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**ETHIOPIAN CAPITAL
MARKET AUTHORITY**

ETHIOPIAN CAPITAL MARKET AUTHORITY

Directive Number 1150/2026

**DIRECTIVE ON OPERATION OF COLLECTIVE INVESTMENT
SCHEMES**

SEPTEMBER 2026

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Directive No 1150/2026

Collective Investment Schemes Operation Directive

WHEREAS the Capital Market Proclamation No. 1248/2021 mandates the Ethiopian Capital Market Authority to determine detailed requirements through a Directive to effectively govern, supervise, and oversee the establishment and operation of collective investment schemes;

WHEREAS collective investment schemes serve as a critical instrument within the financial ecosystem to mobilise savings into investments, advance financial inclusion, and provide investors with a regulated, professionally led, and accessible mechanism to participate in the capital market;

WHEREAS it is necessary to adopt a 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(2) of the Capital Markets Proclamation No. 1248/2021.

CHAPTER ONE

GENERAL PROVISIONS

1. Short Title

This Directive may be cited as the “**Collective Investments Schemes Operation Directive No. 1150/2026**”.

2. Definitions

Unless the context otherwise requires in this directive: -

- 1/ “**Proclamation**” means the Capital Market Proclamation Number 1248/2021.
- 2/ “**Alternative Investment Fund**” or an “**AIF**” means a Scheme established by an Offer other than a Public 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 entity;
 - b) any entity within a group to which such person belongs, or
 - c) the Board of Directors or key executives of the relevant entity, including persons related by affinity or by consanguinity with those persons pursuant to the Revised Federal Family Code.
- 4/ “**Appraisal**” shall have the meaning provided for under Article 2(2) of the Licensing Directive.
- 5/ “**Authorized Participant**” means a legal person approved by the Authority to create and redeem Creation Units directly with the exchange-traded fund.
- 6/ “**Basket**” means the portfolio of specified assets, including securities and, where permitted, cash components, published by the exchange traded fund for each Business Day, which shall be delivered to the Custodian in exchange

for the issuance of Creation Units or received from the Custodian upon redemption of Creation Units.

7/ "**Board**" means the Board of Directors of a Share Company, a Unit Investment Company or a PLC or the equivalent body undertaking the oversight of a Limited Partnership, as the case may be.

8/ "**Certificate of CIS Registration**" means the legal document issued by the Authority upon registration of the Scheme.

9/ "**Certificate of Registration of Securities**" shall have the meaning in Article 2(10) of the Public Offering and Trading Directive.

10/ "**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 thereto.

11/ "**Certification**" means the act of attesting the authenticity of a corporate document by the corporate by signed and sealed letter.

12/ "**Commercial Code**" means the Commercial Code of the Federal Democratic Republic of Ethiopia, Proclamation No. 1243/2021, and any amendments or succeeding provisions thereto.

13/ "**Creation Unit**" means the smallest block of exchange traded fund Units that may be issued or redeemed by an Authorized Participant from the exchange traded fund, in a size prescribed in the Prospectus and approved by the Authority.

14/ "**Dealing Day**" means any business day, or such other day as may be specified, during which the Operator is open for business and keeps its

premises open to the public or otherwise publicly available for the conduct of dealing activities.

- 15/ **"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, Operator's Agreement, Custodial Agreement, Rule book of a Unit Investment Company, charter governing the procedures of the Board and other relevant agreements and bylaws, as applicable.
- 16/ **"Fit and Proper Requirements"** have the meaning in Article 16 of the Licensing Directive.
- 17/ **"Income Generating Real Estate"** means a 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 of the Real Estate Proclamation and which qualifies to generate income, as approved by the Authority, through lease, rent, sell or resell or such other legal arrangements.
- 18/ **"Issue Price"** means the price at which a Unit is offered or allotted to investors at the time of issuance, calculated based on the Net Asset Value per Unit, and inclusive of any applicable subscription fees, charges, or commissions disclosed in the prospectus.
- 19/ **"IFRS"** means International Financial Reporting Standards.
- 20/ **"Index"** means a benchmark constituted in accordance with a transparent and predetermined methodology, representing the performance of a defined group of securities or other approved assets traded on a Licensed Securities Exchange or other recognized market, and calculated independently by a provider of such Index.

- 21/ **“International Valuation Standards”** or **“IVS”** means standards for undertaking valuation assignments as set by the International Valuation Standards Council (IVSC).
- 22/ **“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.
- 23/ **“Investment Permit”** means authorization received from the relevant governmental entity to carry out investment activities in Ethiopia.
- 24/ **“Investment Policy”** means the document which sets out the investment strategies, objectives and intended outcomes of the Scheme as set out in Article 8 of this Directive.
- 25/ **“Key Investor Information Document”** means the summary of the Scheme Prospectus provided to Retail Investors containing information on the essential elements of the Scheme.
- 26/ **“Licensing Directive”** means Capital Market Service Providers Licensing and Supervision Directive Number 980/2024 and any amendments thereto.
- 27/ **“Money Market Instruments”** means Financial Instruments tradable on a money market as defined under Article 2(2.22) of the Open Market Operations and Standing Facilities Directive No. MFAD/OMO&SFs/001/2021 (including any amendments thereto) and approved by the Authority, as well as any other instruments approved by the Authority.
- 28/ **“Minimum Subscription Amount”** shall have the meaning in Article 2(33) of the Public Offering and Trading Directive.
- 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 presents 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 a Scheme.
- 34/ **"Property Investment"** means an 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 AIS 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/ **"Promoter"** means a person who initiates the formation of a Scheme by public subscription, invites persons to join the Scheme and is liable for damage sustained in connection with its activities.
- 37/ **"Publicly Held"** shall have the meaning in Article 2(45) of the Public Offering and Trading Directive.
- 38/ **"Public Offering and Trading Directive"** means Public Offering and Trading OF Securities Directive No. 1030/2024 and any amendments thereto.

- 39/ **"Public Scheme"** means a scheme that raises capital from the public through a public offering of its securities in accordance with this Directive and other applicable laws and includes a Unit Investment Company.
- 40/ **"Qualified Investor"** shall have the meaning in Article 2(46) of the Public Offering and Trading Directive.
- 41/ **"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.
- 42/ **"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.
- 43/ **"Redemption Price"** means the amount payable per Unit to a Unitholder upon redemption, calculated based on the Net Asset Value (NAV) per Unit of the Scheme as determined on the applicable Valuation Point in accordance with this Directive and the establishment documents of the Scheme, less any applicable fees, charges, and levies disclosed in the Scheme's offer document.
- 44/ **"Registration Statement"** shall have the meaning in Article 2(48) of the Public Offering and Trading Directive.
- 45/ **"Related Party Transaction"** means any transaction carried out by an entity or a person with:
- a) a related entity including an Affiliate, or joint venture, or any entity that is controlled, jointly controlled, or significantly influenced or managed by a person or entity who qualifies as a related party; or
 - b) person or a close member of that person's family.

- 46/ **"Retail Investor"** shall have the meaning in Article 2(49) of the Public Offering and Trading Directive.
- 47/ **"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.
- 48/ **"Scheme"** means a Collective Investment Scheme as defined in Article 2(11) of the Proclamation.
- 49/ **"Scheme Portfolio"** means the security investments, Property Investments, and other assets of a Collective Investment Scheme.
- 50/ **"Securities Appraisal Firm"** shall have the meaning provided for under Article 2(51) of the Licensing Directive.
- 51/ **"Security Holders"** means share or unit holders or investors having ownership interest in a Scheme.
- 52/ **"Securities Market Maker"** shall have the meaning provided for under Article 2(42) of the Proclamation and licensed as per the Licensing Directive.
- 53/ **"Subscription Agreement"** means the document signed by the investor to acquire or purchase newly issued securities in a Scheme.
- 54/ **"Sub-Scheme"** means a segregated portfolio of assets and liabilities established within an Umbrella Scheme, which constitutes a separate pool for all operational, accounting, and liability purposes, having its own investment policy, separate class of redeemable Units, and distinct Net Asset Value calculation.
- 55/ **"Total Return"** means the sum of all income earned from the Scheme's Portfolio, including dividends and interests plus any changes in the value of the

Scheme's assets, minus all expenses expressed as a percentage of the initial investment.

56/ **“Umbrella Scheme”** means a Unit Investment Company that is constituted with one or more Sub-Schemes, each having segregated assets and liabilities.

57/ **“Unit”** means an ownership interest in a Unit Investment Company registered by the Authority.

58/ **“Unit Investment Company”** means an Investment Company established under Article 85(1) of the Proclamation whose capital may be increased or decreased by the issuance or redemption of units without the need for unit holders' approval or amendment to its Establishment Documents.

59/ **“Valuation Point”** means the specific time on a Dealing Day, as specified in the Scheme's prospectus and approved by the Authority, at which the Net Asset Value per Unit is calculated.

60/ **“Person”** means a physical or juridical person.

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

62/ Any term used in this Directive shall have the meaning assigned to it in the Proclamation unless the context provides otherwise.

3. Scope of Application

This Directive shall apply to the establishment, operation and management of any Collective Investment Scheme operating in Ethiopia.

