- 15) Where it is necessary for the orderly operation of the market, investor protection, or to avoid systemic risk, the Authority may prohibit, restrict, or suspend an advertisement, or require withdrawal, or amendment.

29. Underwriting of Public Offers

- 1) The underwriting of public offers shall be at the discretion of the issuer, subject to the prior approval of the underwriting agreement by the Authority as per the requirements of the Capital Market Service Providers Licensing Directive.
- 2) Where an issuer opts for underwriting, the offering shall be underwritten by the Investment Bank for the transaction. Where the issue is underwritten by a syndicate of underwriters, the lead Investment Bank shall act as the lead underwriter; provided, however, that in the case of a debt issuance, a lead underwriter other than the lead Investment Bank may be appointed as the lead underwriter.
- 3) All underwriting and sub-underwriting agreements shall be submitted to the Authority along with other registration documents.
- 4) The following shall apply to underwriting:
 - a. the underwriter shall sell the securities on a securities exchange or OTC market;
 - b. the underwritten securities shall be sold by the underwriter within such period as may be predetermined by the issuer and approved by the Authority;

- c. where the securities are not disposed of within the predetermined period, the Authority may, on the written application of the underwriter, extend the period of sale referred to in Sub-Article (4)(b) of this Article having regard to market conditions and other factors that are relevant in the circumstances; and
 - d. underwriters shall submit quarterly reports to the Authority in respect of the undisposed securities until the same is fully disposed.
- 5) Where any party or parties in an underwriting agreement intend to terminate the agreement, such party or parties shall give not less than 5 (five) business days' notice to the Authority and shall state the reasons for the intended termination. If the Authority is satisfied with the reasons given, it may give approval for the termination of the agreement. If the Authority does not approve the underwriter shall continue to fulfil its obligations under the underwriting contract.

30. Underwriting Commission

- 1) The commission for underwriting shall be subject to negotiation between the issuer and the underwriter and shall be a set fee for the amount underwritten.
- 2) In all cases of underwriting, the underwriting commission shall become payable on the day the offer opens. For firm underwriting, the underwriter shall be entitled to deduct the underwriting commission from the underwriting commitment.

31. Amendment of Information Before Approval

- 1) Where, after the submission of a prospectus but before approval, a material change occurs or an error in the information submitted is found that makes the facts contained in the prospectus misleading, incorrect, inadequate, or incomplete in any respect the issuer shall, as soon as practicable and in any event within 10 (ten) days from the identification or occurrence of the change or error, an amendment thereto, setting forth the error or the change and providing current information that would make the information in the prospectus true, correct, and complete.

- 2) If the issuer fails to meet its obligation under Sub-Article (1) of this Article, the Authority shall issue an order directing the issuer to file an amendment or face rejection of the registration.

32. Publication of a Prospectus

- 1) An issuer of securities shall obtain the approval of the Authority prior to issuing its prospectus.
- 2) An approved prospectus shall be published within 30 (thirty) days of the approval and at least 10 (ten) days before the offer to the public is scheduled to start, or in such other timeframe as may be approved by the Authority from time to time.
- 3) The approved prospectus shall be published and made available to the public free of charge.
- 4) Access to the Prospectus shall not be subject to the completion of a registration process, the acceptance of a disclaimer limiting legal liability, or the payment of fees.
- 5) The text and format of the prospectus, and any supplement to the prospectus made available to the public, shall at all times be in the form and content as approved by the Authority.
- 6) The prospectus shall be deemed available to the public when published in electronic form on the website of the issuer or in the form prescribed by the Authority. The prospectus shall also be posted on the website of the intermediaries placing or selling the securities and on the website of the Securities Exchange where the issuer's securities trade or admission to trading is sought.
- 7) The prospectus shall be published in a dedicated and easily accessible section of the issuer's website, which shall be evident from the landing page. It shall be downloadable, printable, and in a searchable electronic format that cannot be modified.
- 8) Where an approved prospectus is not published within the timeframe set under Sub-Article (2) of this Article, it shall be required to be re-validated by the Authority before

publication and distribution.

- 9) Subject to the approval of the Authority, an issuer may also publish a summary prospectus prepared in accordance with Article 116 in at least two newspapers (1 (one) in Amharic and 1 (one) in English) of wide circulation in Ethiopia and such summary prospectus shall disclose basic information on the issuer, including:
 - a. a summary of statement of financial positions and profit and loss accounts for the 3 (three) years immediately preceding the issue;
 - b. key information on the issuer; and
 - c. key information on the securities being offered and the offer.
- 10) The offer shall only be opened to the public on the terms and conditions approved by the Authority.
- 11) All approved prospectuses shall remain publicly available in electronic form for at least 10 (ten) years after their publication on the websites of the issuer.

33. Effective Date of Prospectus

A prospectus shall be effective as of the date of approval by the Authority and for 6 (six) months thereafter unless the offer period is extended by the Authority pursuant to Article 34(2) in which instance the Prospectus shall be valid until the end of the extended offer period.

34. Offer Period

- 1) The offer period shall be determined by the issuer or the public offeror but shall not be for more than 90 (ninety) business days.
- 2) The Authority may, on an application by the issuer, grant an extension of the offer period.
- 3) Any application for extension of the offer period shall be made in writing to the Authority at least 5 (five) business days before the date of closure of the offer as stated in

the prospectus or offer document. No offer shall continue beyond the closing date unless prior written approval of the Authority is obtained.

- 4) The Authority shall grant an extension of time on the condition that the issuer's latest audited accounts shall remain valid throughout the extension period.
- 5) The new closing date shall be immediately announced by the issuer using the same means as when the initial offer was announced.

35. Material Changes to Prospectus

- 1) Where, after the approval of the prospectus and at any time between the approval and the closing of the offer period, the information contained in the prospectus is or has become misleading, incorrect, inadequate, or incomplete in any material respect, or new developments have made it so, or new information that is material to the offer becomes available that impacts the accuracy of information previously provided, the issuer shall:
 - a. immediately suspend the offer of its securities if an offering is still being conducted; and
 - b. with the prior approval of the Authority, issue a supplementary prospectus before recommencing the offering of its securities.
- 2) Information shall be considered material if:
 - a. there is a significant change affecting any matter contained in the prospectus, the inclusion of which was required by this Directive; or
 - b. a significant new matter arises from the inclusion of information, the inclusion of which would have been required if it had arisen when the prospectus was being prepared.
- 3) Where a supplementary prospectus has been approved the issuer shall make the supplementary prospectus available in a similar fashion as the prior publication of the

prospectus.

- 4) Where the prospectus relates to investors who have already agreed to purchase or subscribe for the securities before the supplementary prospectus is published, it shall contain the right, exercisable within 10 (ten) business days after the publication of the supplement, to withdraw their subscriptions.
- 5) The period provided under Sub-Article (4) of this Article may be extended by the issuer, and the final date of the right of withdrawal shall be stated in the supplement prospectus.
- 6) The supplement prospectus shall contain a prominent statement concerning the right of withdrawal, clearly stating:
 - a. that a right of withdrawal is only granted to those investors who had already agreed to purchase or subscribed for the securities before the supplement was published;
 - b. the period in which investors can exercise their right of withdrawal; and
 - c. who and how investors may contact should they wish to exercise the right of withdrawal.

36. Indivisibility of Prospectus

Unless the context requires otherwise, a reference in this Directive to a prospectus shall mean the original prospectus plus all supplementary prospectus filed with the Authority.

37. Authority's Power to Suspend or Cancel Offer

Where it is necessary for the orderly operation of the market, investor protection, or to avoid systemic risk, the Authority may prohibit, restrict, suspend, cancel, order withdrawal, or order amendment of an offer.

38. Allotment of Securities

- 1) Upon the closing of a public offer, the issuer or the Transaction Advisor shall file an allotment report with the Authority within 30 (thirty) days, or such other time as may be determined by the Authority.
- 2) The allotment report shall include:
 - a. summary of applications received,
 - b. list of allottees acquiring 5% or more of the securities on offer, and
 - c. list of all applications received, including list of those rejected and the basis for rejection.
- 3) The allotment of securities shall be made on the basis of the allotment policy disclosed in the prospectus, unless the results of the subscription make such a policy impractical, and in such a case, an amendment of the allotment policy shall be made with the approval of the Authority before allotment.
- 4) Each investor in the offer must be treated equally and fairly, and demands must be evaluated in the same manner.
- 5) Except as permitted by this Directive, there shall be no preferential allotment of shares among subscribers of any group.
- 6) The Authority may declare any irregular allotment of securities null and void and may prescribe appropriate measures to rectify such irregularities.
- 7) Where the issuer or Transaction Advisor fails to submit the allotment proposal within the stipulated period or any extended period granted, the Authority may impose appropriate penalty or direct that the issue be aborted notwithstanding the level of subscription.

39. Publication of Allotment Result

- 1) The issuer or Transaction Advisor shall within five (5) business days of approval of the allotment by the Authority, publish a summary of the allotment in at least 2 (two) newspapers 1 (one) in Amharic and 1 (one) in English, of wide circulation, and on the issuer's website.
- 2) Where applicable, securities shall be listed no later than 30 (30) days after the allotment clearance.

40. Under-subscription

- 1) Where the total amount (money) received in an offering is less than the minimum target amount specified in the prospectus, the offer shall be terminated by the issuer within 30 (thirty) days of the closing date of the offer, subject to the approval of the Authority.
- 2) The issuer shall publish details of the decision to abort the offer in at least two newspapers of wide circulation (one in Amharic and one in English) not later than 5 (five) business days after the approval of the Authority.
- 3) The issuer and Transaction Advisor shall ensure monies are returned to subscribers to the terminated offer not later than 15 (fifteen) business days after the approval of the issuer's or offeror's termination of the offer by the Authority under Sub-Article (1) above.

41. Over-Subscription

- 1) If an offer is oversubscribed, an issuer may, in addition to the target offer proceeds, retain an amount representing not more than 15 (fifteen) percent of the offer size.
- 2) An issuer may only retain oversubscription monies where appropriate disclosure has been made in the prospectus, indicating the extent to which oversubscription would be retained and the purpose for which such monies would be used.
- 3) All surplus monies above the allotted amount shall be returned to subscribers within 10 (ten) business days of the approval of the allotment proposal by the Authority.

42. Conclusion of a Successful Offer

All successful offers of securities to the public shall be completed upon the transfer of securities to the investor's account held with a Central Securities Depository (CSD).

43. Conclusion of an Unsuccessful Offer

All unsuccessful offers of securities to the public shall be completed upon the transfer of money to investors who have subscribed to and paid for the unsuccessful offer.

44. Notice of Completion of Offer

The Transaction Advisor to an offer shall notify the Authority in writing of the completion or termination of the offering within 30 (thirty) business days from such completion or termination, and the notice shall state the number of securities sold.

45. Document Retention Obligation

An issuer, offeror, and all intermediaries involved in an offer shall retain all documents generated in connection with an offer for 10 (ten) years after the conclusion of the offer.

46. Expression of Intent to List on a Licensed Securities Exchange

- 1) Where a Registration Statement states that the securities are to be listed on a licensed securities exchange, the issuer or the Transaction Advisor shall commence engagement with the licensed securities exchange and secure a temporary permission to list before the filing of the Registration Statement with the Authority.
- 2) The offering of such securities shall be null and void if the listing requirements are not met, and the subscription money shall be returned to subscribers.

