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**ETHIOPIAN CAPITAL
MARKET AUTHORITY**

Directive Number /2025

DIRECTIVE ON COLLECTIVE INVESTMENT SCHEMES

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Preamble

WHEREAS, the Capital Market Proclamation No. 1248/2021 regulates the capital market activity of collective investment schemes;

WHEREAS, the Proclamation specifies the issues relating to collective investment schemes which are to be determined by directive;

WHEREAS, it is necessary to adopt regulatory framework that allows for mobilising capital, promoting financial innovation and sharing investment risk while protecting investors and ensuring fairness, integrity and efficiency of the market;

NOW, THEREFORE, this Directive is issued in accordance with Article 86(4), 87(1) and (2), 90(3) and 108 of the Proclamation.

CHAPTER ONE: GENERAL PROVISIONS

1. Short Title

This Directive may be cited as the "Collective Investments Schemes Directive, No./2025".

2. Definitions

Unless the context otherwise requires:

- 1/ **"Proclamation"** means the Capital Market Proclamation No. 1248/2021.
- 2/ **"Alternative Investment Fund"** or an **"AIF"** means a Scheme established by an Exempt Offer.
- 3/ **"Affiliate"** means (a) any person who directly or indirectly controls, beneficially owns or holds five (5) percent or more of the paid-up capital of the relevant person or entity, (b) any entity within a group to which such person belongs, or (c) the Board of Directors or key executives of the relevant person or entity, including any of their Affiliates.
- 4/ **"Appraisal"** shall have the meaning provided for under Article 2(2) of the Licensing Directive.
- 5/ **"Board"** means Board of Directors of a Share Company or a PLC or the equivalent body undertaking the oversight of a Limited Partnership, as the case may be.
- 6/ **"Certificate of CIS Registration"** means the legal document issued by the Authority upon registration of the Scheme.
- 7/ **"Certificate of Registration of Securities"** shall have the meaning in Article 2(10) of the Public Offering and Trading Directive.
- 8/ **"Certificate of Commercial Registration"** means a legal document issued by the Government of Ethiopia to verify the legal existence and registration of a commercial entity pursuant to the Commercial Code, Commercial Registration and Licensing Proclamation No. 980/2016, and any amendments or succeeding as thereto.
- 9/ **"Certification"** means the act of attesting the authenticity of a corporate document by the corporate by signed and sealed letter.
- 10/ **"Commercial Code"** means the Commercial Code of the Federal Democratic Republic of Ethiopia, Proclamation no. 1243/2021, and any amendments or succeeding provisions thereto.

- 11/ **"Eligible Financial Instruments"** means Securities, term deposits, short-term treasury bills, and commercial paper; but does not include mortgages or cash flows of other pool of receivables or other financial asset, that by their terms convert into cash within a finite period of time.
- 12/ **"Establishment Documents"** means the legal documents that govern the formation, structure, and operation of a Collective Investment Scheme and includes the Scheme's Investment Policy, memorandum of association, Offer Documents, CIS Operator's Agreement, Custodial Agreement, and other relevant agreements and bylaws, as applicable.
- 13/ **"Exempt Offer"** means a Securities Offered in a Private Placement and Securities Offered to Qualified Investors as set out in the Public Offering and Trading Directive.
- 14/ **"External Auditor"** means an auditor licensed by a relevant authority to perform audit services and approved by the Authority.
- 15/ **"Fit and Proper Requirements"** have the meaning in Article 16 of the Licensing Directive.
- 16/ **"Fixed Income Securities"** means financial instruments with a fixed maturity, which may or may not make periodic payments of interest, and which has the principal paid at maturity.
- 17/ **"Foreign Fund"** means a fund established in accordance with the laws of a foreign jurisdiction as approved by Ethiopian investment laws and regulations and by the Authority.
- 18/ **"Income Generating Real Estate"** means, in the case of a Real Estate Investment Fund, Real Estate as defined under Article 2(1) of the Real Estate Proclamation No. 1357/2024, which satisfies the construction criteria set in Article 7 the Real Estate Proclamation No. 1357/2024, and which qualifies to generate income as approved by the Authority.
- 19/ **"IFRS"** means International Financial Reporting Standards.
- 20/ **"International Valuation Standards"** or **"IVS"** means standards for undertaking valuation assignments as set by the International Valuation Standards Council (IVSC).
- 21/ **"International Private Equity and Venture Capital Valuation"** or **"IPEV" Guidelines** means the valuation framework as set by the IPEV board for arriving at the fair value of private equity or venture capital investments.
- 22/ **"Investment Permit"** means authorization received from the relevant governmental entity to carry out investment activities in Ethiopia.

- 23/ **"Investment Policy Statement"** or **"Investment Policy"** means the written statement which sets out the investment strategies, objectives and intended outcomes of the Scheme as set out in Article 6 of this Directive.
- 24/ **"Key Investor Information Document"** means the document provided to Retail Investors containing information on the essential elements of the Scheme.
- 25/ **"Licensing Directive"** means Capital Market Service Providers Licensing and Supervision Directive Number 980/2024
- 26/ **"Money Market"** means a market for trading instruments with maturities of less than one year.
- 27/ **"Minimum Subscription Amount"** shall have the meaning in Article 2(33) of the Public Offering and Trading Directive.
- 28/ **"Net Asset Value"** means the value of a Scheme's assets less the value of its liabilities.
- 29/ **"Offer"** shall have the meaning in Article 2(35) of the Public Offering and Trading Directive.
- 30/ **"Offer Document"** shall have the meaning in Article 2(34) of the Public Offering and Trading Directive.
- 31/ **"Operator"** means a Collective Investment Scheme Operator as defined in Article 2(12) of the Proclamation.
- 32/ **"Performance Measurement Report"** means the report prepared by the Operator which provides performance and performance related information that would help an investor interpret the Scheme's activities, results and outcomes.
- 33/ **"Professional Parties"** means Capital Market Service Providers or anyone providing professional services to the Scheme.
- 34/ **"Property Investment"** means investment in Income Generating Real Estate, Real Estate Development, or Securities representing interest in an entity which owns or undertakes activities in Income Generating Real Estate or Real Estate Development.
- 35/ **"Property Manager"** means, in the context of a REIF or an AIF which invests in real estate, a Person licensed by the appropriate body pursuant to the applicable laws and approved by the Authority to undertake the activities provided to it under this Directive.
- 36/ **Public Offering and Trading Directive:** means Public Offering and Trading OF Securities Directive No. 1030/2024.
- 37/ **"Qualified Investor"** shall have the meaning in Article 2(46) of the Public Offering and Trading Directive. For purpose of this Directive, a High Net Worth

Individual shall have a net worth of [25 million Birr] excluding automobile and primary residence, or such amount as may be prescribed by the Authority.

- 38/ **"Real Estate Development"** shall have the meaning provided under Article 2(3) of the Real Estate Development and Real Property Marketing and Valuation Proclamation No. 1357/2024.
- 39/ **"Real Estate Investment Fund"** or **"REIF"** means a Scheme established for the purpose of receiving and distributing income arising from Income Generating Real Estate from a Scheme Portfolio which adheres to the requirements for a REIF as set out in this Directive.
- 40/ **"Registration Statement"** shall have the meaning in Article 2(48) of the Public Offering and Trading Directive.
- 41/ **"Related Party Transaction"** means, in respect to the relevant person or an entity, a transaction with:
- a. person or a close member of that person's family;
 - b. a related entity if, among other circumstances, it is an Affiliate, or joint venture, or it is controlled, jointly controlled, or significantly influenced or managed by a person or entity who is a related party.
- 42/ **"Retail Investor"** shall have the meaning in Article 2(49) of the Public Offering and Trading Directive.
- 43/ **"Regulatory Sandbox"** means a regulatory framework that allows testing of new financial market products, services or business models in a controlled environment under a temporary regulatory flexibility with the oversight and support of the Authority.
- 44/ **"Scheme"** means a Collective Investment Scheme as defined in Article 2(11) of the Proclamation.
- 45/ **"Scheme Portfolio"** means the Securities, Investments, Property Investments, and other assets of a Collective Investment Scheme.
- 46/ **"Securities Appraisal Firm"** shall have the meaning provided for under Article 2(51) of the Licensing Directive.
- 47/ **"Subscription Agreement"** means the document used by the investor to acquire or purchase newly issued Units in a Scheme.
- 48/ **"Total Return"** means the sum of all income earned from the Scheme's Portfolio, including dividends, interest, and distributions, plus any changes in the value of the Scheme's assets, minus all expenses expressed as a percentage of the initial investment.
- 49/ **"Units"** or **"Units in a Scheme"** means a share or an ownership interest in a Collective Investment Scheme registered by the Authority.
- 50/ **"Person"** means a physical or juridical person.

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

52/ 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:

- a. any person who seeks to establish or operate a Scheme in Ethiopia;
and
- b. the Offer of Securities which represent a Unit in a Scheme.

2/ An arrangement shall be deemed a Scheme which requires registration if it:

- a. includes fund management activities; and
- b. involves the pooling of contributions with the purpose or effect of providing facilities for persons to participate in or receive profits or income arising from the acquisition holding management or disposal of Securities or any other property or sums paid out of such profits or income.

3/ The registration of a Scheme shall be in accordance with the requirements set out in this Directive.

CHAPTER TWO: SCHEME REQUIREMENTS

4. Legal Form of the Scheme

1/ A Scheme shall be established in one of the following legal forms as stipulated in the Commercial Code:

- a. Private Limited Company;
- b. Share Company;
- c. Limited Partnership; or

d. an Investment Company recognized by the Authority.

2/ The permitted legal form of a Scheme shall depend on:

- a. the type of Scheme to be registered;
- b. the targeted investors of the Scheme; and
- c. the nature and type of property, Financial Instruments, Securities and assets proposed for inclusion in the Scheme Portfolio.

3/ Every Scheme shall be required to have a valid Certificate of Commercial Registration and Investment Permit, where applicable, issued by the appropriate government authority.

5. Required Service Providers

1/ A Scheme shall have an Operator at all times who is duly licensed by the Authority as Capital Market Service Provider.

2/ A Scheme shall have a Custodian which satisfies the requirements set out in Article 78 of this Directive.

3/ Every Scheme shall be required to obtain the services of professional service providers to perform or undertake the specified activities on behalf of the Scheme as set out in this Directive.

4/ Notwithstanding the provisions of this Article, additional professional service providers may be required as set out in this Directive in accordance with the type of Scheme registered by the Authority.

5/ Notwithstanding the registration of the Scheme, the refusal, suspension, or revocation of the Operator's Capital Market Service Providers license shall be pursuant to the Licensing Directive.

6. The Investment Policy

1/ Every Scheme shall have a clear and precise Investment Policy to enable investors to assess the investment opportunity and understand how the investment objective of the Scheme is to be achieved

2/ The Investment Policy shall specify:

- a. the Scheme type to be registered;
- b. the intended investment objectives, such as whether it is capital growth or income;
- c. the strategy and methodology for achieving such investment objective;
- d. the nature and type of assets in the Scheme Portfolio including the Financial Instruments, Securities, or assets it may include;
- e. any intended specialization of the Scheme Portfolio, whether by economic sector, industry, geographical area or type of investment;
- f. the proposed composition and allocation of the Securities or any other assets in the Scheme Portfolio;
- g. the concentration limits and diversification thresholds applicable to the Scheme Portfolio;
- h. the proposed use of leverage by the Scheme and any applicable limits on borrowing by the Scheme; and
- i. the planned investment activity of the Scheme which includes a description of the amounts and the specific timeline within which capital will be deployed towards investments and acquisition of Scheme Assets.

3/ For purposes of Sub-Article 2, the Investment Policy shall include qualitative and quantitative information such as the specific amount that the Scheme intends to invest in any one Security, Issuer or sector, which shall be disclosed as a percentage of the total Scheme Portfolio.

4/ The Scheme shall invest and manage its assets in a manner consistent with its Investment Policy at all times.

5/ Any material changes to the Investment Policy shall require the approval of two-thirds (2/3) of the registered Unit holders.

CHAPTER THREE: TYPES OF SCHEMES

SECTION 1: GENERAL

7. Types of Schemes Registered by the Authority

- 1/ A Scheme registered by the Authority shall be one of the following:
 - a. A Public Money Market Fund;
 - b. A Public Mutual Fund;
 - c. A Public Real Estate Investment Fund;
 - d. An Alternative Investment Fund; or
 - e. A Special Designation Scheme which has been approved by the Authority in accordance with this Directive.
- 2/ The name of the Scheme used for registration, sales and marketing shall:
 - a. appropriately reflect the type of Scheme registered;
 - b. be indicative of the Investment Policy of the Scheme; and
 - c. be appropriate and not misleading.
- 3/ The name of the Scheme may further specify:
 - a. the characteristics and nature of the Financial Instruments, Securities, or assets the Scheme intends to acquire, hold or manage;
 - b. the targeted industry or sector; or
 - c. any other key aspect of the Scheme's Investment Policy, as applicable.