CHAPTER TWO
SCHEME STRUCTURE, TYPES AND GENERAL REQUIREMENTS

SECTION ONE

STRUCTURE AND TYPES OF SCHEMES

4. Permissible Legal Forms

- 1/ A Public Scheme shall be established as a Share Company or a Unit Investment Company.
- 2/ An Alternative Investment Fund may be established as a Share Company, Private Limited Company or Limited Partnership.
- 3/ Notwithstanding Sub-Article 1 of this Article, a Real Estate Investment Fund shall not be established as a Unit Investment Company.
- 4/ Notwithstanding Sub-Articles 1 and 2 of this Article, an Exchange Traded Fund shall only be formed as a Unit Investment Company.

5. Scheme Types

- 1/ The types of collective investment schemes are the following :-
 - a) Money Market Funds;
 - b) Mutual Funds;
 - c) Real Estate Investment Funds;
 - d) Exchange Traded Funds;
 - e) Alternative Investment Funds; or
 - f) Special Designation Funds; and
- 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.

SECTION TWO

GENERAL REQUIREMENTS

6. Requirement to Register the Scheme

Every Scheme shall be registered by the Authority in accordance with this Directive.

7. Required Service Providers

1/ Every 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 Chapter Six Section Two 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.

8. Investment Policy

1/ Every Scheme shall have a clear and precise Investment Policy which enables 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) liquidity, risk management and valuation framework;
- f) any intended specialization of the Scheme Portfolio, whether by economic sector, industry, geographical area or type of investment;
- g) the proposed composition and allocation of the Securities or any other assets in the Scheme Portfolio;
- h) the concentration limits and diversification thresholds applicable to the Scheme Portfolio;
- i) the proposed use of leverage by the Scheme and any applicable limits on borrowing by the Scheme;
- j) 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; and

- k) For a Scheme undertaking any other specialized investment activities such as environmental, social and governance (ESG) or shariah compliant activities, a detailed description demonstrating how these principles are implemented within the fund.
- 3/ For the purpose of Sub-Article 2 of this Article, 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 security holders representing two-thirds (2/3) of the capital of the Scheme.

9. Scheme Portfolio Requirements

- 1/ Every Scheme shall have a Scheme Portfolio which is appropriate for the type of Scheme registered and aligns with its Investment Policy.
- 2/ The Scheme Portfolio may consist of the following:
 - a) Securities;
 - b) Money Market Instruments;
 - c) Property Investment; or
 - d) Other assets as approved by the Authority.
- 3/ The Scheme Portfolio may include Securities acquired at an Initial Public Offering only if the same is disclosed in its Investment Policy.

10. Investment Timeline

- 1/ A Scheme shall invest at least thirty percent (30%) of its total paid up capital within Six (6) months after obtaining Certificate of Registration of Shares or Units.
- 2/ Notwithstanding Sub-Article 1 of this Article, the Authority may extend the six (6) months period for additional period not exceeding six (6) months where exceptional circumstances, including adverse market conditions or factors beyond the control of the Scheme, justify such extension.
- 3/ A Scheme may invest in liquid financial instruments to manage unallocated capital until the deployment of capital in accordance with its Investment Policy.

11. Requirement to List Securities

A Public Scheme that has been established as a Share Company and an Exchange Traded Fund shall have the minimum paid up capital set out in the Listing Requirements of the Securities Exchange and shall be required to list its securities.

12. Applicable Borrowing limits

- 1/ Total borrowing by the Scheme shall not exceed 20% of its net asset value.
- 2/ Notwithstanding Sub-Article 1 of this Article, REIF may be permitted to borrow up to 40% of its net asset value.
- 3/ The borrowing limits contained herein shall not be applicable to Scheme registered as an AIF offered to Qualified Investors.
- 4/ Without prejudice to the requirement under Sub Articles (1) and (2) of this Article, a Scheme may adopt further restrictions on the Scheme Portfolio which shall be detailed in its Investment Policy.

13. Securities Lending

1/ A Scheme whose Investment Policy permits it to engage in Securities lending may, to generate additional income, lend out the Securities in its Scheme Portfolio up to the percentage prescribed in its Investment Policy.

2/ For the purpose of Sub-Article 1 of this Article, any securities lending shall be effected through a Repurchase Agreement transaction approved by the Authority, with the collateral deposited in an eligible institution.

14. Restrictions on Scheme Assets

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:

1/ That obligation can immediately be honoured by the Scheme by delivery of the assets or the assignment of rights; and

2/ The assets and the rights are owned by the Scheme at the time of the agreement.

15. 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.

CHAPTER THREE

SPECIFIC REQUIREMENTS FOR EACH SCHEME TYPE

SECTION ONE

MONEY MARKET FUND

16. Money Market Fund Requirements

A Scheme registered as a Money Market Fund shall, at all times:

- 1/ invest at least 80% of its net asset value in Money Market Instruments; and
- 2/ invest only in instruments with a maximum weighted average tenor of 365 days.

17. Scheme Portfolio Composition Requirements of Money Market Funds

- 1/ A Money Market Fund shall not invest more than twenty percent (20%) of the Scheme's assets in a single entity.
- 2/ Notwithstanding Sub-Article 1 of this Article, a Money Market Fund established as an Alternative Investment Fund for Qualified Investors may invest up to forty percent (40%) of the Scheme's assets in a single entity, provided that such concentration is expressly disclosed in its investment policy and offer documents.
- 3/ Notwithstanding Sub-Article (1) and (2) of this Article, the Authority may approve an investment exceeding the specified thresholds in a single entity where it is satisfied that such concentration is justified by the risk profile of the asset and that the interests of security holders is not prejudiced.
- 4/ The restrictions under Sub-Article (1) and (2) of this Article shall not apply to Federal Government Financial Instruments; provided, however, that the Scheme shall ensure adequate diversification across eligible money market instruments and products to mitigate concentration risk and preserve liquidity and capital stability.
- 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.

SECTION TWO

MUTUAL FUND

18. Mutual Fund Requirements

- 1/ A Scheme registered as a Mutual Fund shall have a Scheme Portfolio comprised predominantly of Investments as described in Article 2(35) of the Proclamation.
- 2/ For purposes of Sub-Article 1 of this Article, Securities of any type including Securities which are not Publicly Traded may be declared Investments by the Authority.

19. 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/ Notwithstanding Sub-Article 2 of this Article, a Mutual Fund established as an Alternative Investment Fund for Qualified Investors may invest up to forty percent (40%) of the Scheme's assets in a single entity, provided that such concentration is expressly disclosed in its investment policy and offer documents.
- 4/ Notwithstanding Sub-Article 2 and 3 of this Article, the Authority may permit the Mutual Fund to invest in a higher threshold in a single entity provided that:
 - a) it is appropriately disclosed to investors in the Investment Policy and offer documents; and

b) the Mutual Fund sufficiently spreads investment risk as set out in Article 2(44) of the Proclamation.

5/ The restrictions under Sub-Article (2) and 3 of this Article shall not apply to Federal Government Financial Instruments; provided, however, that the Scheme shall at all times ensure compliance with the principle of risk diversification inherent in the definition of a Mutual Fund under Article 2(44) of the Proclamation, by maintaining adequate spreading of investment risk.

6/ 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.

SECTION THREE

REAL ESTATE INVESTMENT FUND

20. REIF Requirements

1/ A Scheme registered as a Real Estate Investment Fund (REIF) shall, invest at least 80% of the net asset value of the Scheme in Income Generating Real Estate and distribute at least ninety percent (90%) of its Distributable Profit to its security holders as dividends in respect of each financial year.

2/ For the purpose of Sub Article 1 of this Article, Distributable Profits includes the receipts for the financial year after deduction of all applicable operating expenses, fees payable to Professional Parties, and any other charges permitted under this Directive and Establishment Documents.

3/ A Scheme which invests primarily in real estate but does not satisfy the requirements of a REIF may apply for registration as an AIF for Property Investments in accordance with Article 26 of this directive.

21. Scope and Limitations applicable to Property Investments

- 1/ An AIF 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 for Real Estate Investment Funds in this Directive;
 - b) obtain suitable Property Manager appointed in accordance with Article 69 of this Directive for the purpose of managing and operating the real estate assets;
 - c) appoint an appropriately licensed Appraisal service provider for purposes of the valuation of the Scheme's real estate; and
 - d) implement robust conflicts of interest management arrangements.

22. 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, Money Market 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.
- 4/ Notwithstanding Sub-Article 3 of this Article, the Authority may approve an investment exceeding twenty percent (20%) of the assets of the Scheme in a single source of income or cash flow from Income Generating Real

Estate where it is satisfied that such concentration is justified by the risk profile of the asset and that the interests of security holders is not prejudiced.

SECTION FOUR

EXCHANGE TRADED FUNDS (ETF)

23. Exchange Traded Fund requirements

- 1/ A Scheme shall be established as an "Exchange-Traded Fund" or "ETF" where it invests at least eighty percent (80%) of its net asset value in the assets comprising the tracked index or basket of other assets.
- 2/ An ETF shall be constituted as a Unit Investment Company and shall issue and redeem its Units in Creation Units.
- 3/ The Units of an ETF shall be admitted to trading on a licensed securities exchange.
- 4/ An ETF shall operate creation and redemption mechanism through Authorized Participants and/or licensed Securities Market Makers approved by the Authority.
- 5/ The name of the Scheme shall contain the words "Exchange-Traded Fund" or "ETF".