47. Condition for Approval of Subsequent Public Offers

- 1) An issuer's subsequent public offer shall be approved only if:
 - a. the issuer has been in compliance with regard to the use of the proceed report of the money it collected from previous public offer that is required to be filed with the

Authority in its annual report; and

- b. all subscribed shares from the previous offer shares have been paid up.
- 2) However, in the case of a shelf registration, the issuer shall, within the validity period of the shelf, be permitted to issue securities to the limit of the program.

SECTION II – SHELF REGISTRATION

48. Eligibility

An issuer subject to the provisions of this Directive may offer for subscription or issue an invitation to the public or a select few subscribers for the purchase of a class of securities in accordance with a shelf registration subject to the following conditions:

- 1) in the case of a share company:
 - a. the issuer has been listed on a securities exchange for at least 3 (three) years;
 - b. the issuer is up to date on its ongoing reporting obligations;
 - c. the issuer has not been in breach of any terms and conditions of a loan which have resulted in a default during the last 12 (twelve) calendar months preceding the date of application for registration of the shelf prospectus; and
 - d. the issuer has not been in breach of any applicable laws or regulations.
- 2) the total value of the offer under the shelf registration shall not be less than 5 (five) billion Birr.

49. Validity of a Shelf Registration

A shelf prospectus shall be valid for a period of 3 (three) years from the date of its approval,

and it shall not be renewed. In the case of a multilateral agency, it will be valid indefinitely.

50. Requirement for Shelf Prospectus and Pricing Supplement

- 1) An issuer may issue, offer for subscription, or make an invitation to subscribe for securities under a shelf registration where, at the time of the issue, offer, or invitation, there is in force a shelf prospectus as updated by a pricing supplement prospectus, both of which have been registered by the Authority.
- 2) In securities to be offered under a shelf registration before each issue, the final terms of the offer shall be filed and approved by the Authority through a pricing supplement before the offer is opened to the public.

51. Contents of a Shelf Prospectus and Pricing Supplement

A shelf prospectus and pricing supplement shall:

- a. comply with the general principles for preparation of prospectus and content of prospectus as contained in Section I, Part Two of this Directive;
- b. contain a statement that no securities will be allotted or issued on the basis of the shelf prospectus read together with any pricing supplement later than the validity period after the date of the issue of the shelf prospectus;
- c. disclose any legal proceedings commenced against either the issuer or any of its subsidiaries, during the 12 (twelve) calendar months immediately preceding the date of application to the Authority for registration of the prospectus in respect of any breach or contravention of any securities or banking laws or the Commercial Code, or the listing requirements of a licensed securities exchange;
- d. contain the relevant disclosures that neither the issuer nor any of its subsidiaries has, during the 12 (twelve) calendar months immediately preceding the date of application to the Authority for registration of the shelf prospectus, breached any terms and conditions in respect of borrowed monies which has resulted

in the occurrence of an event of default and an immediate recall of such borrowed monies; and

- e. any other information that may be required by the Authority.

52. Processing of Application for Shelf Registration

- 1) A shelf registration filed with the Authority shall be reviewed within 20 (twenty) business days.
- 2) Notwithstanding Sub-Article (1), the timeline for approval of a price supplemental shall be 15 (fifteen) days.
- 3) The timeline specified under Sub-Article (1) of this Article shall reset once the Authority communicates comments to revise, update, or clarify information or a deficiency in the application.
- 4) Failure of the Authority to act on the registration statement within the time limits laid down in Sub-Article (1) of this Article shall not be construed to constitute approval or non-approval of the registration statement by the Authority.

53. Publication of Shelf Prospectus

- 1) Upon the registration of the shelf prospectus by the Authority, the issuer is allowed to publish the shelf prospectus, provided that:
 - a. Securities are only to be issued upon the registration of a pricing supplement by the Authority.
 - b. the form of application that would facilitate the issue of, offer for subscription or purchase of, or making of an invitation to subscribe for or purchase of securities based on the shelf registration is attached to the relevant pricing supplement and not the shelf prospectus.
- 2) The prospectus shall be deemed available to the public when published in electronic form on the website of the issuer or in the form prescribed by the Authority. The

prospectus shall also be posted on the website of the intermediaries placing or selling the securities and on the website of the Securities Exchange where the issuer's securities trade or admission to trading is sought.

SECTION III – BOOK BUILDING

54. Eligibility

An issuer subject to the provisions of this Directive may offer its securities for sale by way of a Book Building process.

55. Investors in a Book Building

- 1) An offer of securities by way of Book Building may be offered in whole to Qualified Investors or it may be split between Qualified Investors and Retail Investors.
- 2) Where a portion of the offer is reserved for Retail Investors or where the offer is made to more than 100 (one hundred) Qualified Investors, the offer has to follow the provisions of this Section III.
- 3) The portion of equity securities offered that are available for the Book Building process shall be separately identified as the “Book Building portion” and the balance of securities to be offered to the public shall be referred to as the “fixed price portion.”
- 4) The upper limit of the price range shall not be more than 20% of the lower limit, except as approved by the Authority.
- 5) The fixed price portion shall be offered to the public at the same price at which the Book Building portion was issued to Qualified Investors.

56. Conditions for Clearance

- 1) The issuer shall appoint a Transaction Advisor as Book Runner who shall be responsible

for the Book Building process. Where a consortium of Book Runners is appointed, a lead Book Runner shall be identified.

- 2) The lead Book Runner shall be primarily responsible for building the book.
- 3) A preliminary prospectus prepared in accordance with the requirements of these Directives (as applicable) shall be filed with the Authority and shall include everything that is required to be in the prospectus except a fixed price.
- 4) Two different escrow accounts shall be opened for the subscription monies, one for the qualified investors and the other for the retail investors.

57. Bidding Process

- 1) Upon clearance of the preliminary prospectus by the Authority, the Book Runners may commence the road show and distribution of the preliminary prospectus only to qualified investors inviting bids for subscription to the securities.
- 2) Before the order of an investor is accepted in a book build, the Book Runner(s) shall verify the identity of the investor. The acceptance of such an order does not in itself indicate that the order will be met.
- 3) The Book Runner(s) on receipt of the order shall maintain a record of the names and number of securities ordered and the price at which the qualified investor is willing to subscribe to the securities under the Book Building process.
- 4) The Book Runner(s) shall, on a daily basis, aggregate the orders received and make available to the lead Book Runner the aggregate amount of the orders received during the Book Building period.
- 5) No incentive, whether in cash or kind, shall be paid to investors to participate in the Book Building process or the offer of securities.

58. Offer Period for the Book Building Process

The Book Building period shall be open for a maximum of 7 (seven) business days.

59. Rights of Qualified Investors

Unless otherwise provided in the prospectus, in public offerings by way of Book Building, even if no amendment is made in the prospectus, the qualified investors shall have the right to change or withdraw their demands during the Book Building period.

60. Allotment of Securities Offered in the Book Building Process

- 1) At the close of the Book Building period, the number of securities that each investor who participated in the Book Building process is to be allocated, in line with the allotment policy indicated in the preliminary prospectus, shall be communicated to each Qualified Investor within 48 (forty-eight) hours of the close of the Book Building period.
- 2) Investors in the Book Building process shall deposit the full payment of their subscription in the designated account for the offer within 48 (forty-eight) hours of notification by the Book Runner.

61. Determination of Price and Offer Size for the Fixed Portion

- 1) Following a review of the orders received in accordance with the criteria disclosed in the preliminary prospectus, the Book Runner and the issuer shall determine the price at which the securities shall be offered to the public.
- 2) Once the issue price is determined, the number of securities to be offered shall be determined based on the amount needed to be raised through the fixed price offer divided by the price that has been determined.
- 3) After the price and offer size for the fixed part are determined as stated under Sub- Articles (1) & (2), the preliminary prospectus and other relevant offer documents shall be updated and filed with the Authority, together with an allotment proposal, within 48 (forty-eight) hours of the close of the Book Building period.

62. Approval of the Updated Prospectus by the Authority

Upon filing the complete updated prospectus and payment of the appropriate fees, the Authority shall approve the prospectus within two business days of receiving the document

and fees.

63. Offer in the Fixed Portion

- 1) The offer period for the fixed price portion shall open within 5 (five) business days from the date of closure of Book Building process; and the fixed price offer shall remain open for a period of at least 10 (ten) working days.
- 2) The investors who have participated in the Book Building process shall not be barred from participating in the fixed price portion of the offer.

64. Allotment of Securities of the Fixed Portion

- 1) Investors in the fixed price portion of the offer shall be allotted the securities offered in accordance with the procedures set out in the approved updated prospectus.
- 2) Notwithstanding the provision of Article 63(2) of this Directive, Retail Investors in the fixed price offer shall be allotted before additional allotment is made to investors who participated in the Book Build process.

65. Records to be Maintained

The book-runner and other intermediaries associated with the Book-Building process, as indicated in the prospectus, shall maintain records for the Book-Building process for at least ten (10) years following the offer.

66. Other Requirements

Except otherwise stated in this Section (Section III) or approved by the Authority, an issuer of securities by way of book building shall comply with the general requirements of Part One Section II and Part Two Section I of this Directive relating to the public offer of securities as applicable.

SECTION IV – PREFERRED RIGHTS OF SUBSCRIPTION

67. General Requirements

- 1) An existing share company proposing to issue new shares shall first offer those shares to existing shareholders in proportion to their existing holdings. Any unsubscribed securities may subsequently be issued to other existing shareholders who have applied for a greater number of shares than they would have been entitled to under their preferred rights in proportion to their existing holdings and the limits of their application.
- 2) The right of existing shareholders, as indicated in Sub-Article (1) of this Article, shall allow for assignment or disposal in part or in whole in favor of a third party at the option of the entitled shareholders.
- 3) The preferred rights shall be tradable on a licensed securities exchange during the period of the offer, as stated in the offer memorandum approved by the Authority.
- 4) The issuer shall fix the closing date for the receipt of applications for, and acceptance of the new shares not less than 30 (thirty) days from the opening of the subscription date.
- 5) An issuer shall not close its register to determine shareholders' entitlement to participate in a preferred rights offer until 10 (ten) business days after the offer memorandum to shareholders has been approved by the Authority. The issuer shall comply with the provisions of this Directive with respect to the offer of securities and any other relevant Directive as applicable.
- 6) The preferred rights of subscribers may be waived subject to a resolution of shareholders at an extraordinary general meeting.

68. Conditions for Approval

- 1) The application for registration of preferred rights of subscription shall be filed with the Authority at least 30 (thirty) business days prior to the proposed date of book closure.
- 2) Where an issuer considers it necessary to make underwriting arrangements for the preferred rights of subscription, details of such underwriting arrangements shall be subject to the approval of the Authority.

- 3) The Authority shall be at liberty to impose such conditions as it deems fit for the protection of existing shareholders and potential investors in approving the application.

69. Registration Requirements

- 1) An application for registration of preferred rights of subscription shall be accompanied by:
 - a. an offering memorandum prepared in accordance with Part Seven, Section III;
 - b. where applicable, a copy of the underwriting agreement, costs, and details of the underwriter. Any relationship of the underwriter to the issuer or any of the issuer's Directors shall be disclosed;
 - c. evidence of escrow account opened for the subscription monies;
 - d. a schedule of estimated expenses and fees payable to professional parties related to the offer;
 - e. consent of all professional parties, Directors, and experts who are named in the offering memorandum. A corporate body giving consent shall do so through duly authorized persons who shall be a Director, company secretary or persons acting in those capacities with the seal of that body;
 - f. any document required by the Commercial Code with respect to issuance of securities and increase in capital; and
 - g. any other document as may be requested by the Authority.