8. Public Money Market Fund Requirements

- 1/ The Public Money Market Fund shall be:
 - a. a Share Company as set out in the Commercial Code;
 - b. Established by way of a Public Offer; and

- c. Shall be required to obtain a Listing of its Units on a Securities Exchange.
- 2/ The Public Money Market Fund shall have minimum paid up capital set out in the Listing Requirements of the Licensed Securities Exchange.
- 3/ A Public Money Market Fund shall adhere to the requirements set out in Section 2 of this Chapter.
- 4/ A Scheme shall not be registered as a Public Money Market Fund if the Scheme utilizes diverse or complex trading strategies such as those typically used by professional investors and hedge funds.

9. Public Mutual Fund Requirements

- 1/ The Public Mutual Fund shall be:
 - a. a Share Company as set out in the Commercial Code;
 - b. Established by way of a Public Offer; and
 - c. Shall be required to obtain a Listing of its shares on a Securities Exchange
- 2/ The Public Mutual Fund shall have minimum paid up capital set out in the Listing Requirements of the Licensed Securities Exchange.
- 3/ A Public Mutual Fund shall adhere to the requirements set out in Section 3 of this Chapter.
- 4/ A Scheme shall not be registered as a Public Mutual Fund Company if the Scheme utilizes diverse or complex trading strategies such as those typically used by professional investors and hedge funds.

10. Public REIF Requirements

- 1/ The Public REIF shall be:
 - a. a Share Company as set out in the Commercial Code;
 - b. established by way of a Public Offer; and

- c. required to obtain a Listing of its shares on a Securities Exchange.
- 2/ The Public REIF shall have a minimum paid-up capital set out in the Listing Requirements of the Licensed Securities Exchange.
- 3/ A Public REIF shall adhere to the requirements set out in Section 4 of this Chapter.

11. AIF Requirements

- 1/ An AIF:
 - a. may be a Share Company, Private Limited Company, or Limited Partnership as set out in the Commercial Code; and
 - b. shall be established by an Exempt Offer.
- 2/ An AIF shall have:
 - a. a Board of Directors if established as a Share Company or a Private Limited Company ; or
 - b. an equivalent decision-making body which includes general partner if established as a Limited Partnership.
- 3/ A Scheme registered as an Alternative Investment Fund may be Money Market Fund, Mutual Fund or Real Estate Investment Fund provided it adheres to the applicable requirements for such type of Scheme as set out in this Chapter.
- 4/ A Scheme registered as an AIF shall adhere to the Investment Policy in accordance with the requirements set out in this Directive.

12. Special Designation Scheme Criteria

- 1/ A Scheme may be registered as a Special Designation Scheme where the Scheme being registered does not fall under any of the Scheme types set out in this Chapter.
- 2/ The Authority shall approve the registration of a Special Designation Scheme on a case-by-case basis considering:
 - a. the asset classes in which the Scheme intends to invest, including the nature and type of assets or property, the sector or

- industry of the investment activity and the motivation for investing in such assets or property;
 - b. the proposed Investment Policy;
 - c. Scheme Portfolio composition and limits as applicable;
 - d. the liquidity, marketability and tradability of the securities or units issued or offered by the Scheme ;
 - e. the proposed Operator and the relevant Professional parties; and
 - f. other factors deemed necessary by the Authority to achieve its objectives as set out in the Proclamation.
- 3/ The Offer Documents pertaining to a Special Designation Scheme shall disclose:
- a. the background and context for this designation highlighting the relevant differences from other Scheme types; and
 - b. any risks inherent to the Scheme.

13. Scheme Portfolio Requirements

- 1/ Every Scheme shall have a Scheme Portfolio which:
- a. is appropriate for the type of Scheme registered; and
 - b. aligns with its Investment Policy.
- 2/ The Scheme Portfolio may consist of the following:
- a. Securities;
 - b. Eligible Financial Instruments; or
 - c. Property Investment.
- 3/ The Scheme Portfolio may include Securities acquired at an Initial Public Offering only if the same is disclosed in its Investment Policy.
- 4/ Pending the deployment of capital in accordance with its Investment Policy, a Scheme may invest in liquid financial assets and instruments to manage unallocated capital.

- 5/ Without prejudice to the requirements in this Directive, a Scheme may adopt further restrictions on the Scheme Portfolio which shall be detailed in its Investment Policy.
- 6/ Notwithstanding the provisions of this Article, a Scheme that is made available to the public shall invest at least thirty percent (30%) of its total capital within Six (6) months after obtaining Certificate of Registration of Units.

14. Applicable Borrowing limits

- 1/ A Scheme shall be subject to a limit on its borrowing equal to [20%] of its Scheme Portfolio.
- 2/ Notwithstanding Sub-Article 1 of this Article, REIF may be permitted to borrow [up to 40%] of its Scheme Portfolio.
- 3/ The borrowing limits contained herein shall not be applicable to Scheme registered as an AIF and offered to Qualified Investors.

15. Restrictions on Securities Lending

- 1/ A Scheme whose Investment Policy permits it to engage in Securities lending may lend out a portion of the Securities in its Scheme Portfolio to generate additional income.
- 2/ Subject to Sub-article 1 of this Article, Securities may be lent by way of deposit with eligible institutions in a Repurchase Agreement approved by the Authority.

16. Restrictions on Scheme Assets

- 1/ The Operator or the Custodian shall not enter or offer to enter into an agreement on behalf of a Scheme to dispose of assets of the Scheme unless:
 - a. That obligation can immediately be honoured by the Scheme by delivery of the assets or the assignment of rights; and

- b. The assets and the rights are owned by the Scheme at the time of the agreement.

17. Prohibited Guarantees and Indemnities

The assets of a Scheme shall not be used to discharge any obligation arising under a guarantee or indemnity given by the Operator or the Custodian with respect to the obligations of a third party.

SECTION 2: MONEY MARKET FUND

18. Money Market Fund Requirements

- 1/ Units in a registered Money Market Fund may be offered by a Public Offer or an Exempt Offer and the Scheme to which such Offer relates shall be registered, as applicable, in accordance with the requirements of:
 - a. A Public Money Market Fund or
 - b. An Alternative Investment Fund.
- 2/ A Scheme registered as a Money Market Fund shall have a Scheme Portfolio comprised predominantly of Eligible Financial Instruments.

19. Scheme Portfolio Composition Requirements of a Money Market Fund

- 1/ Eligible Financial instruments for purposes of a Scheme registered as a Money Market Fund shall:
 - a. have a maximum weighted average tenure of twelve (12) months; and
 - b. include Government Financial Instruments, credit rated or guaranteed commercial papers, certificates of deposit, and any other similar instruments as specified by the National Bank of Ethiopia from time to time.
- 2/ A Money Market Fund shall not invest more than twenty percent (20%) of the Scheme's assets in a single entity.

- 3/ The restriction under Sub-Article 2 of this Article shall not apply to Federal Government Financial Instruments.

SECTION 3: MUTUAL FUND

20. Mutual Fund Requirements

- 1/ Units in a registered Mutual Fund may be offered by a Public Offer or an Exempt Offer and the Scheme to which such Offer relates shall be registered, as applicable, in accordance with the requirements of:
- a. A Public Mutual Fund or
 - b. An Alternative Investment Fund.
- 2/ A Scheme registered as a Mutual Fund shall have a Scheme Portfolio comprised predominantly of Securities and Eligible Financial Instruments as set out in Article 2(35) of the Proclamation.
- 3/ The name assigned to the Mutual Fund shall be indicative of the characteristics and nature of the Scheme Portfolio it intends to acquire, hold or manage and the relevant aspects of its Investment Policy.

21. Scheme Portfolio Composition Requirements of a Mutual Fund

- 1/ The Scheme Portfolio of a Mutual Fund shall adhere to the requirements described in Article 2(44) of the Proclamation.
- 2/ A Mutual Fund shall not invest more than twenty percent (20%) of the Scheme's assets in single entity.
- 3/ The restriction under Sub-Article 2 of this Article shall not apply to Federal Government Financial Instruments.

SECTION 4: REAL ESTATE INVESTMENT FUND

22. Scope and Limitations

- 1/ A Scheme undertaking Property Investment activity shall ensure such activity is detailed and specifically referenced in its Investment Policy approved by the Authority.
- 2/ Any Scheme which holds or intends to hold greater than [20%] of its net asset value in real estate, whether investment in Income Generating Real Estate or Real Estate Development, shall be required to adhere to:
 - a. the conduct, competence and valuation requirements as set out in this Section of the Directive;
 - b. the requirement to obtain suitable Property Manager for purpose of managing and operating the real estate assets;
 - c. the requirement to appoint an appropriately licensed Appraisal service provider responsible for the valuation of the Scheme's real estate; and
 - d. the requirement to implement robust conflicts of interest management arrangements.
- 3/ A Scheme which invests primarily in real estate but does not satisfy the requirements of a Public REIF may apply for registration as an AIF provided that the Units in a Scheme are offered or sold by way of an Exempt Offer.

23. Scheme Portfolio Composition Requirements of a REIF

- 1/ A REIF shall invest at least 80% of the net asset value of the Scheme in Income Generating Real Estate.
- 2/ The balance not invested in Income Generating Real Estate may be invested in Real Estate Development Property, Securities, Eligible Financial Instruments or cash.
- 3/ A REIF shall have no more than [20%] of the assets of the Scheme invested in one source of income or cash flow from Income Generating Real Estate.

24. Operator's Roles and Responsibilities in Real Estate

- 1/ Without prejudice to Chapter Five Section 1 of this Directive, as applicable, the Operator of a Scheme which invests in real estate shall oversee and coordinate the following activities:
 - a. property acquisition and disposition and plans thereof,
 - b. leasing and refinancing ;
 - c. operational and financial reporting including operating budgets,
 - d. Appraisals of the property in the Scheme Portfolio;
 - e. market reviews and;
 - f. any other relevant activities of the Property Manager of the relevant the Scheme.
- 2/ The Operator shall ensure it has appropriate policies and procedures in place to identify, manage, and mitigate any conflicts of interest with the Property Manager, the Appraisal services provider, and the Custodian.

25. Appointment of Property Manager for the Real Estate

- 1/ The Operator of a Scheme which invests in real estate shall appoint a suitable Property Manager for the Scheme.
- 2/ The Operator shall ensure the Property Manager:
 - a. has the requisite knowledge, skills and experience for the real estate activity undertaken by the Scheme;
 - b. satisfies with Fit and Proper Requirements prescribed by the Authority;
 - c. possesses sufficient human, organizational and technical resources for the proper performance of its duties;
 - d. maintains satisfactory internal controls and written compliance procedures.
 - e. is duly licensed by the appropriate government body; and
 - f. meets any other requirements as stipulated by the Authority.
- 3/ The appointment of the Property Manager shall require a signed written agreement which includes;
 - a. Purposes and objectives of the agreement;
 - b. Properties subject to the agreement;
 - c. Rights and obligations of the parties under the agreement;

- d. Dispute resolution provisions in accordance with Article 111 of the Proclamation; and
- e. other terms and conditions relating to the period of engagement and termination of the agreement.

4/ Notwithstanding any provisions to the contrary, the Operator shall seek and obtain the prior approval of the Authority before the appointment or replacement of a Property Manager.

26. Role of the Property Manager

1/ The role of the Property Manager may include:

- a. Tenancy administration work such as conducting rental assessment, formulate tenancy terms, prepare tenancy agreements, managing tenant occupancy, rent collection, and recover of arrears and possession;
- b. Maintaining, managing and improving buildings and physical structures;
- c. Routine management services such as security control, electrical and communication systems; and
- d. Such other functions necessary and incidental to property management.

2/ The Operator shall ensure the Property Manager:

- a. discharges its duties with care, skill and diligence;
- b. has adequate policies and procedures to identify, and manage any conflict of interests that may arise; and
- c. makes full and fair disclosure if it has a material interest in a transaction with or for the REIF, or a relationship which gives rise to an actual or potential conflict of interest in relation to such transaction.

27. Changes to the Property Manager

1/ The Operator shall immediately notify the Authority in writing of the termination, replacement or any other changes proposed to the Property Manager.

- 2/ The Property Manager may be removed if it;
 - a. Is declared insolvent or bankrupt;
 - b. fails to carry out the duties and functions provided under this Directive or the agreement it entered with the Operator ;
 - c. engages in any activities that affect the interest of investors, and the integrity of the market as prohibited by the Authority.
- 3/ Under no circumstance shall there be changes to a Property Manager without the prior notification to the Authority.