24. Investment objective and Index requirements

- 1/ The Scheme Portfolio of an ETF shall track, replicate, or seek to provide returns corresponding to:
 - a) recognized securities index;
 - b) a basket of securities, commodities, currencies, or other financial instruments approved by the Authority; or
 - c) a transparent rules-based benchmark approved by the Authority.

2/ The index or basket shall:

- a) be sufficiently liquid and investible;
- b) be appropriately constructed and calculated;
- c) have a publicly disclosed methodology;
- d) be rebalanced at intervals not exceeding six months, unless otherwise approved by the Authority.

3/ The ETF shall enter into a written agreement with the Index Provider prior to use of the index which shall be submitted to the Authority for review and shall not take effect unless approved by the Authority.

4/ Unless otherwise approved by the Authority, an ETF shall not invest more than 20% of its net asset value in securities issued by a single issuer.

5/ The Authority may prescribe additional requirements or restrictions applicable to synthetic, leveraged, inverse, or actively managed Exchange-Traded Funds.

SECTION FIVE

ALTERNATIVE INVESTMENT FUNDS

25. AIF Requirements

1/ An AIF may be established as a Share Company, Private Limited Company, or Limited Partnership as set out in the Commercial Code.

2/ A Scheme registered as an Alternative Investment Fund may be Money Market Fund, Mutual Fund, Real Estate Investment Fund or engage in Property Investment provided it adheres to the applicable requirements for each type of funds as set out in this Directive.

3/ A Scheme registered as an AIF shall have an Investment Policy that contains the details specified under Article 8 of this Directive.

4/ A Scheme that employs complex or sophisticated investment strategies, including hedge fund strategies, leverage, short selling, arbitrage, or high-concentration trading strategies, may only be registered as an Alternative Investment Fund for Qualified Investors.

26. AIF for Property Investments

- 1/ An AIF pursuing Property Investments shall be subject to the Scope and Limitations set out for Real Estate Investment Funds in this Directive, to the extent applicable.
- 2/ An AIF pursuing Property Investments shall distribute its Distributable Profit in accordance with requirements of a REIF.
- 3/ Where the AIF does not undertake distribution of its Distributable Profit, the approval of Security holders representing two-thirds (2/3) of the capital of the Scheme shall be required to approve reinvestment of such amounts into scheme.
- 4/ The reinvestment reference in Sub-Article 3 of this Article shall be undertaken in line with the scheme's Investment Policy.

SECTION SIX

SPECIAL DESIGNATION FUND

27. Special Designation Scheme Criteria

- 1/ A Scheme may be registered as a Special Designation Fund only where it 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 Fund on a case-by-case basis considering:
 - a) The legal form of the scheme
 - b) 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;

c) the proposed Investment Policy;

d) Scheme Portfolio composition and limits as applicable;

e) the liquidity, marketability and tradability of the securities or units issued or offered by the Scheme;

f) the proposed Operator and the relevant Professional parties; and

g) other factors deemed necessary by the Authority to achieve its objectives as set out in the Proclamation.

3/ In approving the application for registration under a Special Designation the Authority shall ensure that such designation is not used as a means to evade requirements and restrictions applicable to other types of Schemes expressly set out in this Directive.

CHAPTER FOUR

REGISTRATION OF SCHEMES

28. Application Procedure for Registration

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

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

3/ The Application Form shall be submitted by the proposed Operator or by a duly authorized person.

- 4/ 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.
- 5/ The Application Form and the accompanying documents shall be filed with the Authority in Amharic or English language.
- 6/ 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.
- 7/ 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.
- 8/ The Application Form shall be accompanied by evidence of payment of fees as prescribed by the Authority's Fee Directive.

29. 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 of the Scheme confirming the activities it 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;
 - e) a draft subscription agreement; and
 - f) Any other information or document the Authority may require for registration purpose.
- 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;
- 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 pertaining to the governance requirements set out in this Directive;
- d) Details of the proposed capital structure for the Scheme, specifying the amounts contributed and held by the Operator, Affiliates, or any 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 2(e) of this Article, the Authority shall require a business plan which explains:

- a) the amount of capital required to undertake the activity set out in the Investment Policy of the Scheme;
- b) the Scheme's costs associated with the Scheme including operational costs, professional fees and any charges payable to the Operator;
- c) the key assumptions upon which the business plan is based;
- d) a sensitivity analysis of the business plan to variations in the major assumptions.

4/ For purposes of Sub-Article 2(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.

30. Documents Accompanying Application

1/ The Application Form submitted to the Authority in accordance with 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, as applicable;
- e) written policies and procedures with an explanation of arrangements for each of the following:
 - (i) 'Know Your Customer' (KYC), anti-money laundering (AML) and Combating the Financing of Terrorism (CFT);
 - (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 or document 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 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.

31. 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.

32. Approval of the Application for Registration

Upon approval of the application for registration, the Scheme shall obtain a Certificate of Scheme Registration from the Authority.

33. Renewal of Registration

1/ 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 10 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 this Directive.

2/ 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.

34. Rejection of the Application for Registration

1/ The Authority may reject the application for registration if the applicant has not complied with the requirements set out in this Directive.

2/ The Authority may reject an application for registration if it is not satisfied that the Scheme has sufficient capital and adequate resources to undertake the CIS arrangement and execute the Investment Policy as described in the Offer Documents.

3/ Every applicant shall be provided with an opportunity to be heard by the Authority before a decision to refuse registration.

4/ A decision by the Authority to reject an application under this Article shall be communicated in writing, stating the reasons for the decision.

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.

CHAPTER FIVE

GOVERNANCE

SECTION ONE

OVERSIGHT OF THE SCHEME

35. 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, a Unit Investment 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/ An 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, legal, audit and risk management, and compliance services.

6/ Each member of the Board of Directors shall, at all times, while remaining in their position, fulfill the following conditions:

- a) the Fit and Proper requirements set out in the Authority's Licensing Directive;
- b) possess sufficient knowledge, skills, and experience to perform his duties;
- c) commit sufficient time to perform his functions; and
- d) act with honesty, integrity, and independence of mind to effectively undertake his role as a member of the Board.

7/ The Authority may refuse to consent to a proposed member of the Board of Directors:

- a) if the proposed member does not have a sufficiently good reputation, sufficient knowledge and skills pertinent to the management of the Scheme, relevant experience, and the ability to commit sufficient time to perform his functions; or
- b) if there are objective and appropriate grounds that a proposed member could jeopardize the effective and prudent oversight of the Scheme, or the integrity of the market.

8/ A party aggrieved by the decision of the Authority in Sub-article 7 of this Article may exercise such rights of appeal available under the Proclamation.

9/ The Authority shall be notified in writing immediately by the Board in case of any person ceasing to be a member of the Board.

36. Governance in Real Estate Investment Fund

Without prejudice to Article 35 of the Directive, at least one member of the Board of a Real Estate Investment Scheme shall have a minimum of five (5) years of relevant experience in the real estate industry in Ethiopia.

37. 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 Security Holders.

2/ The Board shall be responsible for:

- a) appointment and removal of the Operator, the Custodian, the External Auditor and the Securities Appraisal Firm;
- 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) decide on changes to the Investment Policy prior to approval by Security Holders meeting;
- 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 quarterly.
- 6/ In performing its functions, the Board shall observe the standards of professional conduct set out in Article 162 of the Licensing Directive.

38. 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.

39. 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 Security Holders 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 TWO

CONDUCT

40. Security 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 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 Security Holders representing two-thirds (2/3) of capital of the Scheme.
- 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 in which the Scheme may invest in;
 - (ii) the proportion or limits applicable to the assets or property which 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 Security Holders acquired the securities or had the opportunity to vote on the Investment Policy should be taken into account.

5/ A resolution for each material changes to the Scheme shall be required to be presented and approved separately at an extraordinary general meeting in accordance with the procedures provided under the Commercial Code.

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.

41. Security Holders' Meetings

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

2/ Securities 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 Security Holders meeting.

4/ Minutes of all proceedings and resolutions at every meeting of the security holders shall be made, duly recorded by the Operator, and a copy of the approved minutes shall be submitted to the Authority.

CHAPTER SIX
APPOINTMENT, ADMINISTRATION AND RESPONSIBILITIES OF
PROFESSIONAL PARTIES

SECTION ONE

OPERATOR

42. Operator's Agreement

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

43. Operator's interest in Scheme

1/ An Operator may contribute assets or capital in a Scheme, provided that such contribution shall not exceed ten percent (10%) of the total 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 Securities on a Securities Exchange in a Scheme established as a Share Company or an ETF; or 2 years following date of registration in Scheme established as a Unit Investment Company.

44. Responsibilities of the Operator

The Operator shall be responsible for the management and the performance of the functions of the Scheme, including:

- 1/ the day-to-day general business administration of the Scheme;
- 2/ formulating the Investment Policy;

- 3/ 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;
- 4/ establishing and maintaining sufficient risk management systems, procedures and controls;
- 5/ identifying, assessing, mitigating and monitoring risks in the best interest of the Scheme;
- 6/ reviewing the performance of the Scheme on a regular and timely basis;
- 7/ preparing and providing on a timely basis all disclosures and reports as required by relevant laws and agreements; and
- 8/ ensuring the Scheme maintains a valid Certificate of Scheme Registration.