70. Publication of Notice of Subscription

- 1) An issuer shall notify shareholders of the date of opening of the subscription list at least ten (10) days before the subscription list opens.
- 2) The notice of preferred rights offering shall be published in at least 2 (two) newspapers

(1 (one) in Amharic and 1 (one) in English) of wide circulation, on the securities exchange where the company is listed, on the issuer’s website, and by any other means by which ongoing disclosures are provided.

- 3) The notice shall indicate to shareholders:
 - a. the preferred rights of shareholders;
 - b. the dates of opening and closing of the subscription;
 - c. the issue price and the amount required to be paid-up immediately;
 - d. the form of acceptance of rights by shareholders;
 - e. the form of renunciation or assignment of rights; and
 - f. excess share application form.
- 4) The notice of subscription sent to shareholders shall include a copy of the approved offering memorandum and shall indicate the number of shares that each shareholder is entitled to subscribe to.

71. Underwriting of Preferred Rights of Subscription

A preferred right of subscription may be underwritten at the discretion of the issuer, subject to a decision at an extraordinary general meeting.

72. Under-subscription of Preferred Rights of Subscription

- 1) In the case of under-subscription of preferred rights, the balance may be offered to non-shareholders subject to a resolution of shareholders at an extraordinary general meeting and in compliance with the provisions of this Directive with respect to the offer of securities, the prospectus requirement, and any other relevant directive as applicable.
- 2) Under-subscription happens when the total money received in an offering is less than the minimum target amount specified in the offer document.

73. Allotment of Preferred Rights of Subscription

Where a shareholder has not subscribed for shares in respect of which he had a preferred right of subscription, the shares shall be allocated to those shareholders that applied for a greater number of shares than they would have been entitled to under their preferred right, such allocation being proportional to their ownership in the capital and within the limits of their applications.

74. Other Requirements

Except otherwise stated in this section or approved by the Authority, an issuer of securities by way of preferred rights of subscription shall comply with the general requirements of Section I of this Part relating to the public offer of securities as applicable.

SECTION V – ISSUANCE OF SECURITIES EXEMPTED FROM REGISTRATION

75. Applicability

- 1) Issuers of securities pursuant to Article 5 of this Directive shall comply with the provisions set out in this Section as applicable.
- 2) The provision of Sub-Article (1) of this Article shall not apply to securities issued or guaranteed by the Federal Government of Ethiopia.

76. Issuance Through Private placement

- 1) Private placements shall be effected only through an invitation addressed to predetermined investors who shall not be more than 50 (fifty) persons, and the aggregate amount to be raised in a private placement shall not exceed Birr 50,000,000 (Birr Fifty Million).
- 2) The offer or sale of securities through private placement shall not be advertised or published in print or electronic media.
- 3) Securities issued through a private placement shall not be publicly traded.
- 4) A publicly traded security means a security traded on an exchange or on the over- the-

counter market.

77. Issuance Through Offer or Sale to Qualified Investors

- 1) Investors in an offer or sale to qualified investors shall not be more than 100 (hundred) qualified investors.
- 2) An issuer using the qualified investor exemption shall clearly state in the offer documents that the securities are being offered only to qualified investors as defined by this Directive.
- 3) The issuer shall verify that each investor is a qualified investor as defined in Article 2(38) of this Directive.
- 4) The issuer shall have each investor sign a statement confirming that the investor is a qualified investor, and that the investor understands and accepts the risk associated with such an investment.
- 5) The issuer shall keep the statements received from investors pursuant to Sub-Article (2) of this Article for a period of not less than 5 (five) years following the date of receipt.
- 6) Securities issued in an offering or sale pursuant to qualified investors shall not be transferable except to qualified investors or after going through the process of registration as provided under this Directive.
- 7) Notwithstanding the numerical limitation set forth in Sub-Article (1) of this Article, where the issuer desires to issue to more than 100 (hundred) qualified investors, it shall notify and secure the approval of the Authority.

78. Small Offerings

Securities purchased in offerings and sales pursuant to a small offering exemption are restricted shares and shall not be transferable except to qualified investors or after going through the process of registration as provided under this Directive.

79. Report to be filed with the Authority

Within 10 (ten) business days of the close of an offer undertaken pursuant to the exemptions of Article 5 of this Directive, the issuer shall file with the Authority a report on the offer, which shall clearly state the applicable exemptions upon which the offer was made. The report shall be accompanied by:

- 1) a copy of the offer document used for the offer;
- 2) a certified extract of the resolution of shareholders and Board of Directors that authorized the issue;
- 3) names and address of all subscribers to securities and the category of the investor;
- 4) amount subscribed to by each investor, date, and mode of payment;
- 5) amount raised by the company; and
- 6) a copy of the application form used for the offer.

SECTION VI – SHARE COMPANY UNDER FORMATION

80. Prohibition

A company under formation shall not issue debt securities.

81. Requirement to Obtain Approval of the Authority

Any company under formation making an invitation to the public for the offer of its shares shall prior to the making of the invitation, obtain the approval of the Authority and shall Only make the invitation in accordance with such conditions and restrictions as may be imposed by the Authority.

82. Appointment of a Compliance Advisor

- 1) A company under formation shall appoint a Compliance Advisor by a written contract,

which shall be submitted to the Authority.

- 2) Such a company shall retain the services of a Compliance Advisor for a minimum of 3 (three) years following its issuance of securities to the public or as determined by the Authority.
- 3) A Compliance Advisor appointed by a company under formation as provided under Sub-Article (1) of this Article, shall:
 - a. be responsible for ensuring that the offer of securities is made in accordance with the provisions of the Proclamation, any subsidiary legislation made under the Proclamation, as well as directives that the Authority may issue consistent with the Proclamation.
 - b. take all reasonable steps to brief the issuer's Board of Directors and management as to the nature of their responsibilities under the companies under formation requirements, other applicable Directives, and the general nature of their obligations in relation to stakeholders.
 - c. advise, monitor, and guide the issuer in complying with all requirements of the Authority and other applicable laws and regulations, as well as instituting a high level of corporate governance practices in its operations.
 - d. review with the issuer, prior to publication, all periodic financial information announcements, and any other disclosures to ensure that the Directors of the issuer, after due and careful consideration, understand the importance of accurately disclosing all to shareholders and the market.
 - e. carry out any other related activities relating to the issuer as may be requested by the Authority, from time to time.
 - f. provide to the Authority a signed statement confirming that it has diligently executed its obligations under this provision.

83. Conditions for Approval

- 1) A company under formation seeking to offer its shares to the public shall file a registration statement with the Authority.
- 2) The registration statement filed by a company under formation for the public offer of shares shall include a prospectus prepared in accordance with the requirements stated in Part Seven, Section I, and shall be accompanied by:
 - a. evidence of payment of fees as prescribed by the Authority which are in effect on the date of filing the application;
 - b. a business plan which shall contain, amongst others, the business strategy, and objectives of the applicant, stating the long-term objectives of the business organization and services to be rendered;
 - c. proposed organogram of the company under formation clearly delineating the reporting lines;
 - d. feasibility report on the proposed business of the company, which shall include the name, address, qualification, and expertise of the preparer;
 - e. a copy of the draft memorandum of association of the company, accompanied by a letter from a lawyer stating the memorandum of association fulfills the requirement of the Commercial Code;
 - f. profiles and resumes of promoters and key management staff;
 - g. where applicable, an audited statement of affairs of the company;
 - h. a projected financial statement with profit or loss forecast of the company for at least 3 (three) years, together with the basis for the estimates and projections;
 - i. the projected financial statement with profit or loss forecast shall be accompanied by an independent accountant's report in accordance with the prevailing accounting standard as set by the Accounting and Auditing Board of Ethiopia or any relevant Ethiopian Authority;

- j. expert valuation by an independent and qualified/licensed expert on the contribution in kind attributable to promoters or any persons;
 - k. evidence of escrow opened for the subscription proceeds; and
 - l. where the issuer seeks to operate in the financial services sector, a no-objection from the issuer's primary regulator.
- 3) The Authority may request the issuer to take measures to facilitate the purchase by investors, protect their rights and interests, and apply a certain offer method.
 - 4) A company under formation shall have a core investor or investors who shall commit to investing a minimum of 10% of the company's issued capital.
 - 5) The securities of the core investor shall be restricted from trading or otherwise being transferred for 2 (two) years following the company's formation.
 - 6) A share company under formation shall comply with the requirements of Section I of this Part as applicable.

84. Period of Offer

Notwithstanding the requirements of Article 34 of this Directive, in the case of a company under formation, the offer period to be determined by the issuer or the offeror could be up to 5 (five) years, provided that such an issuer or offeror meets the requirements below:

- a. If the offer period determined by the issuer or the offeror is more than 1 (one) year, the offeror or the issuer shall provide in the "risk" section of its prospectus a statement that the issue period is more than a year and the possible risk associated with a prolonged offer period to investors.
- b. that the issuer or offeror shall provide to the Authority update on its capital raising activity every six months
- c. that the prospectus shall be valid only for 1 (one) year period, and the issuer or offer

shall file with the Authority a new prospectus and have such prospectus approved before the expiration of the current prospectus.

85. Under Subscription

In the case of a Companies-Under-Formation, under-subscription happens if at the close of the offer period the issuer fails:

- 1) to secure 100% subscription; and
- 2) one quarter of the par value of shares sold in cash has not been paid up and deposited in an escrow account opened in the name of the company under formation.

86. Obligation of Promoters

The promoters shall fulfill all the requirements of a company under formation as required under the Commercial Code, in addition to the following:

- 1) open an escrow account into which the gross subscription proceeds shall be deposited by the subscribers, the promoters shall only utilize a maximum of 4 (four) percent of the gross proceeds and such utilization shall be limited to defraying the cost associated with the formation of the company;
- 2) name the Compliance Advisor in the escrow account so that the Compliance Advisor shall have a view only access of the escrow account; and
- 3) at all times, give the Compliance Advisor access to the books and accounts.

87. Registration requirements

Upon conclusion of the incorporation process, the company shall forward the following documents to the Authority for registration of the issued securities.

1. a copy of the certificate of commercial registration and investment permit or business license of the company, as applicable, issued by the relevant government organ;

2. an authenticated copy of the memorandum of association of the issuer and other applicable incorporation documents showing the shareholders, Directors, and capital of the issuer (including amendments);
3. compliance audit report of the formation process by an external auditor;
4. a certified extract of the resolution(s) of the subscribers;
5. evidence of transfer and/or registration of the property contributed in kind in the name of the company;
6. profiles of Directors and key management staff of the company; and
7. audited initial financial position of the company.

PART THREE - DEBT SECURITIES

88. Applicability

This section applies only to the issuance of debt securities.

89. Eligibility

- 1) Public companies, multilateral agencies, or other entities approved by the Authority shall be eligible to issue, offer for sale, or make an invitation to the public for debt securities.
- 2) As of the date of the application, the issuer must not be in breach of any of its loan covenants, particularly with regard to the maximum debt capacity where applicable.
- 3) In the case of public companies, the issued capital of the company must be fully paid up as of the date of the application.

90. General Requirements

- 1) An issuer of debt securities must comply with the provisions of Parts I and II of this Directive, which deal with the registration and offer of securities, and any other relevant

provisions as applicable.