28. Custodian's Roles and Responsibilities in Real Estate

- 1/ Without prejudice to Chapter Five of this Directive, the Custodian to a Scheme which invests in real estate shall be responsible for the following:
 - a. maintaining custody and safe keeping of the assets in the Scheme Portfolio, including title deeds and other instruments representing interest in the real estate; and
 - b. transferring, exchanging and delivering in the required form and manner the assets held in custody upon receipt of proper instructions from the Operator.
- 2/ Title deeds and other instrument representing interest in a real estate shall be held by the Custodian.

29. Governance in Real Estate

Without prejudice to Chapter Six, at least one member of the Board of the Scheme shall have working knowledge of the real estate industry.

30. Disclosures on Real Estate

- 1/ Without prejudice to the provisions on the Registration of Units set out Chapter Four of this Directive, the Offer Documents of shall provide the following details on:
 - a. the nature, type and amount of Property Investment, specifying the Real Estate Development and the Income Generating Real Estate in which the fund intends to invest;
 - b. the proposed Property Manager, the agreement to provided property management services and any other information

- pertaining to the property management of the Scheme.
 - c. the specific functions of the Operator, the Property Manager and other Professional Parties involved; and
 - d. any other information the Authority considers necessary for the protection of investors and the integrity of the market.
- 2/ The Offer Documents shall specify how the proceeds from the Offer will be utilized, together with the planned investment activity specifying amounts and specific timeline for the deployment of the money and capital received.

31. Real Estate Valuation Report

- 1/ A Scheme that has invested more than twenty percent [20%] of the Scheme assets in real estate shall require a Real Estate Valuation Report on such real estate.
- 2/ Without prejudice to the provisions of Chapter 7 of Section 5 regarding valuation, a Scheme undertaking real estate activities as set out in Sub-Article 1 shall include a Real Estate Valuation Report in its Annual Report.
- 3/ The Real Estate Valuation Report shall be prepared by an independent appropriately licensed Appraisal service provider.
- 4/ The Real Estate Valuation Report shall:
- a. adhere to the valuation principles, policies and procedures prescribed in this Directive;
 - b. state the date or dates of inspection of the real estate;
 - c. provide all the relevant details on the material real estate properties including nature, use, location, and the legal arrangement pursuant to which the right to the property is held, such as rental or leasehold arrangements and;
 - d. state the effective date of valuation for each real estate property, which must not be more than 1 year prior to the date of publication of the Offer Document or Annual Report.
- 5/ The Real Estate Valuation Report shall state the standard of valuation and the Appraisal methodology used.

SECTION 5: ALTERNATIVE INVESTMENT FUNDS

32. Scope and Limitations

- 1/ Units representing an interest in an AIF shall be issued by an Exempt Offer.
- 2/ A Scheme established through a Private Placement shall be considered a privately held AIF, and the Units which it issues shall constitute privately issued securities as set out in Article 75(5) of the Proclamation.
- 3/ Scheme established through a Qualified Investor Offer shall be considered a Qualified Investor AIF, and the Units which it issues shall be restricted as set out in the Public Offering and Trading Directive.

33. AIF for Property Investments

- 1/ An AIF pursuing Property Investments shall be subject to the Scope and Limitations set out in Chapter Four – Section 4 - REIF of this Directive, to the extent applicable.
- 2/ The Offer Documents for an AIF investing in Property Investments shall provide the disclosures on real estate as set out in Article 30 of this Chapter and shall include prominent disclosure stating:
 - a. whether, with the exception of Listing, it adheres to the requirements of a REIF as provided in this chapter of the Directive; and
 - b. If not, how it differs from a REIF including:
 - i. the nature and composition of the Property Investments in the Scheme Portfolio;
 - ii. the risks related to the Scheme's investment proposition; and
 - iii. any other material distinction.

34. Ongoing Disclosures of an AIF

- 1/ An AIF shall disclose the following to its investors and to the Authority, at least annually or more frequently as specified in the related Offer Document or Subscription Agreement:

- a. The fee payable to the Operator and any fees charged to the fund or to any investee company;
- b. any material liability accruing to the Scheme as and when it occurs;
- c. any material inquiries or legal actions by legal or regulatory bodies in Ethiopia or elsewhere;
- d. any legal and regulatory proceedings connected to the capital markets involving the Operator or Custodian or any of their Affiliates; and
- e. Any other information the Authority may specify to the fund itself or through guidelines, circulars or notices it may publish from time to time.

CHAPTER FOURr: REGISTRATION

SECTION 1: REGISTRATION OF THE SCHEME

35. Prohibition

- 1/ Securities representing a Unit in a Scheme shall not be offered or sold to the public, Listed or Quoted on a Securities Exchange, or sold or purchased through the Over-The-Counter Market without the prior registration of the Securities by the Authority.
- 2/ No person may publish or distribute Advertisements, regarding the Offer of Securities representing a Unit in a Scheme unless:
 - a. the Scheme has been registered by the Authority; and
 - b. In the case of an Advertisement related to a Public Offer of Units in a Scheme, without the prior approval of the Authority and compliance with the requirements set out in Article 53 of the Public Offering and Trading of Securities Directive.

36. Application Procedure for Registration

- 1/ An application for registration made to the Authority shall be made in accordance with this Directive.

- 2/ The Application Form shall be submitted by an Operator or other appropriately licensed Capital Market Service Provider.
- 3/ In so far as practicable, the Application Form, the accompanying documents; and any other relevant information in the application for registration shall be typewritten and, in all cases, shall be clear and easily readable.
- 4/ The Application Form and the accompanying documents shall be filed with the Authority in Amharic or English language.
- 5/ If any information or any document to be filed with the Application is in any other language, it shall be accompanied by a certified translation to Amharic or English as applicable.
- 6/ The Application Form shall include an attestation that declares the information supplied in the Application is complete and true and shall be dated and signed.
- 7/ The Application Form shall be accompanied by evidence of payment of fees as prescribed by the Authority's Fee Directive.

37. Application Form

- 1/ The Application Form shall include the following;
 - a. name and relevant details of the person submitting the application;
 - b. a cover letter duly signed by the proposed Operator confirming the activities will be undertaking with respect to the Scheme to be registered;
 - c. detailed information on the proposed Scheme;
 - d. a draft Prospectus or other Offer Document, as applicable; and
 - e. a draft subscription agreement.
- 2/ The information provided on the Scheme shall include:
 - a. the name of the Scheme and the information applicable to the type of Scheme to be registered as set out in Chapter 3 of this Directive;
 - b. the profile of the Scheme's Operator and investment management team including their experience and professional qualifications;

- c. the profile of each member of the Board of the Scheme and information on pertaining to the governance requirements set out in this Directive;
 - d. Details of the capital structure of proposed for the Scheme indicating amounts contributed and to be held by the Operator, Affiliates or persons with significant influence;
 - e. Details of the targeted capital amount proposed for the Scheme including an analysis of the sufficiency of such capital for purposes of the type of Scheme being registered, the planned investment activity of such Scheme, and the Minimum Subscription Amount, if any;
 - f. Information on the Operator and the Custodian demonstrating the financial, human and technical resources, infrastructure and capacity to carry out the proposed activities of the Scheme and to adhere to the requirements of this Directive;
 - g. Information on the Professional Parties involved in the Scheme and the arrangements with each, including:
 - i. the Investment Advisor or Shariah Advisor, if any;
 - ii. the Securities Appraisal Firm or other Appraisal service provider;
 - iii. any Professional Parties required for the type of Scheme being registered;
 - iv. other Professional Parties involved in the Scheme;
 - v. the External Auditor; and
 - vi. Fees payable to each such Professional Party; and
 - h. any other information relevant and necessary for the Authority's assessment of the regulated capital market activity.
- 3/ For purposes of Sub-Article 4(f) of this Article, notwithstanding the minimum licensing requirements stipulated under the Licensing Directive, the Authority may require additional financial, human and technical resources on the required Capital Market Service Providers as necessary considering:
- a. the size of the Scheme,
 - b. the risk management capacity of the service providers,
 - c. the professional experience of members staff of service providers;
 - d. the operational capacity of the service providers; or
 - e. any other condition necessary to protect the interest of investors.

38. Documents Accompanying Application

- 1/ The Application Form submitted to the Authority in accordance with Article 37 of this Directive shall be accompanied by:
 - a. a copy of the Certificate of Commercial Registration and, if applicable a business license and Investment Permit, issued by the relevant government organ;
 - b. relevant tax documents including Tax Identification Number (TIN), tax clearance certificate and VAT registration certificate;
 - c. Certified copies of the Establishment Documents including:
 - i. the Memorandum of Association indicating:
 1. the business purpose to operate as a Scheme;
 2. a summary of the Investment Policy to be approved by the Authority;
 3. the Operator undertaking the activities of the Scheme.
 - ii. the agreements entered with each of the Professional Parties involved with the Scheme;
 - d. audited financial statements, at least for the most recent financial period;
 - e. written policies and procedures with an explanation of arrangements for each of the following:
 - i. 'Know Your Customer' (KYC) and anti-money laundering (AML);
 - ii. Conflicts of interest including the identification, monitoring, mitigation and prevention conflicts of interest; and
 - iii. risk management for the Scheme and the Operator (as applicable); and
 - f. Any other information that the Authority may consider necessary for the application for the registration of the Scheme.
- 2/ The Application Form submitted to the Authority in accordance with Article 37 of this Directive shall include the information and documents necessary to address the Fit and Proper Requirements for each of the Professional Parties involved in the Scheme, as well as the Board of the Scheme and, where applicable, the general partner of the Scheme.

39. Application Process

- 1/ Once an application for registration is filed with the Authority, any communication regarding the pending application from or to the Authority shall be conducted by a formal letter.
- 2/ An application filed with the Authority shall be reviewed within Thirty (30) business days and the Authority shall communicate whether the application is approved or rejected or send comments to revise, update or clarify information or a deficiency in the application.
- 3/ The timeline specified under Sub-Article 2 of this Article shall reset once the Authority communicates its comments to revise, update, or clarify information or a deficiency in the application and any subsequent review and communication on the application shall be within Twenty (20) business days.
- 4/ A delay by the Authority to act on the application within the time provided in this Article shall not be construed to constitute approval or non-approval of the registration by the Authority.

40. Approval of the Application for Registration

- 1/ Upon approval of the application for registration, the Scheme shall obtain a Certificate of Scheme Registration from the Authority.
- 2/ Subject to Authority's assessment of the Scheme's annual compliance report and applicable ongoing information disclosures of the Scheme as set out in this Directive, the Certificate of Scheme Registration shall be renewed annually through the term and duration of the Scheme until:
 - a. it is surrendered by or on behalf of the Scheme in accordance with Chapter 8 of this Directive; or
 - b. it is suspended, revoked or cancelled by the Authority pursuant to the requirement of licensed Operator as set out in Article 5 of this Directive.
- 3/ Application for renewal of the Certificate of Scheme Registration shall be made by the Operator not later than one (1) month before its expiry date

accompanied by the applicable renewal fee set out in the Authority's Fee Directive.

- 4/ Where the Units in a Scheme require registration:
 - a. the Registration Statement Review Process set out in Chapter Three, Section 3 of the Public Offering and Trading Directive shall apply; and
 - b. the Certificate of Registration of Securities in relation to the Units of the Scheme shall be issued in accordance with Section 2 of this Chapter of this Directive.

41. Rejection of the Application for Registration

- 1/ The Authority may reject the application for registration if it is not satisfied that the applicant has complied with the requirements set out in this Directive.
- 2/ Upon communicating its decision, the Authority shall provide its grounds for the rejection in writing within the processing timeline provided in Sub-Article 1 of this Directive.
- 3/ An applicant whose application has been refused or rejected may request the Authority to grant it an opportunity to rectify or give justifications to the grounds of rejection.
- 4/ The Authority upon receiving the justification by the applicant shall communicate its final decision within Fifteen (15) days of receipt.
- 5/ A party aggrieved by the decision of the Authority in Sub-article 4 of this Article may exercise such rights of review or appeal available under the Proclamation.

SECTION 2: UNITS WHICH REQUIRE REGISTRATION

42. Applicability

- 1/ Units in a Scheme, which are offered, made available, sold, or advertised in a way to the public, shall be registered in accordance with this Section

of the Directive.

- 2/ Unless the Offer of the Units is subject to a valid exemption from the obligation to issue a Prospectus in accordance with this Directive, a Prospectus shall be required to register Units of Scheme.
- 3/ A Person shall not offer, sell, or solicit the sale of Units to the public without a Prospectus that has been approved by the Authority.