45. 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 security 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 and full disclosure of all Related Party Transaction to security 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 or Shareholders; and
- c) disclosed as set out in this Directive.

46. 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 meet the competency requirements prescribed under the Licensing Directive and be 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.

47. 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.

48. 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, and when it occurs;
- c) Any significant change in the key investment management team; and
- d) all disclosures required under this Directive.

49. Operator's Obligation to Maintain Records

The Operator shall:

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

50. Reporting Obligation of the Operator

The Operator shall notify the Authority immediately, and in writing within (24) twenty-four hours:

- 1/ 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;
- 2/ of any event resulting in any violations of the Investment Policy or the applicable laws and Directives; or
- 3/ of any special or extraordinary resolution passed by the security holders.

51. Outsourcing by the Operator

- 1/ The 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 any or all of its functions where such outsourcing would:

- a) hinder effective supervision of the Scheme;
- b) give rise to unmanaged conflicts of interest;
- c) materially increase operational, legal, or reputational risks to the Scheme; or
- d) adversely affect the interests of security holders.

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.

52. Operator's Roles and Responsibilities in Real Estate

1/ Without prejudice to this Section 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 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 service providers, and the Custodian.

53. Resignation of the Operator

1/ An Operator may resign by:

a) by providing six months' written notice to the Board, unless a longer notice period is specified 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, immediately after providing its notice of resignation to the Board.

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.

54. 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 security 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.

55. 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:

- 1/ Scheme records it maintains;
- 2/ Details of the Scheme Portfolio including details of the costs of investments and estimated yields;
- 3/ Information and statements relating to any incomplete transactions;
- 4/ Executed transfer documents relating to any securities registered in the name of the Operator as nominee for the Scheme; and
- 5/ Any other information pertinent to the Scheme.

56. 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 TWO

CUSTODIAN TO THE SCHEME

57. Qualifying requirements for a Custodian

- 1/ The assets of the Scheme shall be under the custody of an independent Custodian as set out in Article 90(1) of the Proclamation.
- 2/ Without prejudice to Article 65 of the Licensing Directive, a commercial bank may serve as a Custodian to a Scheme subject to obtaining a no-objection and a confirmation of good standing from its primary regulator and the approval of the Authority.
- 3/ Without prejudice to Sub-Article 2 of this Article, a commercial bank intending to provide custodial services shall apply for and obtain the applicable license from the Authority, subject to requirements prescribed under the Licensing Directive.
- 4/ Commercial banks approved to serve as Custodians pursuant to Sub-Article (3) of this Article shall be regulated in accordance with the Licensing Directive.
- 5/ Every Custodian shall demonstrate that it is functionally and operationally independent from the Operator, for which the Authority shall consider whether each service provider is acting in the best interests of investors and in accordance with its roles and responsibilities, taking into account:
 - 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; and
- e) the actual or potential conflict of interest of the Custodian.

6/ Without Prejudice to Article 15(2) of the Licensing Directive, a Securities Custodian shall have a Chief Custodial Services Officer licensed by the Authority as an Appointed Representative.

7/ The Chief Custodial Services Officer shall meet the fit and proper and the minimum competency requirements specified for Senior Executive Officers under the Licensing Directive.

8/ The Chief Custodial Services Officer shall be responsible for the following, but not limited to:

- a) carrying out and overseeing custody-related, client-facing and asset-safeguarding activities.
- b) Ensuring that clients' securities and funds are strictly segregated from the Custodian's proprietary assets.
- c) Overseeing the notification, collection, and execution of corporate actions.
- d) Ensuring successful collection, calculation and credit of dividends, interest payments.
- e) Facilitating proxy voting services and tax administration issues.

9/ The Authority may require a Securities Custodian to have a Chief Financial Officer, Chief Risk Officer, and/or Chief Technology Officer as an Appointed Representative in light of Article 120(3) of the Licensing Directive.

58. 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.

59. 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 security 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 securities;
 - 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 security.
- 6/ The Custodian shall ensure that the custody arrangements for the assets of the Scheme are monitored on an ongoing basis.

60. 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 security holders; and
 - c) the Custodian is carrying out the lawful instructions of the Operator.

61. Custodian's Roles and Responsibilities in Real Estate

- 1/ Without prejudice to this Chapter 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/ Ownership certificates and other documents proving title to the real estate shall be held by the Custodian of the Fund.

62. 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 Scheme 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.

63. Reporting Obligation of the Custodian

The Custodian shall immediately notify the Authority by telephone, email or any other expedient means, and shall submit a written notification within (24) twenty-four hours:

- 1/ 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; and/or
- 2/ of any action of the Operator that contravenes any provision of the Establishment Documents, this Directive, or any other applicable guidelines or laws.

64. Resignation and Replacement of the Custodian

- 1/ The resignation of a Custodian shall be in accordance with the procedure set out for an 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 security holders whether to dissolve the Scheme.
- 3/ Where security 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.

65. 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/ Where the removal of the Custodian is proposed by the Operator, the proposal shall be approved by the Board.

3/ 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 security holders of the Scheme.

4/ The removal of the Custodian shall not be valid without the prior approval of the Authority.

SECTION THREE

OTHER PROFESSIONAL PARTIES

66. 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 valuation service providers.
- 3/ The appointment of any other Professional Party by the Operator or the Scheme's Board 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.

67. 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.

68. Shariah Advisor

- 1/ An Operator proposing to undertake shariah compliant fund activities shall appoint a Shariah Advisor licensed by the Authority.
- 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.

69. 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 the 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.

70. 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 Fund, or a relationship which gives rise to an actual or potential conflict of interest in relation to such transaction.

71. 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; and
 - 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.

72. Removal or Resignation of Advisors

- 1/ An Advisor may resign by providing at least two months ' written notice to the Operator and to the Board, unless a longer notice period is specified in the relevant agreement;
- 2/ An Advisor may be removed if:
 - a) its license has been suspended or revoked by the Authority;
 - b) the circumstances for removal set out in the Agreement with the Operator are invoked; or
 - c) A resolution is passed by the Board to remove the advisor.

- 3/ The Authority shall be provided with details on the proposed removal of the Advisor.

SECTION FOUR

SCHEME RELATED FEES

73. 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 an agreement 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 SEVEN
OFFER AND REGISTRATION OF UNITS OR SHARES

SECTION ONE

GENERAL OBLIGATIONS

74. Prohibition

- 1/ Securities representing a Unit or Share 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 Scheme by the Authority.
- 2/ Unless the Offer of the Units or Shares is subject to a valid exemption from the obligation to issue a Prospectus in accordance with the Directives of the Authority, a Prospectus shall be required to register Units or Shares of Scheme.
- 3/ A Person shall not offer, sell, or solicit the sale of Units or Shares to the public without a Prospectus that has been approved by the Authority
- 4/ Where the Units or Shares in a Scheme are required to be registered:
 - 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 or Shares of the Scheme shall be issued in accordance with this Section of this Directive.
- 5/ No person may publish or distribute Advertisements, regarding the Offer of Securities representing a Unit or Share 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 or Shares 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.

75. Information Required in all Offer Documents

1/ Every Offer Document 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 fund's securities;
- 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;
- f) A clear statement of the persons responsible for the Offer Documents, which in the case of a Scheme established as a Limited Partnership, shall include a responsibility statement from the Scheme's General Partner(s); and
- g) Any other information the Authority may require.

2/ The information in the Subscription Agreement shall contain at least the following:

- a) information about the scheme 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.

3/ All eligible investors shall be provided with the same Offer Documents, including the information memorandum or Scheme Prospectus and Subscription Agreement as submitted to the Authority.

76. Offer Documents of Real Estate Investment Fund

1/ Without prejudice to the provisions on the Registration of scheme securities set out in this Chapter of this Directive, the Offer Documents of a REIF 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.

77. Offer Documents of an AIF investing in Property Investment

In addition to the disclosure requirements set out in this Directive, the Offer Documents for an AIS investing in Property Investments shall provide the disclosures on real estate as set out in Article 76 of this Directive and shall include prominent disclosure stating:

- 1/ whether, with the exception of Listing, it adheres to the requirements of a REIF as provided in this Directive; and
- 2/ If not, how it differs from a REIF including:
 - a) the nature and composition of the Property Investments in the Scheme Portfolio;
 - b) the risks related to the Scheme's investment proposition; and
 - c) any other material distinction.

78. Offer Documents of a Special Designation Fund

In addition to the disclosure requirements set out in this Directive, the Offer Documents pertaining to a Special Designation Fund shall disclose:

- 1/ the background and context for this designation highlighting the relevant differences from other Scheme types; and
- 2/ any risks specific to the Scheme.

79. Registration Statement for Units or Shares

- 1/ The Prospectus submitted to the Authority, together with the information in the Application Form and the documents accompanying the application shall constitute the Registration Statement for purposes of registration of the Units or Shares.