- 2) Debt securities to be offered to the public shall be listed or quoted on a licensed securities exchange or OTC market.
- 3) The Authority may require payment obligations in relation to debt securities to be guaranteed by a bank or a third-party legal entity, demand a restriction to be imposed in relation to the qualifications of persons to whom an invitation will be made and/or conditions of offer, or shorten the validity period of the offer document.
- 4) Where a third party guarantees the fulfillment of obligations relating to debt securities being offered to the public, the prospectus shall also contain information about the guarantor and the kind and description of the guarantee.
- 5) An issuer subject to a primary statutory regulator shall comply with the debt limits set by the relevant regulator.
- 6) Where a shelf prospectus for debt securities has been registered by the Authority, an application for subsequent issuances under the shelf shall be filed with the Authority at least 10 (ten) business days before the proposed offer open date.
- 7) Debt securities shall have the following characteristics:
 - a. be denominated in Ethiopian Birr,
 - b. have a tenure of more than one year,
 - c. have a fixed term with principal and any accrued coupons, profit payable,
 - d. have a fixed or variable coupon rate,
 - e. coupons, returns, and interest shall be payable periodically on certain specified intervals from the issue date, except for zero-coupon bonds, and
 - f. does not embed any swaps, options, or other derivatives, except in the case of convertible or exchangeable corporate bonds, where:
 - i. the option is to convert or exchange the corporate bonds into shares;

- ii. the option to convert or exchange the corporate bonds into shares is at the discretion of the investor; and
- iii. the underlying shares are listed on a stock exchange.

91. Rating Requirements

- 1) Debt securities may be rated by a licensed credit rating service agency.
- 2) Where an issuer opts for a credit rating on the debt securities:
 - a. The rating shall be provided by a credit rating agency licensed or approved by the Authority; and
 - b. The final credit rating for the securities must be made available as part of the submission for approval that is made to the Authority.
- 3) In the case of a debt shelf registration that is rated, where the credit rating is not assigned for the full amount of the program but for a tranche or series, as the case may be:
 - a. all issuances under the program must be rated, and
 - b. the principal terms and conditions of the debt program must include a disclosure of all the pre-conditions, relevant risk factors, and all material information relating to the credit rating per tranche or series, as well as a provision that states all subsequent issuances of the debt program will be rated.
- 4) Where the issuer decides to rely on more than one credit rating for the purpose of offering the debt securities, the issuer must disclose such credit ratings in its prospectus.
- 5) An issuer must provide sufficient and relevant information to the credit rating agency for the purpose of assessing and evaluating the credit risk of the debt instruments.
- 6) The issuer shall ensure the credit rating is reviewed by the credit rating agency that granted the rating at least once a year throughout the duration of the bond, or as may be required by standards applicable to ratings or as required by the Authority.

92. Additional Registration Requirements for Debt Securities

In addition to the requirement of Article 7 of this Directive, a registration statement for the issuance of debt securities shall be accompanied by:

- 1) a feasibility study on the project to be financed (where the proceeds from the offer is to finance a project), which shall include the name, address, qualification, and expertise of the preparer.
- 2) a copy of the bond indenture,
- 3) where applicable, credit rating report issued by a licensed credit rating service agency,
- 4) where applicable, details of guarantor and copy of the guarantee document, and
- 5) any other document and/or information as may be required by the Authority.

93. Other Requirements

No issuer shall amend the terms or conditions in relation to issued debt securities without the consent of bondholders as per the Commercial Code, the offer document, and the approval of the Authority.

PART FOUR – CROSS BORDER SECURITIES TRANSACTIONS

94. Offer of Securities Made Outside of Ethiopia

- 1) An offer or sale of securities by an Ethiopian company that occurs outside of Ethiopia is exempted from the registration and prospectus filing requirements in Ethiopia but shall be subject to all applicable ongoing disclosure requirements as long as it has sufficient shareholders in Ethiopia to trigger the reporting requirement.
- 2) An offer or sale of securities by the issuer, distributor, or any affiliates shall be deemed to occur outside of Ethiopia if:

- a. the offer or sale is made outside of Ethiopia; and
- b. no direct or indirect selling efforts are made in Ethiopia by the issuer, distributor, or any affiliates.

PART FIVE- ONGOING INFORMATION DISCLOSURE OBLIGATIONS

SECTION I – GENERAL ONGOING OBLIGATIONS

95. Timely Disclosure of Information

- 1) Every issuer is required to keep the public fully informed and make immediate public disclosure of any information necessary to enable security holders and the public to appraise the position of the issuer and to avoid the establishment of a False Market in the securities of the issuer.
- 2) Information required to be disclosed under Sub - Article (1) of this Article includes information that might reasonably be expected to have a material effect on the issuer and all matters that affect the value of the securities. Such information includes, but is not limited to:
 - a. Appointment, resignation, dismissal or death of Directors and key management personnel;
 - b. giving or receiving a notice of intention to make a takeover, mergers, acquisitions, tender offers or divestments,
 - c. changes in a company's external auditor;
 - d. a company's bankruptcy, supervision, or trusteeship;
 - e. changes in significant change in the ownership of a company;
 - f. entry into or termination of a material agreement;
 - g. unregistered sales of equity securities by the company;
 - h. material modifications to rights of holders of the company's securities;

- i. issuance of new securities by the company;
 - j. any proposed change in its capital structure, including the structure of its debt securities;
 - k. any change(s) in the rights attaching to any class of securities, in loan terms (or in the rate of interest carried by a debt security) or to any securities which are convertible;
 - l. financial statements, annual reports, and interim accounts;
 - m. non-declaration of dividends or payment of interest;
 - n. issuance of new laws or regulatory instruments that materially impact on the business of the issuer;
 - o. findings of scientific breakthroughs in research and development relating to the companies' products and services;
 - p. any other major development in the issuers' activities, which may:
 - i. by virtue of the effect of such development on its assets and liabilities or financial position or on the general course of its business, may have an impact in the price of its securities; or
 - ii. any other information necessary to enable shareholders and investors to appraise the position of the issuer and to avoid the establishment of a False Market in the securities of the company.
- 3) In addition to the information required to be disclosed in Sub-Article (2) of this Article issuers of debt securities are required to make the following additional disclosures:
- a. any issuance of a new tranche or series of debt security by an issuer;

- b. any change in the terms and conditions of debt securities;
 - c. any redemption or cancellation of a debt security;
 - d. any occurrence of an event of default; and
 - e. any event that requires immediate notification to the bond holders under the bond agreement.
- 4) Information required to be disclosed shall be disclosed within twenty-four (24) hours of the event, except for the submission of financial statements, annual reports, and earnings forecasts, which shall be submitted in line with the requirements under Articles 95-97 of this Directive.
- 5) Information required by and provided in confidence to, and for the purposes of a government department, the National Bank of Ethiopia, the Authority, or any other statutory or regulatory body need not be published but shall be reported to the Authority.
- 6) An issuer must publish, by way of a cautionary announcement, information that could lead to material movements in the price of its securities if, at any time, the necessary degree of confidentiality cannot be maintained or that confidentiality has or may have been breached.
- 7) Where the issuer's securities are listed in more than one jurisdiction, the issuer must ensure that equivalent information is released on an identical basis and simultaneously to the Authority and securities exchange where it is listed, whether or not such information is required to be disclosed by the proclamation, this Directive or any other regulation of the Authority.
- 8) Ongoing disclosure of information should be fairly presented, not be misleading or deceptive, and contain no material omission of information.

96. Method of Disclosure

- 1) Disclosure obligations under this Part shall be made to the Authority and to the Securities Exchange where the company is listed.
- 2) The issuer shall also make such information available to the public by placing it on its website.
- 3) The Authority may specify the form of disclosures to the public and may make such disclosures available to the public on its website.

97. System of Internal Controls

- 1) Every public company shall establish a system of internal controls over its financial reporting and security of its assets, and it shall be the responsibility of the Board of Directors to ensure the integrity of the company's internal controls and reporting.
- 2) The Board of Directors of a public company shall report on the effectiveness of the company's internal control system in its annual report. The auditors are also required to issue a statement as to the existence, adequacy, and effectiveness, or otherwise, of the internal control system of the company; both reports are to be included in the annual report.
- 3) In this section, "internal control" means policies, procedures, and practices put in place by management to ensure the safety of assets, the accuracy of financial records and reports, the achievement of corporate objectives, and compliance with laws, regulations, and applicable corporate governance standards.

SECTION II - PERIODIC DISCLOSURE OBLIGATIONS

98. Filing of Financial Statements

- 1) An issuer of securities that are the subject of a public offer or which are publicly held shall submit to the Authority and the securities exchange on which they are listed and/or traded its financial statements on a semi-annual (half-yearly) and annual basis.

- 2) The periodic financial statements shall be prepared in accordance with the prevailing accounting standard for the reporting period as set by the Accounting and Auditing Board of Ethiopia or any relevant Ethiopian Authority and shall include:
 - a. the statement of financial position;
 - b. the profit and loss statement;
 - c. the statement of cash flows;
 - d. the statement of changes in equity;
 - e. explanatory notes to the account and accounting policies; and
 - f. any other statement the Authority may require from time to time.
- 3) The financial statement shall also be published on the website of the issuer.

99. Semi-Annual Financial Statements

- 1) The semi-annual financial statements of an issuer shall be submitted not later than 45 (forty-five) calendar days after the end of half-year period of the issuer's financial year.
- 2) An issuer shall disclose the following in the notes to the financial statements:
 - a. a description of the nature and effect of any change in its accounting policies and estimates compared to the most recent annual financial statements;
 - b. explanatory comments about the seasonality or cyclicity of its operations;
 - c. the nature and amount of items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size, or incidence;
 - d. contingent liabilities and/or assets;
 - e. any events or transactions that are material to an understanding of the current period; and

- f. any other statement the Authority may require from time to time.
- 3) An issuer shall publish their signed semi-annual statement of financial position, statement of profit and loss, and statement of cash flow statements in at least 1 (one) newspaper of wide circulation.

100. Annual Audited Financial Statement

- 1) An issuer shall submit its annual audited financial statements not later than 90 (ninety) Calendar days after the end of its financial year.
- 2) Issuers are required to disclose the following information in their audited financial statements:
 - a. information on Directors' direct and indirect interest in the issuer's shares;
 - b. a description of the nature and purpose of each reserve within owner's equity;
 - c. when dividends have been proposed but not formally approved for payment, the amount included (or not included) in liabilities;
 - d. where applicable, a report on how the proceeds from previous public offer of securities have been applied in line with the disclosure contained in the prospectus on the use of proceeds until the full utilization of the offer proceeds; and
 - e. any other statement the Authority may require from time to time.
- 3) An issuer shall publish their signed annual audited financial statement containing the statement of financial position, statement of profit and loss, and statement and cash flow statements in at least 1 (one) newspaper of wide circulation.

101. Annual Reports

- 1) In addition to the submission of annual audited financial statements, every issuer is required to submit its annual report to the Authority and the securities exchanges where it is listed or traded not later than 4 (four) months after the end of its financial

year end.

- 2) The annual report shall, at a minimum, include the following:
 - a. the audited financial statements for the year ended;
 - a. the notice of annual general meeting;
 - b. a statement from the Chairman of the Board;
 - c. a responsibility statement by Directors,
 - d. the issued and paid-up capital of the issuer, issued but not fully paid for, each class of share capital and their par values;
 - e. details of Directors' and substantial shareholders' direct and indirect interests in the share capital of the issuer;
 - f. the domicile and legal form of the issuer, its country of incorporation and the address of the registered office (or principal place of business, if different from the registered office);
 - g. a description of the nature of the issuer's operations and its principal activities;
 - h. where applicable, the name of the parent company and the ultimate parent company of the group;
 - i. information on the issuer's capital structure, such as:
 - i. details of the issuance of shares and share buybacks during the year; and
 - ii. reasons for the issuance of shares as well as share buybacks during the year
 - j. sufficient disclosure on risk management;
 - k. report of any unclaimed dividends;
 - l. related party transactions;

- m. either the number of employees at the end of the period or the average for the period covered by the financial statements;
- n. remuneration of Directors and executive management;
- o. corporate governance report;
- p. opinion of the auditor and the auditor's reporting responsibilities;
- q. internal control report from the Board of Directors as well as the auditor;
- r. any other information the Authority may require from time to time.