43. Registration Statement for Units

- 1/ Units in a Scheme, which are offered, made available, sold, or advertised in a way to the public, shall require a Registration Statement which is prepared:
 - a. in accordance with this Directive and, where relevant, the Public Offering and Trading of Securities Directive, and any other relevant directive issued by the Authority as amended from time to time; and
 - b. in the form prescribed by the Authority.
- 2/ The Application Form referred to under Article 37, together with a Prospectus and the Accompanying Documents specified under Article 38, shall collectively constitute the Registration Statement for the purpose of registering the Units of a Scheme.
- 3/ Units in a Scheme which are exempted from the requirement of a Registration Statement shall include Securities exempted by Article 5 of the Public Offer and Trading Directive.
- 3/ Units in a Scheme which are exempt from registration in accordance with this Article, shall comply with the Notification provisions set out in Chapter Six of the Public Offer and Trading Directive as applicable.

44. Persons Responsible for Prospectus

- 1/ 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 relying on information included in the Prospectus that is inaccurate, misleading, or incomplete.

2/ The persons responsible shall include:

- a. the Scheme which is the Issuer of the Units to which the Prospectus relates;
- b. the CIS Operator;
- c. each person who is a member of the Board of the Scheme registered pursuant to this Directive and is so named in the Prospectus as a member or as having agreed to become a member of that Scheme either immediately or at a future time;
- d. each Person who accepts and is stated in the Prospectus as accepting responsibility for all or any part of the Prospectus or any Offer Documents;
- e. the offeror of the Units in a Scheme, where the offeror is not the Issuer;
- f. where the offeror is a corporate entity but is not the Issuer, each person who is a member of the Board of that corporate entity at the time when the Prospectus is published; or
- g. each Person not falling within any of the foregoing paragraphs who has authorized the contents or any part of the Prospectus or any other 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)(g) of the Article 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.

45. Form and Content of a Scheme Prospectus

1/ The Scheme Prospectus shall include sufficient information to enable investors to make an informed investment decision, and the information provided shall be accurate, sufficiently clear, comprehensive, fairly presented and not misleading.

2/ The Prospectus shall adhere to the following provisions of the Public Offering and Trading Directive:

- a. Article 36 Form and Content of a Prospectus;
- b. Article 37 Incorporation by Reference; and

- c. Chapter Four Content of a Prospectus, Section 1 General Requirements.

46. Scheme Disclosure Requirements

1/ The Scheme disclosures shall:

- a. Specify the type of Scheme being registered and shall include information relevant to such Scheme including details on the Scheme and any Professional Party required or relevant to the Scheme.
- b. Provide information required including:
 - i. Matters specified in this section of the Directive;
 - ii. The name and address of the External Auditor;
 - iii. Details on relevant Affiliates and any arrangements with such Affiliates;
 - iv. Information pertaining to the valuation of the Scheme Portfolio, including comprehensive disclosure of policies and procedures for asset valuation including assets that are not readily quoted or marketable, the oversight of such policies and procedures, and the arrangements for Appraisals and ongoing disclosures; and
 - v. Information on the nature, type and frequency of ongoing information disclosures to be provided to investors.
- c. Indicate the proposed trading arrangements for the Units as set out in Article 125 of the Public Offering and Trading Directive; and
- d. Include a statement to indicate where documents and information provided as part of the Registration Statement of the Units can be found.

2/ The information on the Offer of the Units shall be provided as set out in Section 8 of Chapter 4 of the Public Offering and Trading Directive with the summary section and the body of the Scheme Prospectus specifically disclosing:

- a. the subscription arrangements and the capital requirements of the Scheme;
- b. whether there is a Minimum Subscription Amount which must be raised to undertake the proposed investment activity, the time period within

- which this is expected to be achieved, and the consequences if it is not achieved;
- c. the paid-up capital required for the Scheme, if any; and
 - d. a clear and prominent statement indicating that the proceeds of the Offer of Units shall be used in accordance with the Investment Policy set out in the Prospectus.
- 3/ Without prejudice to the Scheme Portfolio requirements set out in Article 13 of this Directive, the Scheme Prospectus shall specifically indicate the percentage of total capital to be deployed at within Six (6) months, One (1) year and Eighteen (18) months after Registration of Units.
- 4/ The Scheme Prospectus shall include a section titled “risk factors” in which the risks related to the Scheme, the investment proposition and the Offer of the Units are explained to the targeted investor in a clear and comprehensible form and manner.
- 5/ The risk factors referenced in Sub-Article 4 of this Article shall specify what course of action will be taken if the Investment Policy is not achieved within the stated investment timeline and whether investors will have an opportunity to exercise any voting rights.

47. Details of the Scheme

- 1/ The Prospectus shall include the following information:
- a. the name of the Scheme;
 - b. the address of its head office, branch office (if applicable) and address in Ethiopia;
 - c. the type of Scheme registered by the Authority and the date of such registration;
 - d. the targeted investors in the Scheme;
 - e. details on the targeted capital amount of the Scheme including the Minimum Subscription Amount; and
 - f. whether a stated Minimum Subscription Amount must be attained during the Offer Period and what would occur if the expected amount is not received during the initial offer.

- 2/ The Prospectus shall provide details on the expected duration of the Scheme, the proposed winding-up date of the Scheme, if any, and the procedures for its termination, specifying:
- a. where the duration of the Scheme is limited, when it may terminate;
 - b. where the duration of the Scheme is unlimited, the circumstances in which the Scheme may be terminated; and
 - c. the rights of the investors under the procedures for the termination of the Scheme.

48. Information on the Investment Policy

- 1/ An Investment Policy which complies with the requirements of Article 6 of this Directive shall be set out in full in the Scheme Prospectus.
- 2/ A Scheme Prospectus shall include the following statements that:
- a. the Scheme shall invest and manage its assets in a manner consistent with its Investment Policy at all times; and
 - b. any material change to the Investment Policy shall require the approval of two-thirds (2/3) of the registered Unit holders.

49. Information on the Units

- 1/ The Prospectus shall include the following information on the capital of the Scheme:
- a. a description of the history of capital of the Issuer, highlighting any changes for the period covered by the financial information included in the Prospectus; and
 - b. disclosure, as of the date of the most recent balance sheet, of
 - i. the amount of issued capital;
 - ii. the total of the Issuer's capital;
 - iii. the number of Securities issued and fully paid, and issued but not fully paid; and
 - iv. the par value per share if applicable; and
 - v. a reconciliation of the number of shares outstanding at the beginning and end of the year.
- 2/ The Prospectus shall include the following information on the Units of the Scheme:

- a. a description of the rights, preferences, and any restrictions attached to the Units; and
- b. a clear indication of status and required steps to obtain the Listing, including timelines and steps that will be taken in case such Listing is not obtained.

50. Dividend or distribution policy

- 1/ The Scheme Prospectus shall include:
 - a. A description of the dividend or distribution policy and any restrictions thereon;
 - b. An explanation of how distributable profit or income is determined; and
 - c. The proposed date or dates in each year on which dividend or distribution is to be made or takes place.
- 2/ The disclosures shall include information on the tax impact of the dividend or distribution policy, as applicable.

51. Details of the Operator

- 1/ The Scheme Prospectus shall provide the following information on the Operator:
 - a. The date and place of incorporation or establishment;
 - b. Details of the shareholding or ownership structure;
 - c. A brief profile of the Board of Directors; and
 - d. A brief profile of the investment management team providing services to the Scheme including their experience and professional qualifications.
- 2/ The Scheme Prospectus shall include a statement indicating the Operator's status of good standing as a licensed Capital Market Service Provider and the name of the Investment Manager who is licensed as an Appointed Representative of the Operator.
- 3/ Notwithstanding Sub-article 2 of this Article, a Scheme which obtains fund management and investment advisory services from an Investment Advisor, or in the case of a Shariah-compliant Scheme, a Shariah Advisor,

shall include a brief profile on such advisors including their experience, professional qualifications and their status as licensed Capital Market Service Providers.

- 4/ Details of any Professional Party required for the type of Scheme registered shall be provided in the Scheme Prospectus including provisions relating to the fees and payments to such party.
- 5/ Information on any functions which the Operator outsourced to a third party shall be disclosed and details of such outsourcing shall be set out in the Scheme Prospectus.
- 6/ The Prospectus shall disclose the fees payable to the Operator and any other relevant Professional Party including the amount, method of calculation and frequency of payment.
- 7/ A summary of the material provisions of the Operator's Agreement including provisions relating to its responsibilities shall be set out in the Scheme Prospectus.

52. Details on the Custodial Arrangements

- 1/ The Scheme Prospectus shall provide details on the custodial arrangements of the Scheme which shall include the following information on the Custodian to the Scheme:
 - a. the date and place of incorporation or establishment of the Custodian;
 - b. details of the shareholding or ownership structure of the Custodian; and
 - c. a brief profile of the Board of Directors of the Custodian.
- 2/ The Prospectus shall include:
 - a. a statement indicating the Custodian's status of good standing as a licensed Capital Market Service Provider or licensed financial institution, as applicable; and
 - b. A description of Custodian's team or personnel providing services to the Scheme.

- 3/ A summary of the material provisions of the Custodial Agreement including provisions relating to the responsibilities and fees and payments to the Custodian, shall be disclosed.
- 4/ The Prospectus shall disclose the fees payable to the Custodian including the amount, method of calculation and frequency of payment.

53. Board of the Scheme

- 1/ The Scheme Prospectus shall include information on the Board of the Scheme and the governance arrangements of the Scheme.
- 2/ The information on the Board shall include:
 - a. the names and positions of each member;
 - b. a brief profile of each member including their experience, professional qualifications and their main business activities; and
 - c. the manner, amount and calculation of the remuneration of each member.
- 3/ The main terms of contract of service between the Scheme and each member of the Board shall be disclosed in summary form in the Scheme Prospectus.

54. Payments out of the Scheme Portfolio

- 1/ The Prospectus shall provide clear and prominent disclosure of the payments that may be made to the Operator out of the Scheme including:
 - a. payment for its services and reimbursement of expenses incurred;
 - b. the nature and type of payment and the relevant amounts payable;
 - c. how such payments are calculated and when it accrues and will be paid; and
 - d. how any changes to payments or reimbursements are undertaken including how notice is to be given to investors.
- 2/ The Prospectus shall include details of all payments to be made out of the Scheme including:
 - a. payments to the Professional Parties;
 - b. payments to the Board of the Scheme;

- c. any amounts payable by the Scheme to any third party; and
- d. any types of charges and expenses that may be taken out of the Scheme Portfolio.

55. Other Material Information

- 1/ Any material information which is within the knowledge of the Operator shall be included in the Prospectus.
- 2/ For purposes of Sub-Article 1 of this Article, material information shall mean information which investors and their investment advisors would reasonably require and reasonably expect to find in a Prospectus to enable them to make an informed judgement about the merits of investing in the Scheme and the extent and characteristics of the risks accepted by investing in the Scheme.

56. Key Investor Information Document

- 1/ Units which are offered by way of a Public Offering shall have a Key Investor Information Document made available for investors.
- 2/ The Key Investor Information Document shall be approved by the Authority prior to its publication or use by the Scheme, the Operator, or any other person acting on behalf of the Scheme including any Promoters.
- 3/ The Key Investor Information Document shall be written in a concise manner and in non-technical language, and it shall include information that enables a Retail investor to take an investment decisions on an informed basis and understand the nature and the risks of the Investment that is being offered to them.
- 4/ The Key Investor Information Document shall contain information on the essential elements of the Scheme including:
 - a. the name and type of Scheme;
 - b. the name of the Operator;
 - c. a short description of its Investment Policy approved by the Authority;

- d. a short description of the risk and reward profile of the Investment, together with the appropriate guidance and warnings in relation to the risks associated with investment in the Scheme;
- e. where relevant and appropriate, Scheme performance scenarios;
- f. the fees and costs associated with the Scheme; and
- g. any other information considered essential by the Authority.

5/ The disclosure of the essential elements for purposes of Sub-Article 4 of this Article, shall be comprehensible to the investor without any reference to other documents.

6/ The Key Investor Information Document shall have the words {Key Investor Information} clearly stated on the document and it shall clearly state that it is in addition to, and not a substitute for, the Scheme Prospectus.

7/ The Key Investor Information Document shall clearly specify where and how to obtain additional information relating to the proposed Investment, including but not limited to where and how the Prospectus and the Annual Report, other periodic reports and ongoing information disclosures can be obtained.

8/ The Key Investor Information Document approved by the Authority shall be used without alterations or supplements, except for translation.