2/ The requirements set out in the Public Offering and Trading Directive regarding the Registration Statement, the Prospectus and the Offer process shall apply subject to the modifications and additional requirements set out in this directive or other directives issued by the Authority.

80. 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 or Shares to which the Prospectus relates;
- b) the 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 Director or as having agreed to become a Director 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 or Shares, 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 Directors 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.

SECTION TWO

CONTENTS OF PROSPECTUS

81. General Requirements

- 1/ The Prospectus of a Scheme shall be prepared by the Transaction Advisor in accordance with the Public Offering and Trading of Securities Directive.
- 2/ Notwithstanding Sub-Article (1) of this Article, the Operator may serve as a Transaction Advisor for the Scheme, subject to the prior approval of the Authority and compliance with additional human capital and financial capacity requirements determined by the Authority for Transaction Advisors.
- 3/ The Prospectus of a Scheme shall provide sufficient, clear, accurate, and complete information that is not misleading, to enable investors to make informed decisions.
- 4/ The form and content of the Prospectus of a Scheme shall comply with Articles 36 and 37, and Chapter Four, Part One of the Public Offering and Trading of Securities Directive.

82. The Prospectus of a Scheme

- 1/ The Prospectus of a Scheme 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 required information 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 or Shares as set out in Article 125 of the Public Offering and Trading Directive; and

d) Include a statement indicating where documents and information provided as part of the Registration Statement of the Units or Shares can be found.

2/ The information on the Offer of the Units or Shares 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 or Shares 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 this Directive, the Scheme Prospectus shall specifically indicate the percentage of total capital to be deployed at within Six (6) months, Twelve (12) Months and Eighteen (18) months after Registration of Units or Shares.

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 or Shares 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.

83. 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; and
- e) details on the targeted capital amount of the Scheme including the Minimum Subscription Amount.
- f) any other information as may be required by the Authority.

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.

84. Information on the Investment Policy

1/ An Investment Policy which complies with the requirements of Article 8 of this Directive shall be set out fully 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 changes to the Investment Policy shall require the approval of Unit holders or Shareholders representing two-thirds (2/3) of the capital of the Scheme.

85. Information on the Units or Shares

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 amount 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 unit or share if applicable; and
 - (v) a reconciliation of the number of securities outstanding at the beginning and end of the year.

2/ The Prospectus shall include the following information on the Units or Shares of the Scheme:

- a) a description of the rights, preferences, and any restrictions attached to the Units or Shares; 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.

86. Dividend or distribution policy

The Scheme Prospectus shall include:

- 1/ A description of the dividend or distribution policy and any restrictions thereon;
- 2/ An explanation of how Distributable Profit is determined;

- 3/ The proposed date or dates in each year on which dividend or distribution is to be made or takes place; and
- 4/ A statement on the tax implications of the distribution amount in relation to applicable tax laws.

87. 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 of the Operator; 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 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.

88. 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:
 - 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, 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.

89. 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 amount and manner of calculation of the remuneration for 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.

90. Payments out of the Scheme Portfolio

1/ The Prospectus shall provide clear and prominent disclosure of any payments that may be made to the Operator from the Scheme, including the portfolio, as follows:

- a) Payment for services rendered and reimbursement of expenses incurred;
- b) The nature and type of payments, along with the corresponding amounts payable;

- c) The methodology used to calculate such payments, the timing of accrual, and the schedule for disbursement;
- d) The process for implementing changes to payments or reimbursements, including the manner in which notice will be provided to investors.

2/ The Prospectus shall include detailed information regarding all payments to be made from the Scheme, including:

- a) Payments to Professional Parties;
- b) Payments to members of Board of the Scheme;
- c) Any amounts payable by the Scheme to third parties;
- d) All types of charges and expenses that may be payable from the Scheme Portfolio.

91. 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.

92. Prospectus of an Exchange-Traded Fund

1/ Without prejudice to the requirements of this Chapter, the Prospectus of an Exchange-Traded Fund shall include the following information:

- a) The name of the ETF, its admission to trading on the Licensed Securities Exchange, and a clear indication that it is an Exchange-Traded Fund;
- b) The investment objective of the ETF and the index, benchmark, or basket of assets it seeks to track or replicate;
- c) The initial composition of the index or reference basket and the respective weightings of its constituent assets;
- d) The methodology used for the selection of assets comprising the index or basket, including the rationale for such methodology and details on identity and background of the Index Provider;
- e) The replication strategy adopted by the ETF, including whether physical replication, sampling, or synthetic techniques are employed;
- f) The number of Units constituting a Creation Unit;
- g) A description of the creation and redemption mechanism, including the role of Securities Market Makers and the procedures applicable thereto;
- h) The anticipated level of tracking error under normal market conditions and the principal factors that may affect the ETF's ability to track its benchmark;
- i) the applicable market conditions, thresholds, and procedures for direct redemption mechanisms; and
- j) Such other information required by the Authority.

2/ The Prospectus shall disclose the Total Expense Ratio (TER) and all fees and costs borne by investors.

3/ For the purpose of Sub Article (2) of this Article, Total Expense Ratio (TER) shall mean the total annual operating expenses of a collective investment scheme, expressed as a percentage of its average net asset value, excluding transaction costs, performance fees, and investor entry or exit charges.

SECTION THREE

KEY INVESTOR INFORMATION DOCUMENT

93. General Requirement

- 1/ Units or Shares 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 nontechnical 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.

94. Contents Of Key Investor Information Document

- 1/ 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, objectives and strategy and any changes thereto;
 - 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, costs and charges associated with the Scheme and any changes thereto; and
 - g) any other information considered essential by the Authority.
- 2/ The disclosure of the essential elements for purposes of Sub-article 1 of this Article, shall be comprehensible to the investor without any reference to other documents.
- 3/ 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 Prospectus.
- 4/ 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 report can be obtained.
- 5/ Key investor information Document, once approved by the Authority, shall be used without alterations or supplements, except for translation.

SECTION FOUR

SECURITIES EXEMPT FROM REGISTRATION

95. Securities Exempt from Registration

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

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

96. Investor Disclosures for Securities Exempt from Registration

1/ The Offer Documents relating to an offer exempt from registration shall comply with the provisions outlined in Section 2 of this Chapter of this Directive, to the extent that such provisions are 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 securities 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.

97. Content of the Subscription Agreement

The information in the Subscription Agreement shall contain at least the following:

- 1/ information about the fund and details on the subscription requirements;
- 2/ Information on timing and payment of subscribed commitment and the capital calls;
- 3/ Dividend distribution policy;
- 4/ Rights and obligations of the investor and Operator;
- 5/ Governing law; and
- 6/ Exit mechanism for the investor.

SECTION FIVE

ADVERTISEMENT, MARKETING AND DISTRIBUTION

98. Advertisements

- 1/ A Certificate of Scheme Registration shall be required prior to any Advertisement or Offer of the Units or Shares.
- 2/ All Advertisements shall clearly indicate:-
 - a) the name and type of the Scheme registered;
 - b) the date of the Scheme's registration; and
 - c) whether the Units or Shares in the Scheme are registered with the Authority or not.
- 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 or Shares; and
 - c) the price of the Units or Shares 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, and the Authority may require such amendments thereto as it may consider necessary.

99. The Operator's Responsibilities in Advertisements

- 1/ The Operator shall be responsible for all Advertisements pertaining to the Scheme.
- 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 EIGHT
ONGOING INFORMATION DISCLOSURE

SECTION ONE

GENERAL AND CURRENT DISCLOSURE OBLIGATIONS

100. 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/ Except for those specifically stated for Alternative Investment Funds, 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.

101. 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 consist of Current disclosures and Periodic disclosures as set out in this Directive.

102. Current Disclosures

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

- 1/ any material liability accruing to the Scheme, as and when it occurs;
- 2/ any material inquiries or legal actions by legal or regulatory bodies in Ethiopia or elsewhere;
- 3/ any legal or regulatory proceedings connected to the capital markets involving the Operator or Custodian or any of their Affiliates;
- 4/ material changes related to valuation, dealing and custody arrangements; and
- 5/ Any other information as the Authority may, from time to time, require from the Scheme, whether directly or by guidelines, circulars or notices.

SECTION TWO

PERIODIC DISCLOSURES

103. 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 or Shares are Listed.
- 3/ The Scheme shall prepare and provide to its Unit holders or Shareholders 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.

104. 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 administrative 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.

105. 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 security holders' approval was obtained for such transactions.

106. Semi-annual Report

1/ In addition to the Periodic Disclosures described in this Section, 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 and Trading of Securities Directive.

2/ Reports from other Professional Parties shall be included in the Semi-annual Report, where relevant.

107. Annual Report

1/ In addition to the information set out in Articles 104 and 105 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 and Trading of Securities Directive.

108. Ongoing Disclosure 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) Semi-annual Report as per Article 106 of this Directive within 45 calendar days after the end of the semi-annual period.
- b) Annual Report as per Article 107 of this Directive within 90 calendar days after the end of the financial year.

unless a more frequent disclosure requirement is specified in the Offer Documents or Subscription Agreement or the Authority requires more frequent reporting.

2/ The financial information included in the disclosures under Sub-Article 1 of this Article shall be prepared in accordance with the approved and applicable IFRS.