102. Earnings Forecast

- 1) A public company may submit its earnings forecast to the Authority and relevant securities exchange, 20 (twenty) days prior to the commencement of a quarter.
- 2) Where a company opts to submit its earnings forecast, the following shall apply:
 - a. The earnings forecast shall be in line with the company's policy and the requirements of the securities exchange where it is listed;
 - b. The underlying assumptions that formed the bases of the forecast shall also be disclosed; and
 - c. The forecast shall be certified by the chief executive officer and chief financial officer or by officers or persons performing similar functions in the company.
- 3) Public companies are required to notify the relevant securities exchanges and the public as soon as it is known that the forecast will not be realized and the reasons for the non-realization shall be stated.

103. Other Ongoing Obligations

- 1) Every public company shall designate an officer(s) who shall ensure compliance with

all regulatory requirements of the Authority.

- 2) In addition to the continuing obligations in this Directive, every issuer must also comply with the continuous disclosure obligations set out in the rules of the securities exchange where it is listed.

PART SIX – TRADING IN SECURITIES

104. Prohibition

No security subject to the requirements of this Directive shall be traded or transferred outside of a licensed securities exchange or OTC market.

105. Suspension and Delisting

- 1) No security shall be suspended or delisted by a securities exchange without the prior approval of the Authority.
- 2) The Authority may require the suspension or delisting of an issuer in any other circumstances that, in the opinion of the Authority, serve to protect the interests of the investors.
- 3) Where a security has been suspended or delisted, the securities exchange shall publish such information in at least 2 (two) newspapers (1 (one) in Amharic and 1 (one) in English) of wide circulation.

106. Disclosure of Interest by Interested Persons

- 1) An interested person shall, within 5 (five) days of acquiring an interest, whether directly or indirectly, that represents 5 (five) percent or more in the capital of a company listed on an exchange, send an authenticated and signed disclosure to the Authority, the securities exchange where the shares are traded and the issuer in a prescribed format as determined by the Authority.

- 2) Any subsequent transaction by an interested person that exceeds more than 0.5 percent of the issuer's capital shall also be filed with the Authority, the securities exchange and issuer in the prescribed form as required by the Authority within 10 (ten) days from the date of change. This notification shall continue until the change results in a decline of interest below 5 percent of the issuer's capital.

107. Market Abuse

- 1) No person or entity shall engage in any form of market manipulation or unlawful disclosure of information.
- 2) Without prejudice to the provisions of the Proclamation, a person involved in securities trading shall not:
 - a. employ any device, scheme, or artifice to defraud or capable of defrauding any person or institution;
 - b. make, utter, or present any untrue statement of a material fact;
 - c. omit to disclose a material fact necessary in order not to render any statement misleading in light of the circumstances under which the statement was made;
 - d. engage in any act, practice or course of business which operates or would operate as a fraud or deceit upon any person in connection with the purchase or sale of or dealing in any security; or
 - e. deal in the securities of a company of which he is an insider.

108. Prohibition Against Insider Dealing

- 1) Without prejudice to the provisions of the Proclamation, every person or entity in possession of inside information is prohibited from dealing in such inside information.

- 2) An inside information is an information of a precise nature, which has not been made public, relating, directly or indirectly, to one or more Issuers or to one or more securities, and which, if it were made public, would be likely to have a significant effect on the Issuer(s) and/or on the prices of the Issuer's securities.
- 3) A person or entity is deemed to have dealt with inside information by using that inside information in:
 - a. acquiring or disposing of, or attempting to acquire or dispose of, for his own account or for the account of a third party, directly or indirectly, securities to which that information relates.
 - b. canceling or amending, or attempting to cancel or amend, an order to acquire or dispose of, for his own account or for the account of a third party, directly or indirectly, financial instruments to which that information relates.
- 4) Insider dealing consists of taking unfair advantage of inside information to the detriment of third parties who are unaware of such information and, consequently, undermining the integrity of financial markets and investor confidence.
- 5) Every issuer is required to establish a policy on securities dealing to prohibit insider dealing and information confidentiality.

PART SEVEN: CONTENT OF THE PROSPECTUS

SECTION 1: CONTENTS OF PROSPECTUS – EQUITIES

109. Front page

- 1) The front cover shall state the name of the issuer, the Transaction Advisor(s), their

respective registration certificate numbers (if any), the type of offer, amount, or number of securities being offered, and the price and amount payable in full on application.

- 2) The prospectus shall contain on the front page a statement that:
- a. The prospectus is issued under the provisions of the Capital Market Proclamation, and in compliance with the Public Offer and Trading Directives of the Authority for the purpose of giving information to the public regarding the securities of the company.
 - b. The prospectus and the securities that it offers, have been registered by the Ethiopian Capital Market Authority.
 - c. The registration of the prospectus and the securities that it offers with the Ethiopian Capital Market Authority should not be construed as an endorsement of the issuer or of the securities that are the subject of this prospectus, nor should it assume responsibility for the correctness of any statements, opinions, or reports included herein.
 - d. The Directors of the issuer, accept full responsibility for the information contained in the prospectus and, to the best of their knowledge and belief, have taken all reasonable care to ensure that, such is the case, the information in the prospectus is in accordance with facts and does not omit anything likely to affect the importance of such information or make the expression of such information or opinion misleading or untrue.
 - e. Investing in this offer involves risks, with reference to the relevant pages on risk factors that should be considered by prospective investors.

110. Table of Content

A detailed table of contents shows the subject matter of the various sections or subsections of the prospectus and the page number on which each such section or subsection begins.

111. Person Responsible for the Information Disclosed

The name, address, and function of the persons responsible for the information or any parts

of it, given in the prospectus; in the case of corporate entities, indicate the name and registered office.

112. Person Responsible for the Information Disclosed

- 1) The name, address, and function of the persons responsible for the information or any parts of it, given in the prospectus; in the case of corporate entities, indicate the name and registered office.
- 2) A declaration by the persons responsible for the prospectus that, to the best of their knowledge, the information contained in the prospectus is in accordance with the facts and that the prospectus makes no omission likely to affect its import.
- 3) Where a statement or report attributed to a person as an expert is included in the prospectus, provide the following details for that person:
 - a. Name;
 - b. Business Address;
 - c. Qualifications;
 - d. Material interest, if any, in the issuer.
- 4) If the statement or report has been produced at the issuer's request, state that such statement or report has been included in the prospectus with the consent of the person who has authorized the contents of that part for the purpose of the prospectus.

113. Third Party Information

Where information has been sourced from a third party, a confirmation that such information has been accurately reproduced and that, as far as the issuer is aware and is able to ascertain from information published by that third party, no facts have been omitted that would render the reproduced information inaccurate or misleading. In addition, the source(s) of the information shall be disclosed.

114. Statutory Auditors

Names and addresses of the issuer's auditors for the period covered by the historical financial information, together with their membership in a in an entity empowered to regulate them and any other professional body.

115. Definitions and Corporate Directory

- 1) A glossary of abbreviations and technical terms to guide investors on definitions and explanations of abbreviations and terms, especially for companies engaged in technical activities.
- 2) The corporate addresses and telephone numbers of the issuer's branch/regional office, head office, e-mail, website, and registrar's office.

116. Summary of the Offer

- 1) The summary shall contain an introductory cautionary statement indicating that it is to be read together with the other parts of the prospectus, and any decision to invest in the securities should be based on consideration of the prospectus as a whole.
- 2) The content of the summary shall be accurate, fair, and clear and shall not be misleading.
- 3) It shall be read as an introduction to the prospectus, be consistent with the other parts of the prospectus, and include:
 - a. Key information on the issuer
 - i. The name of the issuer;
 - ii. The name of the offeror (where applicable);
 - iii. A brief description of the issuer of the securities;
 - iv. A summary of its principal activities;
 - v. The share capital of the company showing the issued and fully paid share

capital; and

vi. A summary of key historical financial information.

b. Key information on the Securities

i. A brief description of the securities being offered to the public, including their type and class,

ii. The currency, denomination, par value, the number of securities issued and the terms of the securities,

iii. The rights attached to the securities, and

iv. Information on where the securities are traded or will be traded

c. Key information on the offer

i. The amount/number of securities on the offer;

ii. The method of offering;

iii. The offer price;

iv. The period during which the offer will be open;

v. Method of subscription;

vi. Method for delivery of securities;

vii. Minimum application and multiples thereafter;

viii. The general terms, conditions and expected timetable of the offer;

ix. The plan for distribution and paying agents;

x. The amount and percentage of immediate dilution resulting from the offer;

xi. An estimate of the total expenses of the issue;

xii. A brief description of the reasons or purpose for the offer;

xiii. Estimated net amount of the proceeds and the use, including expected periods to complete the project(s);

xiv. An indication of whether the offer is subject to an underwriting agreement on a firm or standby commitment basis, stating any portion not covered;

- xv. minimum subscription required for the offer to be complete;
- xvi. Description of mode of payment, receiving bank and information on the escrow account, documents required from subscribers, when and how subscribers get titles, and how subscribers can collect evidence of ownership or any refund;
- xvii. The procedures for allotment;
- xviii. Summary of key risk.

117. Information on the Issuer

- 1) The legal and commercial name of the issuer;
- 2) The country of incorporation of the issuer, the date of incorporation and the length of life of the issuer, except where indefinite;
- 3) The history and development of the issuer;
- 4) Details of any recent events particular to the issuer and which are to a material extent relevant to an evaluation of the issuer's solvency;
- 5) Credit ratings assigned to an issuer at the request or with the cooperation of the issuer in the rating process;
- 6) Information on the material changes in the issuer's borrowing and funding structure since the last financial year; and
- 7) Description of the expected financing of the issuer's activities.

118. Business Overview

- 1) A description of the nature of the issuer's operations and principal activities, stating the main categories of products sold and/or services performed for each financial year for the period covered by the historical financial information;
- 2) Information on any significant new products and/or services that have been introduced

and, to the extent the development of new products or services has been publicly disclosed, the status of their development;

- 3) Information on the availability of raw materials (where applicable), i.e., where the company derives or will derive its raw materials from, including quality control procedures;
- 4) Information on the utilization percentage of installed capacity (where applicable);
- 5) A description of the principal markets in which the issuer competes, including a breakdown of total revenues by operating segment and geographic market for each financial year for the period covered by the historical financial information.
- 6) The important events and developments in the issuer's business;
- 7) A description of the issuer's business strategy and objectives, both financial and non-financial. This description shall consider the issuer's future challenges and prospects;
- 8) Summary of information on the extent to which the issuer is dependent, if at all, on patents or licenses, industrial, commercial, or financial contracts or new manufacturing processes, where such factors are of fundamental importance to the issuer's business or profitability;
- 9) The basis for any statements made by the issuer regarding its competitive position;
- 10) A description of the issuer's material investments made since the date of the last published financial statements and which are in progress or for which firm commitments have already been made, including the geographical distribution of these investments; and the method of financing such investments;
- 11) Information concerning the issuer's principal future investments (including new plant, factories, and research and development, if any), with the exception of interests to be acquired in other undertakings, on which the issuer's Directors have already made firm commitments;

- 12) Particulars of royalties payable or items of a similar nature in respect of the issuer and any of its subsidiaries;
- 13) Information on any interruptions in the issuer's business that may have or have had during the recent past (covering at least the previous twelve months) a significant effect on the issuer's financial position.