SECTION 3: UNITS EXEMPT FROM REGISTRATION

57. Exempt Offers for AIFs

1/ An AIF, its CIS Operator or any other person acting on behalf of such fund or CIS Operator shall not issue any document or Advertisement inviting offers from the public for subscription or purchase of Units in such fund.

2/ The Offer Documents pertaining to an Exempt Offer for an AIF including the related Subscription Agreement shall be filed with the Authority prior to commencement of any solicitation, Offer or any other capital raising activity by the fund, the CIS Operator or any other person acting on behalf of the fund or CIS Operator including any promoters.

- 3/ All eligible investors in an Exempt Offer for on the AIF shall be provided with the same Offer Documents, including the information memorandum and Subscription Agreement as submitted to the Authority.

58. Investor Disclosures in Exempt Offers

- 1/ The Offer Documents which pertain to an Offer which is exempt from registration shall adhere to the requirements set out in Section 2 of this Chapter of the Directive, in so far as applicable.
- 2/ Without prejudice to Sub-Article 1 of this Article, the Offer Documents shall include the following:
- a. an overview of the regulatory and legal framework applicable to the Scheme;
 - b. the restrictions on trading applicable to the Units issued in an Exempt Offer;
 - c. a description of the Subscription Agreement, including the minimum amount each investor is required to subscribe and the manner of subscription and contribution of such amount;
 - d. Exit method available for investors, if any;
 - e. The particulars and frequency of the financial and performance reports to be sent to the investors; and
 - f. Any other information the Authority may require.
- 3/ In case of a Scheme established as a Limited Partnership, the Offer Documents for an Exempt Offer shall include a statement that the General Partner(s) accepts responsibility for the information contained in the Offer Document as being accurate as at the date of its publication.

59. Content of the Subscription Agreement

- 1/ The information in the Subscription Agreement shall contain at least the following:
- a. information about the fund and details on the subscription requirements;
 - b. Information on timing and payment of subscribed commitment and the capital calls;

- c. Dividend or distribution policy;
- d. Rights and obligations of the investor and Operator;
- e. Governing law; and
- f. Exit mechanism for the investor.

SECTION 4: REGISTRATION OF FOREIGN FUNDS

60. Additional requirements for Foreign Funds

- 1/ The Authority shall approve a Foreign Fund for registration in accordance with additional requirements set out in this Directive.
- 2/ A letter of good standing from the relevant regulator in the jurisdiction in which the Foreign Fund is licensed or authorised shall be required.
- 3/ The Foreign Fund shall be required to have sufficient local presence which includes at least the following:
 - a. a registered office in Ethiopia;
 - b. an External Auditor approved by the Authority; and
 - c. at least one Ethiopian resident member of the Board.
- 4/ A Foreign Fund shall maintain an updated register of shareholders with an Authorised Central Securities Depository or Licensed Securities Depository and Clearing Company, as applicable.
- 5/ The Authority shall approve an application to register a Foreign Fund in accordance with the requirements set out in this section of the Directive.

61. Governance and management of the Foreign Fund

- 1/ A Foreign Fund shall:
 - a. adhere to the governance requirements set out in this Directive;
 - b. have custodial arrangements approved by the Authority; and
 - c. have an Operator that has obtained a license from the ECMA.
- 2/ The Operator may be required to obtain Indemnity insurance depending on the activity undertaken by the Scheme.

SECTION 5: ADVERTISEMENT, MARKETING AND DISTRIBUTION

62. Advertisements

- 1/ A Certificate of Scheme Registration shall be required prior to any Advertisement or Offer of the Units.
- 2/ All Advertisements shall clearly indicate:
 - a. the name and type of the Scheme registered;
 - b. the date of the Scheme's registration; and
 - a. whether the Units in the Scheme are registered with the Authority or exempt from registration.
- 3/ Advertisements shall include a prominent warning statement that:
 - a. the Authority does not take responsibility for the financial soundness of the Scheme or for the correctness of any statements made or opinions expressed in this regard;
 - b. there are risks attached to investing in the Units; and
 - c. the price of the Units and, if Scheme pays dividends, the dividend income from it, may go down as well as up.
- 4/ Every Advertisement or invitation to the public, or a section of the public shall be submitted to the Authority not later than three (3) business days prior to the date of publication.

63. The Operator's Responsibilities in Advertisements

- 1/ The Operator shall be responsible for all Advertisements pertaining to the CIS.
- 2/ The Operator shall maintain all data and information necessary to support all items included in the Advertisement.
- 3/ The Operator shall adhere to the principles of fair presentation and full disclosure when advertising and shall not present performance or performance-related information that is false or misleading.

- 4/ The Operator shall specify the performance-based fees and expenses included as well as any other fees included and how they are reflected in the Scheme's returns, as applicable.

CHAPTER FIVE: PROFESSIONAL PARTIES

SECTION 1: OPERATOR

64. Operator Agreement

The appointment of the Operator shall be evidenced by written contract signed by the Board of the Scheme, excluding the Operator, and it shall be approved by the Authority.

65. Operator's interest in the Scheme

- 1/ In the case of a Scheme offered to the Public, an Operator may contribute assets or capital in the Scheme not exceeding (10%) of the capital of the Scheme.
- 2/ An Operator contributing a capital as set out in Sub-Article 1 of this Article shall maintain its investment for two (2) years following the date of the Listing of the Units on a Securities Exchange.

66. Responsibilities of the Operator

- 1/ The Operator shall be responsible for the management and the performance of the functions of the Scheme, including:
- a. the day-to-day general business administration of the Scheme;
 - b. formulating the Investment Policy;
 - c. ensure that all the investment activities of the Scheme are carried out in accordance with the Investment Policy and in compliance with all applicable laws;
 - d. transferring, exchanging or delivering the Scheme's assets held by the custodian in the required form and manner;
 - e. establishing and maintaining sufficient risk management systems, procedures and controls;

- f. identifying, assessing, mitigating and monitoring risks in the best interest of the Scheme;
- g. reviewing the performance of the Scheme on a regular and timely basis;
- h. preparing and providing on a timely basis all disclosures and reports as required by relevant laws and agreements; and
- i. ensuring the Scheme maintains a valid Certificate of Scheme Registration.

67. Conduct of the Operator

- 1/ An Operator shall administer a scheme:
 - a. With honesty and fairness;
 - b. With skill, care and diligence;
 - c. in the best interests of Scheme Unit holders; and
 - d. by appropriately addressing any conflict of interest that may arise in the course of its duties.
- 2/ Without prejudice to the requirements of the Commercial Code, the Operator shall have conflicts of interest policies and procedures for the Scheme that includes:
 - a. the criteria for determining materiality in the Related Party Transaction;
 - b. outlines the procedure to ensure timely approval by and full disclosure of all Related Party Transaction to Unit holders; and
 - c. a prohibition on preferential treatment to the Operator, Professional Parties or relevant Affiliates including prohibiting:
 - i. the Operator from prioritizing its own interests over those of the Scheme investors;
 - ii. preferential allocation of investment opportunities to Affiliates or parties related to the Operator; and
 - iii. preferential fees or arrangements to selected investors.
- 3/ The Operator shall ensure that all Related Party Transactions or arrangements are:
 - a. at fair market value, on terms no less favourable than those negotiated at arm's length between independent parties;

- b. undertaken with the requisite approval from Scheme Unit holders; and
- c. disclosed as set out in Chapter Seven of this Directive.

68. Compliance Arrangements

- 1/ The Operator shall adopt written compliance policies and procedures for each Scheme that it manages, and it shall review the adequacy of such policies and procedures annually.
- 2/ The compliance policies and procedures shall address, at least the following:
 - a. the investment management processes;
 - b. dealing in Securities and trading practices of the Scheme;
 - c. management of inside information and other prohibited practices under the Proclamation;
 - d. review and approval of disclosures, marketing and Advertisement;
 - e. business continuity practices for the Scheme;
 - f. data protection issues;
 - g. record keeping practices;
 - h. the management of conflict of interest;
 - i. identification and management of Related Party Transactions; and
 - j. adherence to applicable laws.
- 3/ The Operator shall designate a compliance officer responsible for administration of such compliance policies and procedures to each Scheme that it operates, and such designation shall be subject to the approval of the Board of Scheme.
- 4/ The designated compliance officer shall be competent, knowledgeable, and suitable for the nature of the Scheme.
- 5/ The designated compliance officer shall directly report to the relevant audit, risk and compliance committee of Board of the Scheme.

69. Operator's Obligation in Risk Management

- 1/ The Operator shall establish, implement, and maintain an adequate and well documented risk management policy for each Scheme it operates, taking into account the nature, scale and complexity of the Scheme.
- 2/ The risk management policy shall include techniques, tools and arrangements that enable the Operator to:
 - a. identify, measure and assess the risks to which the Scheme is exposed, including market, liquidity, counterparty, and operational risks;
 - b. manage these risks to ensure that the current level of risk complies with the risk limits for the Scheme ; and
 - c. mitigate actual or anticipated breaches to the risk limits of the Scheme and ensure timely remedial action is taken in the best interests of Scheme investors.
- 3/ The Operator shall conduct periodic stress tests and scenario analyses to address risks arising from potential changes in the market conditions that might adversely affect the Scheme.
- 4/ The Operator shall assess, monitor, and review the adequacy and effectiveness of the risk management policy and take the appropriate steps to address any deficiencies.
- 5/ Any material changes to the risk management policy shall be approved by the Board and notification shall be provided to the Authority.

70. Operator's Obligation to Provide Information

- 1/ The Operator shall ensure the Board of the Scheme is provided with information and details with respect to all matters relating to the Scheme as required.
- 2/ The Operator shall provide the Custodian with information concerning the transactions of the Scheme as may be required.
- 3/ The Operator shall disclose to investors:

- a. Any fees and expenses charged to the Scheme and any fees and charges payable to the Operator;
- b. Any breach of a provision of the Offer Documents or Establishment Documents, if any, as and when it occurs;
- c. Any significant change in the key investment management team; and
- d. all disclosures required under this Directive.

71. Operator's Obligation to Maintain Records

The Operator shall:

- a. maintain proper books and records and of activities and transactions of the scheme for a minimum of ten (10) years; and
- b. make such books and records available for inspection by the Custodian up on request.

72. Operator's Obligation to Report to the Authority

- 1/ The Operator shall notify the Authority immediately, and in writing within (24) twenty-four hours:
 - a. if any information previously submitted to the Authority is found to be false or misleading, or if there is any change in the information already submitted;
 - b. of any event resulting in any violations of the Investment Policy or the applicable laws and Directives; or
 - c. of any special or extraordinary resolution passed by the Unitholders.

73. Outsourcing by the Operator

- 1/ A Operator may outsource administrative functions with prior written approval of the Board and with the specific approval of the Authority.
- 2/ The Authority may prohibit the Operator from outsourcing some or all of its functions.
- 3/ The Operator shall:

- a. have in place proper due diligence procedures for the selection of the party to whom the functions are outsourced and oversight and on-going monitoring structures for the outsourced function;
 - b. ensure that the person to whom the function is outsourced has sufficient experience and financial resources to enable them to conduct the outsourced function; and
 - c. remain responsible for the acts or omissions of all persons to whom it outsources any of its functions.
- 4/ Any fees and expenses relating to the outsourcing shall be payable by the Operator and shall not be payable out of the Scheme Portfolio.

74. Resignation of the Operator

- 1/ A Operator may resign by:
 - a. by providing six months' written notice to the Board, unless a longer notice period is specifies in the Operator's agreement, specifying the reasons for resignation; and
 - b. notifying the Authority of its proposed resignation specifying the arrangements in place for the continued operation of the Scheme.
- 2/ The resignation of an Operator shall be subject to the appointment of new Operator in accordance with this Directive.
- 3/ If a new Operator is not appointed within the notice period set out in Sub-Article 1 of this Article, the Scheme shall be dissolved in accordance with provisions of this Directive.

75. Removal of the Operator

- 1/ The Operator shall be subject to removal by the Board in any of the following events:
 - a. The Operator has its license suspended or revoked by the Authority;
 - b. The Board invokes the circumstances for the removal of the Operator as set out in the Operator Agreement;
 - c. The Operator goes into liquidation or is declared bankrupt; or

- d. An extraordinary resolution is passed by the Unit holders to remove the Operator.
- 2/ The Board shall notify the Authority of its proposed removal of the Operator and shall provide details on the arrangements to replace the removed Operator.
- 3/ The removal of the Operator by the Board shall not be valid without the prior approval of the Authority and unless a succeeding Operator is appointed and approved by the Authority.