109. Current Disclosure by an AIF

An AIF shall immediately disclose to its investors and to the Authority, any material changes or events affecting the AIF, including but not limited to:

- 1/ The fee payable to the Operator and any fees charged to the fund or to any investee company;
- 2/ any material liability accruing to the Scheme as and when it occurs;
- 3/ any material inquiries or legal actions by legal or regulatory bodies in Ethiopia or elsewhere;
- 4/ any legal and regulatory proceedings connected to the capital markets involving the Operator or Custodian or any of their Affiliates;

- 5/ financial reports, valuations, borrowings: and
- 6/ Any other information the Authority may specify to the fund itself or through guidelines or notices it may publish from time to time.

SECTION THREE

REPORTS FROM PROFESSIONAL PARTIES

110. 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 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 or security holders' approval was obtained for such changes.

111. 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.

112. 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 FOUR

SCHEME PERFORMANCE REPORTING

113. 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 or Share basis stated in Birr.
- 5/ All information in the Performance Measurement Report shall be presented in the same currency.

114. 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.

115. 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 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; and
 - d) Administrative costs such as audit, legal, custodian, security holders' 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 FIVE

VALUATION OF THE SCHEME PORTFOLIO

116. Valuation Report

- 1/ A valuation report shall be prepared by a licensed Securities Appraisal Firm.
- 2/ Notwithstanding Sub-Article (1) of this Article, an Alternative Investment Fund may prepare valuation report internally by the Operator, provided that it

strictly adheres to the valuation principles, policies, and procedures set out in this section.

3/ A valuation report shall be included in the Annual Report, and it shall be:

- a) dated and signed by the person who prepared the valuation report;
- b) a comprehensive analysis of the Scheme Portfolio; and
- c) clearly state the value of each asset in the Scheme Portfolio including real estate, Securities, other Financial Instruments or cash.

4/ Where a Real Estate Valuation Report is required:

- a) the additional requirements set out under Article 118 of this Directive shall apply; and
- b) the Securities Appraisal Firm shall obtain the support of an appropriately licensed property valuer approved by the Authority.

5/ The Scheme's External Auditor shall review the Scheme's valuation process for the preparation of the annual report.

117. 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 applicable valuation standards 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 and submitted to the Authority.

5/ The assets of the scheme shall be consistently valued in accordance with the approved policies and procedures.

6/ A full record of the basis of the valuation shall be maintained in the books and records of the Scheme.

118. 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 this Section of this Directive 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 independent property valuer.

4/ The Real Estate Valuation Report shall:

- a) adhere to the valuation principles, policies and procedures prescribed in this Directive;
- b) state the 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.

CHAPTER NINE

SPECIAL PROVISIONS APPLICABLE TO UNIT INVESTMENT COMPANIES

SECTION ONE

GENERAL REQUIREMENTS

119. Application of General Requirements

Unless otherwise provided under this Chapter, all provisions of this Directive applicable to Public Schemes shall apply to Unit Investment Company.

120. Application of the Commercial Code

For matters not covered by this Directive, the Commercial Code shall apply *mutatis mutandis* to Unit Investments Company.

121. Establishment of the Scheme

- 1/ A Scheme established as a Unit Investment Company may be set up as a standalone Scheme that does not create or operate Sub-Schemes or an Umbrella Scheme.
- 2/ The number of Unitholders of a Unit Investment Company may not be less than five.
- 3/ The name of a scheme formed as Unit Investment Company shall be followed by the words "Unit Investment Company".
- 4/ The capital of a Unit Investment Company shall be variable and correspond to the Net Asset Value of the scheme as determined at each Valuation Point.
- 5/ Except for Exchange Traded Funds, a Unit Investment Company shall not be required to list its units on a Securities Exchange but shall be required to

ensure investors have sufficient and appropriate mechanisms and arrangements for liquidity and redeemability.

6/ In addition to the specific contents stated in preceding provisions of this Directive, the Investment Policy, Offer Document, Key Investor Information Document and Memorandum of Association of a Unit Investment Company shall:

- a) clearly indicate the "Variable" nature of the capital of the scheme;
- b) include clear provisions governing the creation, issuance, redemption, and cancellation of units;
- c) specify cut-off period which provides the latest time on a dealing day by which issuance or redemption requests must be received by the Operator in order to be processed at the NAV of that day.
- d) specify all charges, fees, levies, valuation methodologies and dealing arrangements;
- e) specify the Scheme is authorized to issue and redeem shares in accordance with this Directive and its Establishment Documents; and
- f) any other information required to be disclosed by the Authority;

122. Requirement of a Rulebook

- 1/ Every Unit Investment Company shall have a comprehensive Rulebook approved by the Authority that governs the constitution, management, and operation of the Scheme.
- 2/ The Rulebook shall be binding upon the Scheme, Operator, Custodian and every Unitholder as a tripartite contract.
- 3/ Upon approval of the Rulebook by the Authority, the Operator and Custodian shall each sign a written undertaking confirming that they have read,

understood, and agree to abide by all provisions of this Rulebook, including their fiduciary duties as trustees to Unitholders.

4/ The Rulebook shall contain, at a minimum, provisions addressing:

- a) the name of the Scheme, the identities of the Operator and Custodian, and the duration of the Scheme;
- b) the investment objectives, policies, and restrictions of the Scheme;
- c) the rights attaching to Units and the procedures for their issue and redemption;
- d) the powers and duties of the Operator including a provision that states that the Operator, by virtue of its management and control over Scheme assets, owes fiduciary duties as a trustee to the Unitholders, including the duty to act in their best interests, to avoid conflicts of interest, and not to profit from the Scheme assets except as expressly permitted by law or the Establishment Documents;
- e) the powers and duties of the Custodian including a provision that states that the Custodian each owe fiduciary duties as trustees to the Unitholders, including the duty to act in their best interests, avoid conflicts of interest, segregate Scheme assets from their own, and exercise reasonable care, diligence, and skill in managing and safeguarding those assets;
- f) all fees, charges, and expenses that may be deducted from Scheme assets;
- g) the basis and frequency of valuation of Scheme assets and the method of determining Unit prices;
- h) the policy for calculation and distribution of profit to Unitholders;
- i) the procedure for convening Unitholder meetings and passing resolutions;

- j) the requirements for preparation, audit, and publication of reports and accounts;
- k) the procedure for amending the Rulebook, including any requirement for regulatory or Unitholder approval;
- l) the events triggering termination of the Scheme and the procedure for winding up; and
- m) the governing law and mechanism for dispute resolution.

5/ No Rulebook or amendment thereto shall take effect without the prior written approval of the Authority, which may require modifications to ensure compliance with law and the protection of investors.

6/ The Operator shall make the Rulebook available to all prospective and existing Unitholders free of charge upon request and through the Scheme's website.

SECTION TWO

VALUATION AND DEALING IN UNITS

123. Valuation Points

- 1/ The Operator shall determine the price of units of the Scheme by calculating the Net Asset Value (NAV) per unit at each valuation point.
- 2/ To determine the Scheme's NAV per unit, a fair and accurate valuation of all assets and liabilities of the Scheme shall be conducted.
- 3/ Upon completion of a valuation, the Custodian shall be immediately notified of the NAV per unit of the Scheme.
- 4/ For valuation at the end of an accounting period, the CIS Operator;

- a) May carry out a valuation of the Scheme Portfolio on the day on which the accounting period ends; and
- b) where that day is not a dealing day or where the accounting period ends on a day before or after the period of that day, which is the dealing day, that valuation does not create a Valuation Point for the purposes of dealings.

124. Operators' Additional Capacity Requirements

- 1/ The Operator of a Scheme formed as a Unit Investment Company shall have sufficient operational, technological, and human capacity to perform continuous issuance, redemption, transfer of units and settlement.
- 2/ For the purposes of Sub-article (1) of this article, the Operator shall ensure that its technological capacity:
 - a) enables the Operator to honour issuance, redemption, transfer of units and settlement requests without errors or delays;
 - b) maintains robust recordkeeping and reconciliation systems for unit ownership, transaction history, and investor accounts;
 - c) incorporates business continuity and disaster recovery systems;
 - d) implements cybersecurity measures to protect investor data, ensure transaction integrity, and prevent unauthorized access;
 - e) meets all requirements established by relevant government agencies; and
 - f) includes any other features as may be required by the Authority.
- 3/ The Operator shall have an adequate number of staff with the necessary skills and sufficient knowledge to manage its operations.

125. Issuance and Redemption of Units

All units issued or redeemed in accordance with the scheme's approved Establishment Documents shall be deemed lawfully issued, and request for issuance and redemption may be accepted on a continuous basis without limitation on number, except where the scheme reaches any disclosed limit or where regulatory intervention is warranted for investor protection or compliance purposes.

126. Creation of Units

- 1/ The Custodian shall create units upon receipt of and in accordance with instructions from the Operator.
- 2/ Any instruction given by the Operator shall specify the number of units to be created, expressed as a number of units or as an amount in value or both.
- 3/ Where a request for units is received from investors, the Operator shall instruct the Custodian to create new units at or before the next valuation point if the Operator has insufficient units to meet the request.
- 4/ The Operator shall not, when giving instructions to the Custodian for the creation or cancellation of units, do or omit to do, anything which would confer on itself or a delegate a benefit at the expense of a unit holder or a potential unit holder.