119. Organizational Structure

- 1) Where the issuer is part of a group, a brief description of the group, including a description of the group structure and the issuer's position within the group. This may be in the form of, or accompanied by, an illustration.
- 2) A list of the issuer's significant subsidiaries, including name, country of incorporation or residence, the proportion of ownership interest held, and, if different, the proportion of voting power held.

120. Regulatory Environment

The regulatory environment in which the issuer operates and any material changes in the issuer's regulatory environment since the period covered by the latest published audited financial statements.

121. Management Discussion and Analysis on Operation and Financial Results

- 1) A comprehensive analysis of the development and performance of the issuer's business and of its position for each year and interim period for which historical financial information is required, including the causes of material changes. The analysis shall include both financial and, where appropriate, non-financial key performance indicators relevant to the particular business.
- 2) Information regarding significant factors, including unusual or infrequent events or new developments, materially affecting the issuer's income from operations and indicate the extent to which income was so affected.
- 3) Where the historical financial information discloses material changes in net sales or

revenues, provide a narrative discussion of the reasons for such changes.

122. Corporate Governance

- 1) Brief profile of each of the following persons, including their full names, nationality, function in the issuer or group, educational qualifications, skills, and experience, relevant business interests and activities, and any other information the Authority may require from time to time:
 - a. Directors, alternate Directors, and proposed Directors of the issuer.
 - b. The senior management of the issuer, including the chief executive, board secretary, and finance director, with details of professional qualifications and periods of employment with the issuer for each such person.
 - c. Founders or promoters where the business has been in existence for less than five (5) years.
 - d. Details of the nature of any family relationship between any of the persons referred to in sub-art (1) (a-c).
- 2) Detailed disclosure of chief executive or other senior management changes planned or expected for twenty-four (24) months following the issue or listing of the security or appropriate negative statement.
- 3) Information on whether or not any shareholder, Director or key management personnel and, where applicable, its key technical personnel are or have been involved in any of the following (whether in or outside Ethiopia).
 - a. a petition under any bankruptcy or insolvency laws filed (and not struck-out) against such person or any partnership in which he was a partner or any company of which he was a director or key personnel.
 - b. a conviction in a criminal proceeding or is named subject of pending criminal

proceedings relating to fraud or dishonesty.

c. the subject of any order, judgment or ruling of any court of competent jurisdiction or regulatory body relating to fraud or dishonesty, restraining him from acting as an investment adviser, dealer in securities, Director or employee of a financial institution and engaging in any type of business practice or activity. If there is no such information required to be disclosed, a statement to that effect shall be made.

4) All relevant information regarding the nature and extent of any interests of Directors of the issuer in transactions which are or were unusual in their nature or conditions or significant to the business of the group and which were affected by the issuer during the current or immediately preceding financial year; or an earlier financial year and remain in any respect outstanding or unperformed; or an appropriate negative statement.

123. Board Committees and Practices

1) Information about the issuer's audit committee, remuneration committee, and other board committees, including the names of committee members and a summary of the terms of reference under which the committee operates.

2) Date of appointment and expiration of the current term of office of members of the Board of Directors and the period during which the person has served in that office.

3) Details of existing or proposed Directors' service contracts with the issuer or any of its subsidiaries providing for benefits upon termination of employment, or an appropriate statement to the effect that no such benefits exist.

4) A statement as to whether or not the issuer complies with the corporate governance regime(s) applicable to the issuer.

5) Potential material impacts on corporate governance, including future changes in the board and committees' composition (in so far as this has already been decided by the board or shareholders meeting).

124. Remuneration

- 1) The total amount of remuneration paid (including any contingent or deferred compensation) and benefits in kind granted to the Directors of the issuer and its subsidiaries for services in all capacities to the issuer and its subsidiaries by any person.
- 2) An estimate of the amounts payable to Directors of the issuer, including proposed Directors, by any member of the group for the current financial year under the arrangements in force at the date of the prospectus.

125. Directors Interest

- 1) A statement showing the aggregate of the direct and indirect interests of the Directors and the direct and indirect interests of each Director holding in excess of 5% of the share capital of the issuer, distinguishing between beneficial and non-beneficial interests as of the most recent date, or an appropriate negative statement.
- 2) The total of any outstanding loans granted by any member of the group to the Directors, and also of any guarantees provided by any member of the group for their benefit.

126. Major Shareholder/Interested Persons

- 1) The name of any person other than a member of Board of Directors who, directly or indirectly, has an interest in the issuer's capital or voting rights of 5% and above, together with the amount of each such person's interest, as of the date of the prospectus or, if there are no such persons, an appropriate statement to that effect that no such person exists.
- 2) Whether the issuer's major shareholders have different voting rights, or an appropriate statement to the effect that no such voting rights exist.
- 3) A description of any arrangements known to the issuer, the operation of which may, at a subsequent date, result in a change in control of the issuer.

127. Related Party Transactions

- 1) Information on any existing and potential related-party transactions that the issuer has entered into since the date of the last financial statement.
- 2) The amount or percentage to which related party transactions form part of the turnover of the issuer.

128. Employees

- 1) Information on the number of employees, including type of employment (segmented - full time or part-time) at the end of the period or the average for each financial year for the period covered by the historical financial information up to the date of the prospectus (and changes in such numbers, if material).
- 2) Description of any arrangements for involving the employees in the capital of the issuer, such as compensation benefit plans or share-based payments.

129. Financial Information

- 1) Audited historical financials for the preceding three years, which shall include:
 - a. statement of financial position;
 - b. the statement of profit or loss and other comprehensive income (SPLOCI);
 - c. a statement of changes in equity;
 - d. the cash flow statement;
 - e. the accounting policies and explanatory notes

If the issuer prepares both separate and consolidated annual accounts, it must include both sets of accounts in the prospectus.

- 2) audit report on the financial statement of the issuer for each of the years presented shall indicate whether or not the financial statements give a true and fair view of the affairs of the company in accordance with the prevailing accounting standard for the reporting period as set by the Accounting and Auditing Board of Ethiopia or any relevant Ethiopian Authority.

- 3) If audit reports on the annual financial statements contain qualifications, modifications of opinion, disclaimers, or an emphasis on matter, such qualifications, modifications, disclaimers, or emphasis on matter must be reproduced in full, along with the reasons given.
- 4) Indication of other information in the prospectus that has been audited by the auditor.
- 5) Where financial information in the prospectus is not extracted from the issuer's audited financial statements, state the source of the data and state that the data is not audited.

130. Legal and arbitration proceedings

Information on any governmental, legal, or arbitration proceedings (including any such proceedings which are pending or threatened of which the issuer is aware) during a period covering at least the previous 12 months that may have had or have had in the recent past significant effects on the issuer and/or group's financial position or profitability or provide an appropriate negative statement.

131. Significant change in the issuer's financial position

- 1) A description of any significant change in the financial position of the group which has occurred since the end of the last financial period for which either audited financial statements or interim financial information have been published or provide an appropriate negative statement.
- 2) All off-balance sheet financing by the issuer and any of its subsidiaries, including all known contingent liabilities, shall be quantified (where practicable) and disclosed by way of notes to the accounts.
- 3) Where six months have elapsed since the end of the financial year to which the last audited financial statement relates, an interim financial statement, which must be reviewed covering at least the first six months following the end of that financial year, must be included in or appended to the prospectus.

- 4) The interim financial statements should include comparative statements for the same period in the prior financial year, except that the requirement for comparative balance sheet information may be satisfied by presenting the year-end balance sheet.
- 5) The issuer shall have any interim financial statements in the document reviewed by an independent auditor. If such a review has been performed and is referred to in the document, a copy of the auditor's interim review report must be provided in the document.

132. Profit Forecast

- 1) Where a profit forecast or a profit estimate is included in the prospectus, the profit forecast or estimate shall be clear and unambiguous and contain a statement setting out the principal assumptions upon which the issuer has based its forecast, or estimate.
- 2) The forecast or estimate shall comply with the following principles:
 - a. there must be a clear distinction between assumptions about factors which the members of the Board of Directors can influence and assumptions about factors which are exclusively outside the influence of the Board of Directors;
 - b. the assumptions must be reasonable, readily understandable by investors, specific and precise, and not relate to the general accuracy of the estimates underlying the forecast;
 - c. In the case of a forecast, the assumptions shall draw the investor's attention to those uncertain factors that could materially change the outcome of the forecast.
- 3) The prospectus shall include a statement that the profit forecast or estimate has been compiled and prepared on a basis that is both:
 - a. comparable with the historical financial information;
 - b. consistent with the issuer's accounting policies
- 4) The forecast shall be accompanied by an independent accountant's review on the report.

133. Pro Forma Financial Information

- 1) Where any part of the proceeds of the issue are to be used directly or indirectly in any manner resulting in the acquisition by the issuer of shares in another body corporate that, by reason of that acquisition or anything to be done in consequence of or in connection with it, that body corporate will become a subsidiary of the company, a description of how the transaction might have affected the assets, liabilities, and earnings of the issuer, had the transaction been undertaken at the commencement of the period being reported on or at the date reported.
- 2) This requirement will normally be satisfied by the inclusion of pro forma financial information.

134. Dividend Policy

- 1) A description of the issuer's policy on dividend distributions and any restrictions thereon.
- 2) The amount of the dividend per share for the last three financial years has been adjusted, where the number of shares in the issuer has changed, to make it comparable.

135. Going Concern

The Directors of an issuer and the auditors reporting accountants to an issue shall make a declaration in the prospectus as to whether or not the company will continue in operation in the foreseeable future.

136. Share Capital

- 1) As of the date of the most recent balance sheet, the amount of issued capital, and for each class of share capital:
 - a. the total of the issuer's share capital;
 - b. the number of shares issued and fully paid and issued but not fully paid;
 - c. the par value per share, or that the shares have no par value; and
 - d. a reconciliation of the number of shares outstanding at the beginning and end

of the year.

- 2) If the capital has been paid for with assets other than cash within the period covered by the historical financial information, a statement to this fact.
- 3) If there are shares not representing capital, state the number and main characteristics of such shares.
- 4) The number, book value and face value of shares in the issuer held by or on behalf of the issuer itself or by subsidiaries of the issuer.
- 5) The amount of any convertible securities or exchangeable securities, with an indication of the conditions governing and the procedures for conversion, exchange, or subscription.
- 6) Information about and terms of any acquisition rights or obligations over authorized but unissued capital or an undertaking to increase the capital.
- 7) A history of share capital, highlighting information about any changes, for the period covered by the historical financial information.

137. Memorandum of Association

- 1) An extract of the issuer's memorandum of association which briefly describes the issuer's objectives and purposes and where they can be found in the up-to-date memorandum of association.
- 2) Where there are more than one class of existing shares, a description of the rights, preferences, and restrictions attached to each class.
- 3) A brief description of any provision of the issuer's memorandum of association that would have the effect of delaying, deferring, or preventing a change in control of the issuer.