76. Obligations of the Operator Following Resignation or Removal

Within fourteen (14) days from the effective date of resignation or removal, the Operator shall deliver to the Scheme all information and documents relating to the management of the Scheme including:

- a. Scheme records it maintains;
- b. Details of the Scheme Portfolio including details of the costs of investments and estimated yields;
- c. Information and statements relating to any incomplete transactions;
- d. Executed transfer documents relating to any securities registered in the name of the Operator as nominee for the Scheme; and
- e. Any other information pertinent to the Scheme.

77. Appointment of a New Operator

- 1/ The Scheme shall submit a request for the appointment of another Operator, prior to the expiry of the notice period set out in this Directive, to allow for the Authority's reasoned decision within 30 (thirty) days from the date of receipt of the request.
- 2/ The Scheme shall submit to the Authority a duly signed copy of the agreement entered into between the new Operator and the Scheme.

SECTION 2: CUSTODIAN TO THE SCHEME

78. Qualifying requirements for a Custodian

- 1/ The assets of the Scheme shall be under the custody of an independent party as set out in Article 90(1) of the Proclamation.
- 2/ Notwithstanding Article 65 of the Licensing Directive, a financial institution may serve as a Custodian to a Scheme subject to no-objection from its primary regulator and the approval of the Authority.
- 3/ A Custodian shall be required to demonstrate that it is functionally independent of the Operator for which the Authority shall consider:
 - a. the systems and controls of the Custodian;
 - b. its ability to separate the assets of the Scheme for protection from losses or insolvency;
 - c. whether the Custodian has separate compliance, internal audit and risk management functions;
 - d. the personnel, management and Board of the Custodian including any Affiliate relationships;
 - e. the actual or potential conflict of interest of the Custodian; and
 - f. any other factor the Authority deems necessary to ensure that each service provider is acting in the best interests of investors and in accordance with its roles and responsibilities.

79. Custodial Agreement

- 1/ The appointment of the Custodian shall be evidenced by a written contract signed between the Scheme and the Custodian.
- 2/ Without prejudice to Article 84 of the Licensing Directive, the Custodial Agreement shall include:
 - a. Provisions that document the relationship between the Scheme, the Operator and the Custodian including the scope of the Custodian's responsibility and liability; and
 - b. an undertaking by the Custodian to observe and comply with all its duties and obligations under the Proclamation and the directives of the Authority.

80. Responsibilities of the Custodian

- 1/ The property and assets of a Scheme shall be entrusted for safekeeping or convenience to a Custodian.
- 2/ The Custodian shall ensure the assets of the Scheme are properly held and managed for the benefit of the Unit holders in accordance with the provisions of the Establishment Documents, the Directives of the Authority, and all other applicable laws.
- 3/ The Custodian shall be responsible for:
 - a. Receiving the payments from investors for the subscription of Units;
 - b. Collecting and holding any income received by the Scheme; and
 - c. Depositing the money received by or behalf of the Scheme.
- 4/ The Custodian shall carry out the instructions of the Operator in respect of investing the Scheme's investible money, unless such instructions conflict with the Scheme's Establishment Documents.
- 5/ The Custodian must, within 24 hours, forward to the Operator, all notices of meetings, reports, circulars, proxy solicitations and such other documents received by it as registered holder of any Unit.
- 6/ The Custodian shall ensure that the custody arrangements for the assets of the Scheme are monitored on an ongoing basis.

81. Custodian's Safekeeping Duty

- 1/ The Custodian shall ensure the property and assets entrusted to it are segregated from:
 - a. Its own assets;
 - b. The assets of the Operator and its Affiliates;
 - c. The assets of the Investment Advisor or Shariah Advisor and its Affiliates; and
 - d. The assets of other Schemes.
- 2/ The Custodian shall ensure that transactions such as pledging or lending of assets held in safekeeping are not undertaken unless such transactions are:

- a. executed for the account of the Scheme;
- b. for the benefit of the scheme and in the interest of the Unit holders; and
- c. the Custodian is carrying out the lawful instructions of the Operator.

82. Outsourcing by the Custodian

- 1/ Without prejudice to Article 81 of the Licensing Directive, the Custodian shall not outsource any of its duties and responsibilities to a third party unless:
 - a. the Establishment Documents allows for such outsourcing;
 - b. the outsourcing is approved by the Board of the Scheme; and
 - c. prior to entering into the agreement with the third-party service provider, the Authority has been notified in writing and approved the outsourcing.
- 2/ Notwithstanding Sub-Article 1 of this Article, the Custodian shall not outsource the function of being Custodian of documents evidencing title to assets of the Scheme.
- 3/ With respect to any outsourcing of duties or responsibilities, the Custodian shall:
 - a. demonstrate that there is an objective reason for outsourcing;
 - b. exercise due skill, care, and diligence in the selection and appointment of any third party to whom it intends to outsource tasks;
 - c. ensure that the third party has operational structures and expertise that are adequate and proportionate to the type, nature and complexity of the Scheme; and
 - d. remain responsible for the acts or omissions of all persons to whom it outsources any of its functions.
- 4/ Any fees and expenses relating to the outsourcing shall be payable by the Custodian and shall not be payable out of the Scheme Portfolio.

83. Custodian's Obligation to report to the Authority

- 1/ The Custodian shall notify the Authority immediately, and in writing within (24) twenty-four hours:
 - a. if any information previously submitted to the Authority is found to be false or misleading, or if there is any change in the information already submitted;
 - b. of any action of the Operator that contravenes any provision of the Establishment Documents, this Directive, or any other applicable guidelines or laws.

84. Resignation and Replacement of the Custodian

- 1/ The resignation of a Custodian shall be in accordance with the procedure set out in Article 74 -Resignation of Operator in this Directive.
- 2/ If a new Custodian is not appointed within the applicable notice period, the Custodian shall make a recommendation in a meeting of Unit holders whether to dissolve the Scheme.
- 3/ Where Unit holders do not accept the Custodian's recommendation to dissolve as provided in Sub-article 2 of this Article, the Custodian shall remain in office until a new Custodian is appointed to such a reasonable period specified.
- 4/ The resignation of a Custodian shall take effect from the date of transfer of the Scheme's assets and property to the newly appointed Custodian.

85. Removal of the Custodian

- 1/ Subject to the prior approval of the Authority and by notice in writing to the Custodian, the Custodian may be removed:
 - a. in accordance with Article 66 of the Licensing Directive; or
 - b. on an application in writing by the Operator or the Board where it has been determined that a change of custodian is desirable in the interests of investors.

- 2/ Subject to the conditions set out in Article 66 (1) of the Licensing Directive, the Board may remove the Custodian with prior notification of the unit holders of the Scheme.
- 3/ The removal of the Custodian shall not be valid without the prior approval of the Authority.

SECTION 3: OTHER PROFESSIONAL PARTIES

86. Appointment of Other Professional Parties

- 1/ The Operator shall appoint the Professional Parties required for the management and performance of functions of Scheme registered with the Authority, including:
 - a. a Property Manager;
 - b. a Shariah advisor; or
 - c. any other type of investment advisor in accordance with Article 89 of the Proclamation.
- 2/ The Scheme shall appoint all other Professional Parties who are required for the Scheme including:
 - a. External Auditor; and
 - b. Securities Appraisal Firm or other provider of Appraisal services to the Scheme.
- 3/ The appointment of any other Professional Party by the Operator or the Scheme shall be disclosed to investors in the Offer Documents or in the ongoing information disclosures of the Scheme, together with a description of the substantive provisions of such appointment.
- 4/ Any changes to the required Professional Parties shall be immediately reported to the Authority with written notification provided within 24-hours.

87. External Auditors

- 1/ The Scheme shall require an External Auditor at time of registration of the Scheme and thereafter.

- 2/ The External Auditor of the Scheme shall be independent of the Operator, the Custodian, the Board of the Scheme, and any other Professional Party providing services to the Scheme.

88. Shariah Advisor

- 1/ A Operator proposing to undertake Islamic fund activities shall appoint a Shariah Advisor.
- 2/ The Shariah Advisor shall ensure that all aspects of the Scheme are in accordance with Shariah requirements established by the relevant body.
- 3/ The Operator shall consult the Shariah Advisor to confirm that any acquisition or disposal of the Scheme assets or property shall not affect the compliance of the Scheme with applicable Shariah requirements.
- 4/ The Shariah Advisor shall prepare and submit to the Operator periodic reports confirming compliance of the Scheme with applicable Shariah requirements.

89. Removal or Resignation of Advisors

- 1/ An Advisor may resign by providing at least three months ' written notice in writing to the Operator and to the Board, unless a longer notice period is specified in the relevant agreement;
- 2/ An Advisor may be removed:
 - a. If it has its license suspended or revoked by the Authority;
 - b. the circumstances for removal set out in the Agreement with the Operator is invoked; or
 - c. A resolution is passed by the Scheme to remove the advisor.
- 3/ The Authority shall be provided with details on the proposed removal of the Advisor.

SECTION 4: SCHEME RELATED FEES

90. Fees and Charges

- 1/ Fees and charges are payable only if authorized and calculable in an objective, fair and transparent manner which must be set out in the Establishment Documents.
- 2/ The Establishment Documents shall provide:
 - a. how the amounts payable are to be determined and the relevant factors involved including:
 - i. the actual amount or rate of the fees payable
 - ii. the periods in respect of which the fees are to be paid;
 - iii. how the fees accrue and when fees are to be paid; and
 - iv. the maximum amount or rate of the fees and charges which may become payable ; and
 - b. how reimbursement of expenses incurred in performing functions conferred.
- 3/ The Operator shall disclose the fees payable to the Professional Parties with whom it has entered into a contract to provide services to the Scheme.
- 4/ Fees and charges shall be payable out of the Scheme property unless such expenses are incurred as a result of the error or negligence of the Professional Party.

CHAPTER SIX: GOVERNANCE

SECTION 1: OVERSIGHT OF THE SCHEME

91. Board of Directors

- 1/ Every Scheme shall be required to have:
 - a. a Board of Directors, in the case of a Scheme established as a Share Company or PLC ; or

- b. an equivalent body, in the case of a Scheme established as a Limited Partnership.
- 2/ The Board shall have a minimum of five (5) voting members, a majority of which including the chairperson, shall be independent.
- 3/ For the purpose of sub-article 2 of this Article, a Board member is considered independent if it;
 - a. is not an Affiliate of any of the Professional Parties;
 - b. has no material financial, business, or professional relationship with any of the Professional Parties; or
 - c. Is not a current employee of Operator.
- 4/ A Operator may serve as a non-voting member of the Board.
- 5/ The Board shall constitute of a mix of members possessing core competencies including experience in fund and investment management, financial and valuation services, audit and risk management, and compliance services.
- 6/ Each member of the Board shall satisfy the Fit and Proper Requirements.
- 7/ The Authority shall be notified in writing immediately by the Board in case of any person becoming or ceasing to be a member of the Board.

92. Role of the Board

- 1/ The Board shall be responsible for the effective and prudent oversight of the Scheme ensuring the proper management and operation of the Scheme in the best interest of Unit holders.
- 2/ The Board shall be responsible for:
 - a. appointment and removal the Operator, the Custodian, the External Auditor, and the Securities Appraisal Firm or other Appraisal service provider;
 - b. ensuring the management and investments of the Scheme adhere to the Establishment Documents and the Investment Policy;

- c. ensuring the Operator remedies any breach or contravention to the Establishment Documents and the Investment Policy;
- d. ensuring the Custodian of the Scheme acts in accordance with the provisions of the Custodial Agreement;
- e. ensuring the Custodian remedies any breaches with respect to payments out of the Scheme property or assets made in accordance with the Scheme Establishment Documents and the investment policy;
- f. reviewing changes to the Investment Policy;
- g. addressing issues related to the Appraisal and valuation policies and procedures of the Scheme's assets and property;
- h. approval and monitoring of dividends, fees and expenses charged to the Scheme;
- i. approval of the financial statements and the relevant ongoing information disclosures;
- j. monitoring and addressing any conflicts of interests in accordance with the requirements of this Directive;
- k. ensuring the Scheme has appropriate compliance, audit, and risk management arrangements;
- l. ascertaining that the Professional Parties are duly licensed and continue to be suitable for the Scheme; and
- m. any other strategic decisions.

3/ The Board shall ensure that there are appropriate systems, processes and procedures in place to ensure that:

- a. sound administrative, accounting, and reporting procedures and internal control mechanisms are applied; and
- b. risks are identified in order that they can be monitored and managed on an ongoing basis.

4/ The Board shall ensure financial statements are published within the time periods established by the Establishment Documents and audited by an External Auditor.

5/ The Board shall require the designated compliance officer to provide a compliance report to the Board at least annually.

6/ In performing its functions, the Board shall observe the standards of professional conduct set out in Article 162 of the Licensing Directive.