127. Issue of Units

- 1/ The Operator shall, throughout the dealing day, at the price based on the next NAV calculation, issue Units at a price determined in accordance with this Directive and Establishment Documents.
- 2/ Any person may submit a request to purchase units, and the operator shall issue the Units upon verifying the receipt of payment and compliance with any legal requirements.

3/ The price for issuing units shall be based on the next NAV and shall not exceed the notified issue price at that Valuation Point.

128. Redemption of Units

1/ Subject to the suspension of redemption of units provisions set out in this Directive, upon written request by any unitholder, the operator shall at all times during a dealing day redeem units of the scheme at a price determined in accordance with Establishment Documents.

2/ The Operator shall prepare a Redemption Request Form for use by unitholders opting to redeem their units which shall be approved by the Authority during the registration of the Scheme.

3/ The Redemption Request Form shall include, but not limited to the following:

- a) Unitholders' details;
- b) Redemption instructions;
- c) Information required for payment disbursement;
- d) Declaration and authorization;
- e) Other information deemed necessary by the Operator to conduct additional verification or customer due diligence; and
- f) Such other information as may be required by law or the Authority to be included.

4/ Upon receiving a redemption instruction from the Operator, the Custodian shall, within Five (5) business days, pay to the unitholder the redemption price less:

- a) any applicable charges specified in the prospectus; and
- b) any applicable levy or tax imposed by law.

129. Cancellation of units

- 1/ The custodian shall cancel units upon receipt of and in accordance with instructions from the Operator.
- 2/ Any such instruction under Sub-article 1 of this article shall specify, for each class of unit to be cancelled, the number of units to be cancelled, expressed as a number of units or as an amount in value or both.

130. Refusal to Create or Cancel Units

- 1/ Where, on receipt of instructions to create or cancel units, the Custodian is of the opinion that it would result in breach of Establishment documents or this Directive that:
 - a) units should be created; or
 - b) units should be cancelled; or
 - c) units should be created or cancelled in the number requested by the Operator;

The Custodian shall notify the Operator and the Authority immediately and within 24 hours in writing from receipt of creation or cancellation order from the CIS Operator stating that it refuses to create or cancel all or a specified number of the Units so requested along with the justification for the refusal.

- 2/ Upon giving of notice under Sub-article (1) of this Article, unless otherwise instructed by the Authority, the Custodian shall be relieved of the obligation to create or cancel the number of units to which the notice relates.
- 3/ Notwithstanding Sub-articles 1 and 2 of this Article, the Operator may appeal in writing to the Authority within Five (5) Days from receipt of the refusal notice if it believes that the instruction to create or cancel units does not constitute a breach of this Directive or the Establishment Documents.

4/ Upon receipt of appeal under Sub-article 3 of this article, the Authority shall review the matter and issue a written decision within a reasonable period directing the Custodian whether or not to execute the creation or cancellation of units.

5/ The operator may refuse to issue units;

a) If the investor has not provided required identification or documents;
or

b) for any exceptional cases and with justifications upon the approval of the Authority.

131. Modification to Units Issued or Cancelled

1/ The CIS Operator may correct the number of units issued or cancelled by recording a modification in the Scheme's records, provided that the custodian agreed to make modifications.

2/ The Custodian shall not agree for modifications under Sub-article (1) of this Article unless it is reasonably satisfied that the error was an isolated one and given the quality of the Operator's control systems that is unlikely to recur.

3/ Any modification under Sub-article (1) of this Article shall have no effect unless the corrected number of units is calculated by the end of the business day following the next relevant Valuation Point, or if the custodian agrees, within the payment period applicable to the original issue or cancellation.

132. Suspension of Issue and Redemption of Units

1/ The Operator may suspend the issue or redemption of units where;

a) Redemption request have been made and Operator considers that it is not in the best interests of unit holders to permit the Scheme's property to be sold or that the Scheme's property cannot be liquidated at an appropriate price or on adequate terms;

- b) It determines that there is the collective interest of unit holders to do so in the interests of unitholders or potential investors; or
- c) there is any other exceptional cases and with valid justification acceptable to the Authority.

2/ Upon instituting a suspension, the Operator shall:

- a) obtain the prior approval of the Board of the Scheme and the Authority for the suspension, stating the reasons for the suspension; and
- b) Upon obtaining approval from the Authority, publish notice of the suspension in English and Amharic language within 24 hours on its website and immediately on newspaper of wide circulation, and by any other means as required by the Authority.

3/ In situations where immediate suspension is necessary, the Operator may suspend issuance or redemption temporarily and shall submit notice of suspension to the Authority and the Board immediately and in writing within 24 Hours.

4/ Where issue and redemption are suspended, the Operator shall keep the Authority and the Scheme's unitholders informed about the status of the suspension and any relevant developments as per the instructions of the Authority during the approval of the suspension.

5/ A suspension shall not exceed 28 business days, unless re-authorized by the Authority or a court order provides for a different suspension period.

6/ Nothing in this Directive prevents the Operator from receiving issuance requests during a period of suspension.

7/ The Authority may approve other methods as an alternative to suspension, such as partial restriction to an investor's ability to redeem units, proposed by

the Operator and as approved by the Board for dealing with exceptional circumstances.

133. Resumption of issue and redemption of Units

- 1/ Prior to resuming issue and redemption of Units, the Operator shall:
 - a) obtain the prior approval of the Board and Authority for the resumption; and
 - b) Upon obtaining approval from the Authority, publish notice of the resumption in English and Amharic language within 24 hours on its website and immediately on newspaper of wide circulation, and by any other means as required by the Authority.
- 2/ Upon receiving resumption request, the Authority shall communicate its decision within five (5) Business days from receiving resumption notice.

SECTION THREE

FEES AND CHARGES

134. Charges related to Issuance

Charges related to issuance of units, if any, shall be disclosed in the Prospectus and added to issue price.

135. Charges related to Redemption

- 1/ Any charge imposed on the redemption of units shall be expressly disclosed in the Prospectus and Investment Policy.
- 2/ If the Establishment Documents are amended to include a redemption charge, the amendment shall apply only to units issued after the effective date of the amendment.
- 3/ No combination of charges shall exceed the maximum charge percentage or amount stated in the Establishment Documents.

4/ The Operator may not enforce any increase in the rate or method of redemption charge unless:

- a) Prior written notice of the increase and its effective date has been given to the Custodian and to all persons known to have standing instructions to purchase units;
- b) The increase has been approved by the Board of Scheme; and
- c) The prospectus has been amended to reflect the new rate or method and its commencement date and such amendment has been approved by the Authority.

5/ For the purpose of applying a redemption or exit charge, redemption request shall be processed in the order and conditions specified under the Establishment Document of the Scheme.

6/ Nothing in this Directive enables the Operator to reduce the redemption proceeds payable to a unitholder in a way that could reasonably be regarded as restricting the unitholder's right to redeem.

136. Dilution Levy

1/ Where transactions of a scheme give rise to transaction costs, the Operator may impose a dilution levy or apply a dilution adjustment to the Net Asset Value, provided it is permitted by the Establishment Documents, disclosed in the prospectus, and applied solely to reduce dilution and recover transaction costs incurred or reasonably expected to be incurred by the scheme.

2/ Any dilution levy shall be payable at the time of the relevant issue or redemption of units, paid to the custodian for the account of the scheme, and shall not be imposed or applied for the purpose of generating profit for

the Operator or avoiding a loss at the expense of any unitholder or potential unitholder.

SECTION FOUR

GOVERNANCE AND ROLE OF PROFESSIONAL PARTIES

137. The role of Board of Directors

In addition to the general duties and responsibilities of the Board under this directive, the Board of a Scheme formed as a Unit Investment Company Shall:

- 1/ approve and periodically review the valuation policies and methodologies applied by the Operator;
- 2/ approve and periodically review the dealing arrangements for the issue and redemption of units, including any use of historic pricing, dilution adjustments, or exceptional measures;
- 3/ approve and periodically review the risk management, liquidity management, and internal control frameworks applicable to the scheme;
- 4/ ensure that the Operator maintains systems and controls sufficient to ensure accurate valuation, pricing, and the proper processing of subscriptions and redemptions;
- 5/ approve the suspension of the issue or redemption of units; and
- 6/ ensure that accurate, timely, and adequate information is provided to unitholders and to the Authority, including information relating to material breaches, valuation errors, suspensions, and any event that may materially affect the rights or interests of unitholders.