138. Material Contracts

- 1) A summary of each material contract to which the issuer or any member of the group is a party, for the two years immediately preceding publication of the prospectus.
- 2) Information on any contractual arrangement with a controlling shareholder is required to ensure that the company is capable at all times of carrying on its business independently of any controlling shareholder, including particulars of dates, terms, and conditions, and any consideration passing to or from the issuer or any other member of the group.
- 3) Details of the name of any promoter of any member of the group and the amount of any cash, securities, or benefits paid, issued, or given within the three years immediately preceding the date of publication of the prospectus, or proposed to be paid, issued, or given to any such promoter in his capacity as a promoter, and the consideration for such payment, issue, or benefit. Where the interest of such promoter consists in being a member of a partnership, company, syndicate or other association of persons, the nature and extent of the interest of such partnership, company, syndicate or other association, and the nature and extent of such promoter's interest in the partnership, company, syndicate or other association.
- 4) A statement of all sums paid or agreed to be paid within the three years immediately preceding the date of publication of the prospectus, to any Director or to any company in which he is beneficially interested, directly or indirectly, or of which he is Director, or to any partnership, syndicate, or other association of which he is a member, in cash or securities or otherwise, by any person either to induce him to become or to qualify him as a Director, or otherwise for services rendered by him or by the company, partnership, syndicate, or other association in connection with the promotion or formation of the issuer.

139. Risk Factors

In a section headed 'Risk Factors', there is a description of the material risks that are specific to the issuer and the securities. In each category, the most material risks, in the assessment undertaken by the issuer or offeror, considering the negative impact on the issuer and the probability of their occurrence, shall be set out first, followed by other risk factors; and the statement of the risk factor should:

- 1) be specific and should establish a clear and direct link between the risk factor and the issuer/ securities. Avoid including risk factors that only serve as disclaimers or are too generic;
- 2) state material risks, and the materiality of the risk factor and potential negative impact should be clear. Materiality should not be compromised by mitigating language. Consider including probability of occurrence against expected magnitude of negative impact;
- 3) be corroborated, and the materiality and specificity of the risk factor must be corroborated by the overall picture presented by the prospectus. This means a risk factor cannot be included if it relates to matters not disclosed elsewhere in the prospectus;
- 4) be presented in a clear form, and the presentation of risk factors across categories (depending on their nature) should aid investors in navigating the risk factors section. Categories should be identified through the use of appropriate headings. The number of categories must be proportionate to the size and complexity of the transaction and the risk to the issuer or guarantor. Categories should be further divided into sub-categories in cases where sub categorization can be justified on the basis of the particular prospectus but not if there is no obvious need for subcategories and it compromises comprehensibility;
- 5) be presented in a manner where each risk factor is disclosed, each risk factor is presented in a focused and concise form; and
- 6) where relevant, the risk factors in the summary must be consistent with the disclosure presentation and the order of the risk factors section in a prospectus.

140. Working Capital Statement

A statement by the issuer as to the sufficiency of its working capital for the issuer's present

requirements or, if not, how it proposes to provide the additional working capital needed.

141. Capitalization and Indebtedness

- 1) A statement of capitalization and indebtedness (distinguishing between guaranteed and unguaranteed, secured, and unsecured indebtedness) as of a date no earlier than 90 days prior to the date of the document. The term ‘indebtedness’ also includes indirect and contingent indebtedness.
- 2) In the case of material changes in the capitalization and indebtedness position of the issuer within the 90- day period, additional information shall be given through the presentation of a narrative description of such changes or through the updating of those figures.

142. Interest of natural and legal persons involved in the issue or offer

A description of any interest, including a conflict of interest that is material to the issue/offer, detailing the persons involved and the nature of the interest.

143. Reasons for the Offer and Use of Proceeds

Reasons for the offer and the estimated net amount of the proceeds are broken into each principal intended use and presented in order of priority for such uses. The minimum amount that, in the opinion of the Directors, must be raised by the offer of securities in order to provide the required totals must be stated. Where the anticipated proceeds will not be sufficient to fund all the proposed uses, then the issuer must state the amount and sources of other funds needed. Details must also be provided about the use of the proceeds, in particular when they are being used to acquire assets, other than in the ordinary course of business, to finance announced acquisitions of other businesses, or to discharge, reduce, or retire indebtedness. If the assets will be acquired from affiliates of the issuer or associates, the person from whom they will be acquired and how the cost to the issuer will be determined must be disclosed.

144. Information Concerning the Securities Being Offered

- 1) A description of the type and class of the securities being offered.

- 2) The legislation under which the securities have been created.
- 3) The name and address of the persons in charge of keeping the records of the company's shares.
- 4) A description of the rights attached to the securities, including any limitations of those rights and procedures for the exercise of those rights, including:
 - a. dividend rights;
 - b. voting rights;
 - c. pre-emption rights in offers for subscription of securities of the same class;
 - d. rights to share in any surplus in the event of liquidation;
 - e. redemption provisions; and
 - f. conversion provisions.
- 5) A statement of the resolutions, authorizations, and approvals by virtue of which the securities have been or will be created and/or issued and the expected issue date of the securities.
- 6) A description of any restrictions on the transferability of the securities
- 7) An indication of public takeover bids by third parties in respect of the issuer's equity, that have occurred during the last financial year and the current financial year. The price or exchange terms attaching to such offers and the outcome thereof must be stated.
- 8) Information on the tax treatment of the securities where the proposed investment attracts a tax regime specific to that type of investment.

145. Terms and Conditions of the Offer of Securities to the Public

- 1) Conditions, offer statistics, expected timetable and action required to apply for the offer.
- 2) Total amount of the offer, distinguishing the securities offered for sale and those offered

for subscription (where applicable).

- 3) The time period during which the offer will be open and description of the application process.
- 4) A description of any possibility to reduce subscriptions and the manner for refunding amounts paid in excess by applicants.
- 5) Details of the minimum and/or maximum amount of application (whether in number of securities or aggregate amount to invest), including whether or not multiple subscriptions are admitted, and where they are not, and how any multiple subscriptions will be handled.
- 6) An indication of the period during which an application may be withdrawn, provided that investors are allowed to withdraw their subscription.
- 7) Method and time limits for paying up the securities and for delivery of the securities.
- 8) A description of the manner and date on which results of the offer are to be made public.
- 9) The plan of distribution and allotment.
- 10) The various categories of potential investors to which the securities are offered.
- 11) To the extent known to the issuer, an indication of whether major shareholders/interested persons or members of the issuer's Board of Directors. Management, intend to subscribe in the offer or whether any person intends to subscribe for more than five per cent of the offer.
- 12) Process for notifying applicants of the amount allotted.

146. Pricing

The price at which the securities are being offered and the basis for the issue price. Where the price is not known:

- 1) the price range or minimum bid price;
- 2) the valuation methods, criteria, and conditions in accordance with which the final

offer price will be determined and an explanation of any valuation methods used; and

- 3) the process for the disclosure of the offer price.

147. Distribution and Underwriting

- 1) The name and address of any paying agents and depository.
- 2) The name and address of the entities agreeing to underwrite the issue on a firm commitment basis, and name and address of the entities agreeing to place the issue without a firm commitment or under best 'efforts' arrangements. Indication of the material features of the agreements, including the quotas. Where not all of the issue is underwritten, a statement of the portion which is not covered. Indication of the overall amount of the underwriting commission.
- 3) Date when the underwriting agreement has been or will be reached.

148. Trading Arrangements

Information as to the securities exchange or OTC market where the securities will be listed or quoted, and if known, the earliest dates on which the securities will be admitted to trading.

149. Expense of the Offer

The following information on expenses will be provided:

- 1) the total amount of the discounts or commissions agreed upon by the underwriters or other placement or selling agents and the issuer shall be disclosed, as well as the percentage such commissions represent of the total amount of the offering and the amount of discounts or commissions per share.
- 2) An itemized state of the major categories of expenses incurred in connection with the issuance and distribution of the securities to be listed or offered and by whom the expenses are payable, if other than the issuer. The following expenses shall be disclosed separately:
 - a. Advertisement;

- b. printing of prospectus;
 - c. approval and listing fees;
 - d. brokerage commission;
 - e. financial advisory fees;
 - f. legal fees; and
 - g. underwriting fees.
- 3) If any of the securities are to be offered for the account of a selling shareholder, indicate the portion of such expenses to be borne by such shareholder. If the amounts of any items are not known, estimates (identified as such) shall be given.

150. Documents Available

- 1) A statement stating where the following documents, as applicable, may be inspected during the validity of the prospectus:
- a. the up-to-date memorandum of association of the issuer
 - b. all reports, letters, and other documents, historical financial information, valuations, material contracts and agreements, and statements prepared by any expert at the issuer's request, any part of which is included or referred to in the prospectus.
- 2) An indication of the website on which the documents may be inspected.

SECTION II: CONTENT OF PROSPECTUS FOR OFFER OF DEBT SECURITIES BY CORPORATE BODIES

151. Applicable Articles

In addition to the provisions of this Section II, the provisions of Section I of this Part Seven, except Articles 120, 121, 123, 124, 125, 128, 133, 134, 135, and 141, shall apply mutatis mutandis and govern the content of prospectus for debt securities.

152. Summary of the Offer

The summary shall contain an introductory cautionary statement indicating that it is to be read

together with the other parts of the prospectus, and any decision to invest in the securities should be based on consideration of the prospectus as a whole. The content of the summary shall be accurate, fair, and clear and shall not be misleading. It is to be read as an introduction to the prospectus, and it shall be consistent with the other parts of the prospectus and shall include:

1) Key information on the issuer

- a. The name of the issuer;
- b. A brief description of the issuer of the securities, including its domicile and legal form;
- c. A summary of its principal activities;
- d. The share capital of the company showing the authorized share capital, issued share capital, and fully paid and unpaid share capital; and
- e. A summary of historical key financial information.

2) Key information on the Securities

- a. A brief description of the securities being offered to the public;
- b. The currency, denomination, par value, the number of securities issued and the terms of the securities;
- c. The rights attached to the securities;
- d. Information on where the securities are traded or will be traded;
- e. Where there is a guarantee attached to the securities, a brief description of the nature and scope of the guarantee; and
- f. Credit rating and name of credit rating agency that assigned the rating, if applicable.

3) Key information on the offer

- a. the number of securities on offer;
- b. the method of offering;
- c. tenor, coupon redemption and other terms;
- d. the offer price;
- e. the period during which the offer will be open, and where and to whom,
- f. method and time limits for paying up securities;
- g. method and time limits for delivery of securities;
- h. minimum application and multiples thereafter;
- i. the general terms, conditions and expected timetable of the offer;
- j. the plan for distribution and paying agents;
- k. an estimate of the total expenses of the issue;
- l. a brief description of the reasons or purpose for the offer;
- m. estimated net amount of the proceeds and the use, including expected periods to complete the project(s);
- n. an indication of whether the offer is subject to an underwriting agreement on a firm commitment basis, stating any portion not covered; and
- o. the procedures for allotment.

153. Trend Information

- 1) A description of:
 - a. any material adverse change in the prospects of the issuer since the date of its last published audited financial statements.
 - b. any significant change in the financial performance of the issuer since the end of the last financial period for which financial information has been published to the date of the prospectus.
- 2) If neither of the above are applicable, then the issuer shall include an appropriate

statement to the effect that no such changes exist.

- 3) Information on any known trends, uncertainties, demands, commitments, or events that are reasonably likely to have a material effect on the issuer's prospects for at least the current financial year.