93. Board Committees

- 1/ The Board shall establish committee(s) for audit, risk and compliance consisting solely of members of the Board.
- 2/ The Board may establish other committees consisting of directors to review matters as and when it deems appropriate.
- 3/ The Board shall determine the composition and powers of the established committees through terms of reference.
- 4/ The chairman of the Board shall not be a member of the committee(s) for audit, risk and compliance.
- 5/ The Operator shall not be a member of the audit risk and compliance committee(s).
- 6/ The committee(s) for audit, risk and compliance shall be chaired by an independent director.

94. Conflicts of interest

- 1/ The Board shall:
 - a. ensure that the Scheme has policies and procedures to enable identification, monitoring and management of conflict of interests;
 - b. monitor and address any conflicts of interest in the best interests of the Scheme investors; and
 - c. ensure that its assessment and consideration of conflict of interest is documented in its records including the minutes of Board meetings.
- 2/ The Board shall ensure that Related Party Transactions are undertaken in accordance with the conflict of interest policy adopted by the Scheme, including obtaining Unit holder approval as required by such policy.

3/ For purposes of Sub-Article 2 of this Article, the Board shall review:

- a. any transaction, contract, or arrangement, and any amendments thereto, with a Related Party;
- b. any arrangement involving the payment of fees or compensation to a Related Party; and
- c. any outsourcing or delegation of functions to a Related Party.

SECTION 2: CONDUCT

95. Unit Holders' approval of changes to the Scheme

1/ The Operator shall provide at least Thirty (30) days' written notice to the Authority for any proposed changes to the scheme including:

- a. Changes to its Investment Policy or Establishment Documents;
- b. any merger, acquisition or other combination; or the winding up of the scheme

2/ A material change to the Scheme shall require the approval of two-thirds of the Unit holders.

3/ For the purpose of Sub-article 2 of this Article, material changes to the Scheme include:

- a. changes to the Investment Policy :
 - i. the type of assets or property the Scheme may invest in;
 - ii. the proportion or limits applicable to the assets or property the Scheme invests in;
 - iii. The description of permitted transactions; or
 - iv. The Scheme's borrowing limit.
- b. departures or changes from any statement made in the Offer Documents; or
- c. An increase in the maximum fees or charges payable to the CIS Operator.

4/ In determining materiality of changes, the cumulative effect of all the changes since the Unit holders acquired the Units or had the opportunity to vote on the Investment Policy should be taken into account.

5/ A resolution for each material change to the Scheme shall be required to be presented and approved separately at an extraordinary general meeting.

6/ Notwithstanding Sub-Article 5 of this Article, a Scheme established as a Limited Partnership shall be governed by the requirements of the relevant provisions of the Commercial Code.

96. Unit Holders' Meetings

1/ Neither the Operator nor its Affiliates shall serve as the chairperson of the meeting.

2/ Units held by the Operator or its Affiliates shall confer voting rights unless the matter directly or indirectly involves an interest of the CIS Operator or its Affiliates.

3/ The Custodian shall be entitled to attend every Unit holders' meetings.

4/ Minutes of all proceedings and resolutions at every meeting of the Unit holders shall be made and duly entered in the records of the Operator.

CHAPTER SEVEN: ONGOING INFORMATION DISCLOSURE

SECTION 1: GENERAL OBLIGATIONS

97. Applicability

- 1/ All Schemes shall provide full, accurate and timely disclosure of financial results, the Scheme performance, risks and other information which is material to investment decisions.
- 2/ Unless otherwise specifically included in the Offer Documents or the Subscription Agreement, the specific ongoing information disclosure requirements set out in this chapter shall be applicable only to Schemes offered to the public.
- 3/ The ongoing information disclosures shall be fairly presented, not be misleading or deceptive and contain no material omission of information.

98. Requirements

- 1/ Subject to the modifications and additional requirements set out in this Directive, a Scheme shall comply with the requirements set out in Public Offering and Trading Directive regarding Ongoing Information Disclosures Obligations.
- 2/ The required ongoing information disclosures of a Scheme consists of Current disclosures and Periodic disclosures as set out in this Directive.

99. Current Disclosures

In addition to Chapter 5, Section 2 of the Public Offering Directive, the current disclosures of a Scheme which require immediate disclosure include:

- a. any material liability accruing to the Scheme as and when it occurs;
- b. any material inquiries or legal actions by legal or regulatory bodies in Ethiopia or elsewhere;

- c. any legal or regulatory proceedings connected to the capital markets involving the Operator or Custodian or any of their Affiliates; and
- d. any other information the Authority may specify to the Scheme itself or through guidelines, circulars or notices it may publish from time to time.

SECTION 2: PERIODIC DISCLOSURES

100. Requirements of Periodic Disclosures

- 1/ The minimum required Periodic disclosures of a Scheme shall consist of an Annual Report and Semi-Annual Report.
- 2/ A Scheme may be required to provide more frequent or additional Periodic disclosures where it is so provided in the Offer Documents or required by the Securities Exchange where the Units are Listed.
- 3/ The Scheme shall prepare and provide to its Unit holders and to the Authority:
 - a. an Annual Report within 90(Ninety) calendar days after the end of the financial year; and
 - b. a Semi-annual Report within forty-five (45) calendar days after the end of the semi-annual period.
- 4/ The financial information included in the Periodic disclosures shall be prepared in accordance with the approved and applicable IFRS.

101. Content of Periodic Disclosures

- 1/ All Periodic Disclosures of a Scheme shall include a clear statement that the Scheme invests and manages its assets in a manner consistent with its Investment Policy.
- 2/ All periodic disclosures shall, at a minimum, include the following:
 - a. details of Scheme Portfolio depicting cost and realizable value;
 - b. a statement of movement in net asset value (NAV) per unit of the Scheme;
 - c. a statement of its Investment Policy and any changes thereto;

- d. a description of the Scheme portfolio composition;
- e. details of acquisition and disposals of assets in the Scheme Portfolio, including consideration paid, and any profit or loss incurred;
- f. an update on any material risks to the Scheme which may include concentration risk, foreign exchange risk, leverage risk and liquidity risk;
- g. fees paid or payable to the Operator, the Custodian and other Professional Parties;
- h. any fees charged to the Scheme or the Scheme's investee companies including operating expenses and transaction costs;
- i. any material inquiries or legal actions by legal or regulatory bodies in Ethiopia or elsewhere;
- j. any legal and regulatory proceedings connected to the capital markets involving the Operator, the Custodian or any of their Affiliates, or any member of the Board;
- k. any Related Party Transactions which occurred within the period; and
- l. any other information the Authority may specify through guidelines, circulars or notices it may publish from time to time.

102. Disclosure on Related Party Transactions

- 1/ Without prejudice to the requirements of the Commercial Code, IFRS standards and any other standards specifically applicable to the Scheme, the periodic disclosures on Related Party Transaction shall:
 - a. identify the related party and the nature of the relationship;
 - b. provide details on the transaction; and
 - c. describe the financial impact of the transaction such as the effect on the performance or the risk profile of the Scheme.
- 2/ The details of the transaction for purposes of sub-Article 1 of this Article shall specify:
 - a. the type of transaction;
 - b. the terms and conditions; and
 - c. financial details including transaction value, valuation method and whether an independent valuation was undertaken.

- 3/ The Related Party Transaction disclosures shall:
- a. include an affirmative statement indicating that the transaction has been conducted in accordance with the conflicts of interest policy adopted by the Scheme; and
 - b. indicate whether Unit holder approval was obtained for such transactions.

103. Semi-annual Report

- 1/ In addition to the Periodic Disclosures described in Article 100 of this Directive, the Semi-annual Report shall include:
- a. an Operator's Report;
 - b. a Performance Measurement Report; and
 - c. Semi-annual financial statements in accordance with Article 141 of the Public Offering Directive.
- 2/ Reports from other Professional Parties shall be included in the Semi-annual Report, where relevant.

104. Annual Report

- 1/ In addition to the information set out in Article 104 of this Directive, the Annual Report shall include:
- a. an Operator's Report;
 - b. a Performance Measurement Report;
 - c. a Custodian's report;
 - d. the Scheme's Valuation Report(s);
 - e. Annual audited financial statements;
 - f. An audit report, including an Audit Opinion, prepared by an External Auditor approved by the Authority; and
 - g. Any other information the Authority may require.
- 2/ Reports from other Professional Parties shall be included in the Annual Report where relevant.
- 3/ The Annual Report shall adhere to the requirements set out in Article 143 of the Public Offering Directive.

SECTION 3: REPORTS FROM PROFESSIONAL PARTIES

105. The Operator's Report

- 1/ The following shall be set out in the Operator's Report:
 - a. A statement indicating the type of Scheme registered with the Authority;
 - b. the names and addresses of the following:
 - i. the Operator;
 - ii. the Custodian;
 - iii. any Investment Advisor or Shariah Advisor;
 - iv. the External Auditor; and
 - v. any other Professional Party relevant for the Scheme type.
 - c. a summary of the Scheme's investment activities during the period to which the report relates including description of costs, investments and acquisition of Scheme assets;
 - d. a statement indicating adherence to the scheme portfolio requirements in Article 13 of this Directive and specifying the percentage of total capital deployed towards the acquisition of Scheme assets as at the date of the report;
 - e. a summary of any transaction undertaken with any Affiliates of the Operator;
 - f. Any fees and expenses charged to the Scheme and any fees and charges payable to the Operator;
 - g. Any breach of the Offer Documents or Establishment Documents, if any; and
 - h. any other material information which would enable holders to make an informed judgment on the development of the activities of the Scheme during this period and the results of those activities as at the end of that period.
- 2/ The Operator's Report shall:
 - a. state the investment policy of the Scheme and any changes thereto; and
 - b. provide a statement indicating whether Unit holder approval was obtained for such changes.

106. The Custodian's Report

- 1/ The Annual Report shall include a report from the Custodian which provides the information as required by the terms of the Establishment Documents and this Directive.
- 2/ The report from the Custodian shall include a statement to indicate:
 - a. whether the Operator has managed the Scheme in accordance with the Investment Policy and the limitations imposed on the Operator by the Establishment Documents and this Directive; and
 - b. if not, the steps taken by the Custodian in that respect.

107. Reports from Other Professional Parties

- 1/ For a Scheme undertaking Shariah-compliant activities, the Annual Report shall include a statement of compliance of such activities with the applicable Shariah requirements and an attestation by the Shariah Advisor.
- 2/ For a Scheme undertaking any other specialized investment activities such as environmental, social and governance (ESG) activities, the Annual report shall include a statement of compliance of such activities with the applicable requirements and an attestation by the relevant Professional Party.

SECTION 4: SCHEME PERFORMANCE REPORTING

108. Performance Related Information

- 1/ The Operator shall not include any false or misleading information in its Performance Measurement Reports.
- 2/ The actual performance of the Scheme shall not be linked to historical, theoretical or prospective performance of the Scheme.
- 3/ Where the Operator uses a benchmark or index for risk and return analysis, the benchmark or index used shall be relevant to the Investment Policy of the Scheme, and the Operator shall provide a description of the

benchmark or index including its name, key features and frequency.

- 4/ When presenting the Net Asset Value (NAV), the Operator shall price the Scheme on a per Unit basis stated in Birr.
- 5/ All information in the Performance Measurement Report shall be presented in the same currency.

109. Performance Measurement Report

- 1/ The Performance Measurement Report shall include disclosure of all material events that would help an investor understand the Scheme's actual and potential performance.
- 2/ Disclosures pertaining to material events set out in Sub-Article 1 of this Article shall be included in the Performance Measurement Report for a minimum of one year and for as long as it is relevant to interpreting the track record of the Scheme.
- 3/ The Performance Measurement Report shall state the registration date of the Scheme and shall set out information on the Scheme's performance for each period as follows:
 - a. The Total Assets Under Management;
 - b. The Total Return for all periods for which Scheme returns are presented; and
 - c. The Total Expense Ratio.
- 4/ In the presentation of the Total Return, Total Assets Under Management and the Total Expense Ratio, the corresponding figures from the immediately preceding period shall be disclosed for comparative purposes.
- 5/ A Performance Measurement Report may include information to correct material errors if any.
- 6/ An error is considered material if it results in an impact equal to or greater than 10% of the net asset value of the Total Assets Under Management.

- 7/ The disclosure shall include the specific errors identified, the impact of the errors, the values before and after correction of the error and the measures to prevent recurrence.