154. Information Concerning the Securities Being Offered

- 1) A description of the type and class of the securities being offered.
- 2) The legislation under which the securities have been created.
- 3) The name and address of the persons in charge of keeping the records of the firm shares.
- 4) Total number of the securities offered to the public.
- 5) Currency of the securities issue.
- 6) The relative seniority of the securities in the issuer's capital structure in the event of insolvency, including, where applicable, information on the level of subordination of the securities and the potential impact on the investment in the event of a resolution.
- 7) A description of the rights attached to the securities, including any limitations of those rights and procedures for the exercise of those rights.
- 8) A description of:
 - a. the nominal interest rate,
 - b. the provisions relating to interest payable,
 - c. the date from which interest becomes payable,
 - d. the due dates for interest,
 - e. the time limit on the validity of claims to interest and repayment of principal,
 - f. maturity date or if the issue matures severally, brief information on the serial maturities,
 - g. Details of the arrangements for the amortization of the loan, including the repayment procedures. Where advance amortization is contemplated, on the initiative of the issuer or of the holder, it shall be described, stipulating the amortization terms and

- conditions,
- h. An indication of yield, and
 - i. description of the method whereby the yield in point (j) is to be calculated in summary form.
- 9) A statement of the resolutions, authorizations, and approvals by virtue of which the securities have been or will be created and/or issued and the expected issue date of the securities.
- 10) A description of any restrictions on the transferability of the securities.
- 11) The expected issue date of the securities.
- 12) Representation of debt security holders including an identification of the organization representing the investors and provisions applying to such representation. Indication of the website where the public may have free access to the contracts relating to these forms of representation.
- 13) Information on the tax treatment of the securities where the proposed investment attracts a tax regime specific to that type of investment.

155. Additional information

Credit ratings assigned to the securities at the request of the issuer or with the cooperation of the issuer in the rating process, if any.

SECTION III: CONTENTS OF OFFERING MEMORANDUM (PREFERRED RIGHTS OF SUBSCRIPTION)

156. Offering Memorandum

In addition to the provisions of this Section III, the provisions of Section I of this Part Seven of this Directive, except Articles 119, 120, 123, 124, 125, 128, 130, 135, and 143,

shall apply mutatis mutandis and govern the content of prospectus for debt securities.

157. Investments

A description of the issuer's material investments made since the date of the last published financial statements and which are in progress and/or for which firm commitments have already been made, including the geographical distribution of these investments; and the method of financing such investments.

158. Trend Information

A description of:

- a. the most significant recent trends in production, sales and inventory, as well as costs and selling prices since the end of the last financial year to the date of the offering memorandum;
- b. any significant change in the financial performance of the group since the end of the last financial period for which financial information has been published to the date of the registration document, or provide an appropriate negative statement; and
- c. information on any known trends, uncertainties, demands, commitments, or events that are reasonably likely to have a material effect on the issuer's prospects for at least the current financial year.

159. Dilution

- 1) A comparison of participation in share capital and voting rights for existing shareholders before and after the capital increase resulting from the public offer; the net asset value per share as of the date of the latest balance sheet before the rights issue; and the offering price per share within that offer.
- 2) Where existing shareholders will be diluted regardless of whether they subscribe for their entitlement, an indication of the dilution existing shareholders will experience should also be presented on the basis that they do take up their entitlement (in addition to the situation where they do not)

160. Documents Available

A statement that, for the term of the offering memorandum, the following documents, where applicable, may be inspected:

- 1) the up-to-date memorandum of association of the issuer
- 2) all reports, letters, and other documents, historical financial information, valuations, material contracts and agreements, and statements prepared by any expert at the issuer's request, any part of which is included or referred to in the offering memorandum.
- 3) An indication of the website on which the documents may be inspected.

PART EIGHT: ENFORCEMENT: ADMINISTRATIVE SANCTIONS (MEASURES) and PENALTIES

SECTION I: Enforcement and Administrative Sanctions (Measures)

161. Compliance

- 1) The Authority shall monitor the compliance of issuers, Directors of issuers, external auditors, underwriters, and other service providers within the provisions of this Directive and any person who violates or conducts himself within the scope of this Directive.
- 2) The Authority may impose administrative measures on the persons stated under Sub-Article (1) of this Article, whenever they contravene the provisions of the Proclamation or this Directive.

162. Penalties and Others

- 1) The Authority shall have powers to impose any or a combination of the following administrative measures for non-compliance with or violation of any provisions of this Directive or the provisions of Part Eight (8) of the Proclamation:
 - a. issue a public or private warnings;

- b. impose fine;
 - c. suspension or revocation of securities registration;
 - d. temporary or permanent restraint to make a public offering;
 - e. suspension or prohibition of trading;
 - f. order to stop actions that violate the Directive;
 - g. order for a corrective measure;
 - h. blacklist issuer, senior management, representative, promoter, or anyone responsible for violation of this Directive; or
 - i. any other measure the Authority prescribes from time to time.
- 2) In addition to the provisions of Part Eight, the Authority may refer an issuer, its Board of Directors, and other employees for criminal investigations and prosecution according to the Proclamation and the Criminal Code.

SECTION II: PENALTIES, FINES AND OTHER ENFORCEMENT ACTIONS

163. Unauthorized Publication

- 1) It is prohibited to engage in unauthorized publications in relation to public offer of securities.
- 2) unauthorized publication of securities includes, but is not limited to, the following:
 - a. Publishing a prospectus without the approval of the Authority;
 - b. Publishing of allotment result without clearance by the Authority;
 - c. Publication of advertisement relating to a public offer in any form (notice, posters, documents, etc.) without the prior approval of the Authority;

- d. Unauthorized publication of allotment report in any newspaper;
 - e. Commencement of road show or distribution of preliminary prospectus without prior approval of the Authority; or
 - f. Advertisement, in any form and media, of an offer of exempted securities.
- 3) Depending on the circumstances of the case and by whom the violation is committed, the Authority may, in combination or separately, impose the following administrative measures as it deems appropriate:
- a. A fine of:
 - i. Birr 5,000,000 (Birr five million) – 10,000,000 (Ten million) if it is a Transaction Advisor, and
 - ii. Birr 1,500,000 (Birr one Million five hundred thousand) – 3,000,000 (Three million) if it is an issuer.
 - b. Other sanctions may include, but is not limited to:
 - i. Public or private warning;
 - ii. Issuer or Transaction Advisor to issue publication to recall unauthorized publication in any form and through any media as may be required by the Authority from time to time;
 - iii. Cancellation of offer.

164. Unauthorized Activities

- 1) It is prohibited to engage in Unauthorized Activities in relation to public offer of securities.
- 2) For the purpose of this directive, unauthorized Activities include, but are not limited to the following:
 - a. Listing/Public trading of restricted securities without first registering the securities with the Authority in line with the process of registration.
 - b. Offering securities exceeding the aggregate amount through a private placement

- c. Offering securities through private placement to more than 50 (fifty) persons
 - d. Issuance of debt securities by a company under formation
- 3) Depending on the circumstances of the case and by whom the violation is committed, the Authority may, in combination or separately, impose the following administrative measures as it deems appropriate:
- a. A fine of:
 - i. Birr 5,000,000 (Birr five million) – 10,000,000 (Ten million) if it is a Transaction Advisor, and
 - ii. Birr 1,500,000 (Birr one Million five hundred thousand) – 3,000,000 (Three million) if it is an issuer.
 - b. Other sanctions may include, but is not limited to:
 - i. Public or private warning
 - ii. Cancellation of offer

165. Late Filing of Reports

- 1) Filing reports later than the timeline stipulated by the provisions of this directive is prohibited.
- 2) For the purpose of this directive, late filing of reports includes but is not limited to the following late filing of allotment results.
- 3) Depending on the circumstance of the case and by whom the late report is filed, the Authority may, separately or in combination with other administrative measures, impose the following sanctions as it deems appropriate:
 - a. A fine of:
 - i. Birr 3,000,000 (Birr Three million) – 7,000,000 (seven million) if it is by the lead Transaction Advisor

- ii. Birr 100,000 (Birr one hundred thousand) if it is Other Transaction Advisors

166. Late filing of Ongoing Reporting Obligation

- 1) The filing of ongoing reports later than the timeline stipulated by the provision of this directive is prohibited.
- 2) For the purpose of this directive, late filing of ongoing reports includes, but is not limited to, the following:
 - a. late filing of annual or interim financial reports
 - b. late filing of on-going obligation notification.
- 3) Depending on the circumstances of the case and by whom the late report is filed, the Authority may, separately or in combination with other administrative measures, impose the following sanctions as it deems appropriate:
 - a. a fine of Birr 10,000 (Birr ten thousand) - 20,000 (twenty thousand) if it is an issuer, with an additional 1,000 Birr for every day of default.
 - b. public or private warning

167. Trading in Securities Failure to Notify

- 1) As per Part Six_ of this directive, it is the obligation of the investor, and the issuer to notify acquisition of shares by interested persons more than the amount that is prescribed in the relevant provision.
- 2) For the purpose of this section failure to notify includes, but is not limited to the following:
 - a. Failure to notify the Authority of the acquisition of (direct or indirect) interest that represents 5% per cent or more in the capital of a listed company, within the stipulated timeline in this Directive;
 - b. Failure to notify the Authority of additional (direct or indirect) interests that exceed more than 0.5% of a listed company's share by substantial shareholders within the

- prescribed timeline in this Directive;
- c. Failure to notify the Authority of interested persons holding 5% or more of an issuer's shares on an annual basis and in the form prescribed by the Authority; and
 - d. Failure to notify the Authority of subsequent transactions by interested persons within the timeline prescribed in this Directive.
- 3) Depending on the circumstance of the case and by whom the failure to notify is committed, the Authority may, separately or in combination with other administrative measures, impose the following sanctions as it deems appropriate:
- a. A fine of:
 - i. Birr 300,000 (Birr three hundred thousand) - 500,000 (Five hundred thousand) if it is an individual interested person;
 - ii. Birr 500,000 (five hundred thousand) – 1,000,000 (One million) if it is an entity interested person;
 - iii. Birr 500,000 (Birr five hundred thousand) – 1,000,000 (One million) if it is an issuer.
 - b. Other Sanctions may include, but is not limited to:
 - i. Public or private warning;
 - ii. Suspension of trading in the Ethiopian Capital Market for 1 (one) to 2 (two) years (for interested persons);
 - iii. Mandate the interested person to close out the position.

168. Arbitration and Enforcement Instructions

- 1) In the context of this Directive failure to honor and cooperate with the decision and enforcement instructions of arbitration is prohibited.
- 2) In this article failure to honor and cooperate may include but is not limited to the following:

- a. Failure to honor arbitration and or enforcement instructions to reflect full intent of cooperation;
 - b. Failure to fulfill enforcement instructions pursuant to resolving a dispute in whole or in part and in good faith; and
 - c. Failure to honor arbitration and or enforcement instructions in a timely manner
- 3) Depending on the circumstance of the case and by whom the failure to honor and cooperate is committed, the Authority may, separately or in combination with other administrative measures, impose the following sanctions as it deems appropriate.
- a. A fine of:
 - i. Birr 500,000 (Birr five hundred thousand) - 1,000,000 (One million) for failure to honor instructions and in the cases of continuous failure, a daily multiple of Birr 10,000 (Birr ten thousand) is applied into the fine amount/ with an additional 10,000 (Ten thousand) Birr for everyday default.
 - ii. Birr 500,000 (Birr five hundred thousand) to Birr 1,000,000 (Birr One million) for failure to honor instructions in a timely manner.
 - b. Other Sanctions may include, but is not limited to:
 - i. Public or private warning; and
 - ii. Suspension of trading in the securities of the issuer.

169. General

Unless stipulated in this part, any violation of the provision of this Directive resulting in a fine shall attract a fine of not less than Birr 100,000 (Birr one hundred thousand).