110. Performance Calculation Methodologies

- 1/ The Total Assets Under Management of a Scheme shall be the aggregate fair value of all the assets and property of the Scheme.
- 2/ The Total Returns of a Scheme shall be presented net of total expenses of the Scheme including:
 - a. All transaction costs such as cost of buying and selling Scheme assets, investment-brokerage fees, taxes;
 - b. Fees payable to the Securities Exchange;
 - c. Any performance-based fees charged; and
 - d. Administrative costs such as audit, legal, custodian, shareholder meeting expenses.
- 3/ The Total Expense Ratio of the Scheme shall be calculated as total expense for the period divided by the Total Assets Under Management.
- 4/ Returns for periods of less than one year shall not be annualized to reflect an annual rate of return.
- 5/ When calculating returns the Operator shall be consistent in applying a performance calculation methodology.

SECTION 5: VALUATION OF THE SCHEME PORTFOLIO

111. Valuation Report

- 1/ A valuation report shall be prepared by a licensed Securities Appraisal Firm, or an appropriately licensed Appraisal services provider approved by the Authority.
- 2/ A valuation report shall be included in the Annual Report and it shall be:
 - a. Signed by the preparer of the valuation report;
 - b. dated;
 - c. include a comprehensive and meaningful analysis of the Scheme Portfolio; and
 - d. clearly state the value of each asset in the Scheme Portfolio including real estate, Securities, other Financial Instruments or cash.
- 3/ Where a Real Estate Valuation Report is required, the additional requirements set out in Chapter 3: Section 4 shall apply.
- 4/ An independent third party shall review the Scheme's valuation process at least annually in conjunction with the preparation of the Annual Report.

112. Valuation Principles, Policies and Procedures

- 1/ Valuation shall be done in good faith and in a true and fair manner through appropriate valuation principles, policies and procedures.
- 2/ Valuation shall be based on principles of fair valuation and shall be reflective of the realizable value of the Scheme's assets.
- 3/ The valuation standards applicable shall be the international valuation standards including IFRS, IVS standards or IPEV Guidelines, adopted by the relevant body.
- 4/ The valuation policies and procedures shall be approved by the Operator and the Board on behalf of the Scheme.

- 5/ The assets of the scheme shall be consistently valued in accordance with the approved policies and procedures.
- 6/ For assets comprising of Financial Instruments, the following shall be applicable:
 - a. prices to be used for valuation shall be at close of business as evidenced by the Securities Exchange or other relevant and appropriate publication; and
 - b. instruments which are not Listed on a Securities Exchange or for which there has been no recent dealing through an OTC Market, shall be valued upon the basis of a best estimate to be given by the Operator on the advice of an independent Professional Party.
- 7/ A full record of the basis of the valuation shall be maintained in the books and records of the Scheme.

CHAPTER EIGHT: MERGERS, ACQUISITION AND WINDING UP

113. Mergers, Acquisitions, and other Combinations

- 1/ Subject to the provision Title Ten of the Commercial Code on Affiliation, Merger and Division of Business Organizations, a merger, acquisition or other combination of the Scheme shall be in accordance with the proposal approved by the Authority.
- 2/ A proposal as referenced in Sub-article (1) of this Article, shall not be implemented without approval by an extraordinary general meeting.
- 3/ A merger, acquisition or other combination which results in an entity that is not a Collective Investment Scheme shall follow the appropriate provision of winding up and it shall be required to relinquish the Scheme's Registration Certificate.
- 4/ Where it is proposed that two or more registered Collective Investment Schemes should be merged or combined, the proposals shall require

the approval of the Unit holders of all the Schemes subject to the merger, acquisition or combination.

114. Winding up of the Scheme

- 1/ Subject to Chapter Three, Seven and Nine of the Commercial Code on Dissolution and Winding-up, the winding up of the Scheme shall be in accordance with the proposal approved by the Authority.
- 2/ The books and records of the Scheme shall be properly maintained for an appropriate time in the event of a winding-up.
- 3/ The Operator shall use all reasonable efforts to ensure that all the liabilities of the Scheme are discharged before the completion of the winding up.
- 4/ The duty in Sub-Article 3 of this Article relates to all liabilities of the Scheme of which:
 - a. The Operator is, or becomes, aware before the completion of the winding up; or
 - b. The Operator would have become aware before the completion of the winding up had it used all reasonable efforts to ascertain the liabilities of the Scheme.
- 5/ If the Operator becomes of the opinion that the scheme will be unable to meet all its liabilities, the Operator shall notify the Board and the Authority immediately.
- 6/ The Board shall cooperate with the Operator to ensure the orderly winding up of the Scheme.

115. Accounting and Reports

- 1/ The ongoing information disclosure requirements shall continue to apply to Scheme in the process of winding up.

- 2/ At the conclusion of the winding up, the accounting period then running shall be regarded as the final annual accounting period for the Scheme.
- 3/ The periodic reports of the Scheme, the Operator and the Custodian in respect of the final period, shall published and sent to the Authority and to each person who was an investor of the Scheme immediately before the end of the final accounting period.
- 4/ The Scheme's External Auditor shall make a final account of the Scheme, which shall state the auditor's opinion as to whether the final account has been properly prepared in accordance with the applicable standards.

116. The Final Report

- 1/ The Operator shall prepare a Final Report of the winding up showing how it has been conducted and how the Scheme property has been disposed.
- 2/ The Final Report shall be approved by the Board and signed by the Operator.

CHAPTER NINE: COMPLIANCE, ADMINISITRATIVE MEASURES AND ENFORCEMENT

SECTION 1: GENERAL

117. Compliance Report

- 1/ The Authority shall monitor the Scheme for compliance with the requirements for Scheme's registration as set out in this Directive.

2/ The Scheme shall provide the Authority with a compliance report at least once a year in conjunction with the Scheme's Annual Report to investors, or more frequently as determined by the Authority.

3/ The compliance report referred to in Sub-Article 2 shall comprise of:

- a. a letter from the designated compliance officer addressing the matters set out in this Article; and
- b. an attestation from the relevant audit, risk and compliance committee of the Board as to the completeness and accuracy of the compliance report.

4/ The letter from the designated compliance officer referenced in Sub-Article 3 of this Article shall specifically address:

- a. Whether an Offer of Units is currently ongoing or whether any sale of the Units has taken place during the relevant financial period;
- b. Whether or not the capital raising targets and requirements of the Scheme have been met and if not, the specify the reasons;
- c. the status of the planned investment activities of the Scheme as set out in the Investment Policy;
- d. the status of any fundraising proceeds including whether investor reimbursement or deployment of capital towards investments, as applicable, is currently underway;
- e. in the case of REIF, the amount of rental income distributed to the Fund's Unitholders; and
- f. Any other additional information relevant to the regulated activity of a Scheme.

5/ Subject to Article 17(4) of the Licensing Directive, the Operator shall not subject the Compliance Officer to any form of retaliation for performing his duties in accordance with this Directive, other applicable laws and in good faith.

118. Administrative Measures

1/ The Authority shall monitor compliance of this Directive and may impose any or a combination of the following administrative measures for non-compliance with or violation of any provisions of this Directive:

- a. Issue a public or private warnings;
- b. Impose fine;

- c. Suspension or revocation of Certificate of Scheme Registration;
 - d. Suspension or prohibition on operating the Scheme;
 - e. Order to stop actions that violate the Directive;
 - f. Order for a corrective measure;
 - g. Blacklist the Operator, Custodian, or any other Capital Market Service Providers, the members of the Scheme's Board, the Promoter, or anyone responsible for violation of this Directive; or
 - h. any other measure the Authority prescribes from time to time.
- 2/ Where relevant, the Administrative Measures set out in the Proclamation, Licensing Directive and Public Offering and Trading Directive shall be applicable.

SECTION 2: PENALTIES, FINES AND OTHER ENFORCEMENT ACTIONS

119. Unauthorized Publication

- 1/ Unauthorized publications in relation to a Scheme or its Units shall be prohibited.
- 2/ Unauthorized publications in this regard include, but not limited to the following:
- a. Publication a Prospectus without the approval of the Authority;
 - b. Publication of Investment Policy without the approval of the Authority
 - c. Publication of Advertisement relating to the Scheme in any form including notices, posters, social media posts or any document without the prior approval of the Authority;
 - d. Publication of Key Investor Information Document without approval by the Authority;
 - e. Commencement of roadshow or distribution of preliminary prospectus without prior approval of the Authority.
- 3/ Without prejudice to Article 154 (3) (a) of the Public Offering and Trading Directive, depending on the circumstances and gravity 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. (10%) to (25%) of the total amount of money raised or to be raised by the publication if it is a Promoter;

- ii. (10%) to (25%) of the total amount of money raised or to be raised by the publication if it is an Operator; and
- iii. (0.1%) to (1%) of the total amount of money raised or to be raised by the publication if it is the Scheme.

b. Other penalties may include, but are not limited to:

- i. Public or Private warnings;
- ii. Requiring the issuance of a publication to recall or rescind the unauthorized publication as may be required by the Authority;
- iii. Cancellation of offer.

120. Unauthorized Activities

1/ Unauthorized activities in relation to a Scheme shall be prohibited.

2/ Without prejudice to the relevant provisions of the Licensing Directive, Unauthorized activities in this regard include, but are not limited the following:

- a. violating the restrictions set out in Article 91(1) of the Proclamation;
- b. violating the provisions of this Directive;
- c. undertaking activities contrary to the Investment Policy;
- d. undertaking activities in contravention of the policies and procedure established by the Scheme approved by the Authority;
- e. Undertaking collective investment scheme activities without registering the Scheme;
- f. Engaging in any fraudulent collective investment arrangements.

3/ Depending on the circumstances and gravity 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. one hundred thousand Birr (100,000) to two million (2,000,000) if it is the Operator;
- ii. One hundred thousand Birr (100,000) to two million (2,000,000) if it is the Custodian;
- iii. One hundred thousand Birr (100,000) to two million (2,000,000) if it is by the Scheme.

b. Other penalties may include, but is not limited to:

- i. Public or Private warning;

- ii. revoke or suspend a Capital Market Service Provider license;
- iii. Revoke or suspend Certificate of Registration of the Scheme;
- iv. Order the dismissal or suspension of a member of Board of the Scheme.

121. Late Filing in Relation to a Public Offer of Units

- 1/ A supplementary prospectus, required notifications and reports including Allotment reports that are required in relation to the Public Offer of Units shall be submitted within the timeline stipulated by the provisions in the Public Offering and Trading Directive.
- 2/ Depending on the circumstance and gravity of the case and by whom the late report is filed, the Authority may separately or in combination with other administrative measures, impose a fine one million Birr (1,000,000) to three million Birr (3,000,000) on the Operator.

122. Late filing of Ongoing Information Disclosures

- 1/ Disclosures required in relation to the Scheme's ongoing information disclosure requirements shall be submitted within the timeline stipulated by the provision of this Directive.
- 2/ Depending on the circumstances and gravity of the case, the Authority may, separately or in combination with other administrative measures, impose the following measures on the relevant responsible parties as set out in this Directive as it deems appropriate:
 - a. A fine of ten thousand Birr (10,000) to twenty thousand Birr (20,000) with an additional one thousand Birr (1000) for everyday of default; or
 - b. public or private warning.

123. Failure to discharge Operator Obligations

- 1/ Without prejudice to the relevant provisions of the Licensing Directive, the Authority may impose administrative measures on the Operator for failure to discharge its responsibilities and obligations as set out in this Directive.

2/ Depending on the circumstances and gravity of the case the Authority may, separately or in combination with other administrative measures, impose the following measures as it deems appropriate:

- a. A fine of ten thousand Birr (10,000) to one hundred thousand(100,000) with an additional (1,000- 10,000) Birr for everyday of default; or
- b. public or private warning.

124. Other violations

Unless stipulated in this Chapter, any violation of the provisions of this Directive resulting in a fine shall be subject to a fine of not less than ten thousand Birr (10,000).

CHAPTER TEN: MISCELLANEOUS PROVISIONS

125. Settlement of Disputes

Without prejudice to the provisions in the Licensing Directive, disputes among the parties involved in the Scheme concerning a civil matter arising under the Proclamation, this directive or other relevant directives of the Authority, shall be resolved by mediation or arbitration in accordance with Article 111 of the Proclamation.

126. Waiver

- 1/ Notwithstanding the provisions of this Directive, the Authority may provide for interim arrangements that vary from the specific provisions of this Directive.
- 2/ Arrangements issued under Sub-Article (1) of this Article:
 - a. Shall be used for purposes of carrying out the objectives of the Authority; and
 - b. Shall not impose more stringent obligations than those prescribed by this Directive.

3/ The Authority may allow the testing of innovative capital market products, services, or business models in accordance with its Regulatory Sandbox, and participants operating under such approval may, to the extent specified in those guidelines, be exempt from full adherence to this Directive.

127. Inapplicable Laws

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

128. Effective Date

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

Done at Addis Ababa

[day/month] 2025

Hana Tehelku

Director General

Ethiopian Capital Market Authority