138. Role and Duties of the CIS Operator

In addition to its general obligations, the Operator of a Unit Investment Company shall:

- 1/ prepare and submit to the Authority a report specifying the number of units issued, redeemed, and outstanding requests, together with any material changes affecting issuance or redemptions on monthly basis.
- 2/ ensure units of the scheme are issued and redeemed on each dealing day at prices determined in accordance with this Directive and the Establishment Documents;
- 3/ ensure requests for issuance and redemption are processed promptly, accurately, and on a non-discriminatory basis; and
- 4/ ensure the scheme maintains sufficient liquidity to meet redemption obligations under normal market conditions.
- 5/ establish, maintain, and apply valuation policies and procedures to ensure that the Scheme Portfolio is valued fairly, consistently, and independently, and that the Net Asset Value per unit is calculated at each required Valuation Point;
- 6/ instruct the Custodian to create or cancel units as necessary to meet issuance and redemption requests;
- 7/ ensure that no instruction is given, or omitted, in a manner that confers an undue benefit on the Operator or any delegate at the expense of unitholders or potential investors;
- 8/ ensure that all payments due in connection with the creation, issue, redemption, or cancellation of units, including the value of units created and any applicable dilution levy or transaction cost, are made to the Custodian within the time limits specified in this Directive;

- 9/ disclose clearly and accurately in the Establishment Documents all charges, fees, levies, valuation methodologies, dealing arrangements, and any information required to be disclosed by the authority, and ensure that such disclosures are kept up to date;
- 10/ implement and maintain adequate liquidity management tools to ensure that the Scheme can meet redemption requests in a timely manner without adversely affecting the interests of investors; and
- 11/ Report immediately and in writing within 24 hours to the Authority of any material breach, major operational error, or event that may materially affect the rights or interests of unitholders.

139. Role and Duties of the Custodian

In addition to its general obligations, the Custodian of a Unit Investment Company shall:

- 1/ create and cancel units only upon receipt of valid instructions from the Operator and ensure that any such creation or cancellation is carried out strictly in accordance with this Directive, the Establishment Documents, and other applicable laws;
- 2/ ensure that:
 - a) units are issued and redeemed at prices calculated in accordance with this Directive and Establishment Documents;
 - b) payments for the creation, issue, redemption, or cancellation of units are made within the prescribed time limits; and
 - c) any applicable charges, levies, or adjustments are applied in a manner that is fair and not prejudicial to unitholders.
- 3/ cooperate with the Operator in circumstances involving the suspension or resumption of the issue or redemption of units and ensure that any

- such suspension or resumption is implemented strictly in accordance with this Directive and Establishment Documents; and
- 4/ Report immediately and in writing within 24 hours to the Authority of any material breach, irregularity, or failure by the Operator in relation to the operation of the Scheme.

SECTION FIVE

SPECIFIC AND ADDITIONAL REQUIREMENTS APPLICABLE TO EXCHANGE TRADED

FUNDS

140. Authorized Participant Requirements

- 1/ An Exchange Traded Fund may appoint one or more Authorized Participants responsible for the creation and redemption of units, provided that at least one Authorized Participant shall act as a Securities Market Maker.
- 2/ The appointment of an Authorized Participant as a Securities Market Maker shall be subject to the prior approval of the Authority and the implementation of appropriate conflict-of-interest controls.
- 3/ A Securities Market Maker shall:
 - a) be a trading member of the licensed Securities Exchange;
 - b) maintain adequate operational systems, risk management controls and conflict of interest management arrangements;
 - c) provide continuous two-way quotations of buy and sell prices during trading hours;
 - d) facilitate arbitrage transactions designed to minimize deviation between market price and Net Asset Value; and
 - e) perform any other relevant activities prescribed by the Authority.
- 4/ For the purposes of Sub Article 3(d) of this Article, Arbitrage shall mean, the practice by an Authorized Participant of creating ETF Units to sell in the

secondary market or purchasing ETF Units from the secondary market for redemption, in order to profit from differences between the ETF's net asset value per share and its market price.

5/ A Securities Market Maker shall meet minimum capital, liquidity, and operational capability requirements as may be prescribed by the Authority or the Securities Exchange.

6/ A Securities Market Maker may act for more than one ETF provided that any potential conflicts of interest are identified and managed in accordance with a policy approved by the Authority, which shall determine whether the conflict management arrangements are adequate before the market maker is permitted to act for multiple ETF's.

141. Creation and Redemption of Units

1/ ETF Units shall be issued and redeemed only in Creation Units.

2/ Issuance and redemption of Units shall be effected in-kind through delivery of the basket underlying the index.

3/ Creation of Units shall occur where an Authorized Participant delivers to the Custodian the prescribed creation basket or permitted cash equivalent.

4/ Redemption of Units shall occur where an Authorized Participant surrenders Creation Units to the Custodian for cancellation in exchange for the designated redemption basket or, where permitted under its Establishment documents and this Directive, a cash amount equivalent to the net asset value attributable to the Creation Units being redeemed.

5/ An ETF may, in exceptional cases and subject to approval by the Authority, allow the issuance of ETF Units in exchange for cash, provided that:

- a) the arrangement is clearly disclosed in the prospectus;
- b) it does not prejudice the interests of existing unitholders;

- c) any costs arising from such issuance are borne by the person causing the issuance; and
- d) the Authority does not determine such arrangement to be prejudicial to investor protection or market integrity objectives.

6/ The ETF may suspend the creation or redemption of Units in exceptional circumstances, including market disruption, failure of price discovery, or systemic risk events, subject to notification to and prior approval by the Authority.

7/ Detailed procedures governing issuance and redemption shall be set out in written agreements between the ETF and an Authorized Participant which will be filed with and approved by the Authority at the time of establishment of the ETF.

8/ The ETF shall publish on its website, prior to each trading day, the composition of the creation and redemption basket.

142. Secondary Market Trading

1/ An ETF shall be listed on a Licensed Securities Exchange and shall comply with the applicable listing and delisting requirements of the Exchange on which it is listed.

2/ Investors shall transact ETF Units through licensed securities exchange and shall not redeem Units directly with the ETF, except in exceptional circumstances disclosed in the Scheme's prospectus and approved by the Authority.

SECTION SIX

UMBRELLA STRUCTURE AND SUB-SCHEMES

143. Establishment of Sub-Schemes

- 1/ An Umbrella Scheme may create one or more Sub-Scheme in accordance with this Directive and its Establishment Documents.
- 2/ An Umbrella Scheme shall file an application for the approval of its Sub-Schemes no later than three months from its registration as a Scheme by the Authority.
- 3/ Notwithstanding sub-article (2) of this Article, the Authority may, on reasonable grounds, extend the three-month period for an additional three months.
- 4/ The Sub-Schemes in an Umbrella Scheme may have different investment objectives, strategies and investors.
- 5/ Each of the different Sub-Schemes shall:
 - a) have redeemable units;
 - b) have its own Investment Policy approved by the Authority; and
 - c) invest in financial instruments or securities subject to the investment composition and investment limits set out in this Directive with respect to each type of Scheme.

144. Application for the Creation of Sub-Schemes

- 1/ No Sub-Scheme shall be created without the prior approval of the Authority.
- 2/ An application for the creation of a Sub-Scheme shall be:
 - a) made in such form and manner as the Authority may specify; and

b) accompanied by evidence of payment of prescribed fee indicated in the Fee Directive of the Authority.

3/ Where the Authority approves an application for the creation of Sub-Schemes, it shall issue a Certificate of Approval to the Sub-Scheme.

4/ A Sub-Scheme established in accordance with this Directive shall not be a subsidiary of its Umbrella Scheme.

5/ A Sub-Scheme established as per this Directive shall have the same registered legal office as its Umbrella Scheme.

145. Governance and Management

Unless otherwise provided by its Establishment Documents, the Board of the Umbrella Scheme shall be the Board of each of its Sub-Schemes.

146. Segregation of Assets and Liabilities

1/ The assets of a Sub-Schemes of an Umbrella Scheme shall not be used to discharge any liability of the Umbrella Scheme or any other Sub-Scheme of the Umbrella Scheme during establishment, administration or the winding up of the Umbrella Scheme or other Sub-Schemes.

2/ The rights of unitholders and of creditors concerning a Sub-Scheme or which have arisen in connection with the creation, operation or liquidation of a Sub-Scheme are limited to the assets of that Sub-Scheme.

3/ Any provision of an agreement or the Establishment Documents of an Umbrella Scheme that is inconsistent with sub-articles 1 and 2 of this Article shall be void.

4/ All agreements, contracts and establishment documents shall include clauses that:

a) Acknowledge the Scheme operates as an Umbrella Scheme;

- b) Confirm the segregated nature of each Sub-Scheme's assets and liabilities as provided in Articles 1 and 2;
- c) Specify that rights and obligations relate only to the identified Sub-Scheme.

5/ All transactions, documents, records, and communications relating to a Sub-Scheme shall clearly identify the specific Sub-Scheme, including but not limited to:

- a) Invoices, billing statements, and payment requests;
- b) Payment instructions, bank transfers, and checks;
- c) Accounting entries, ledgers, and financial statements;
- d) Custody reports, brokerage statements, and safekeeping records;
- e) Trade confirmations, settlement instructions, and corporate action notices;
- f) Regulatory filings, reports, and disclosures.

6/ For each Sub-Scheme, an umbrella scheme shall maintain:

- a) Separate bank accounts or clearly designated sub-accounts;
- b) Distinct custody and safekeeping arrangements; and
- c) Individual accounting records and general ledgers.

7/ The Umbrella Scheme shall ensure third parties dealing with a Sub-Scheme are aware of the segregated structure and limited recourse provisions.

8/ An Umbrella Scheme may allocate any asset or liability that is not attributable to any Sub-Scheme, between its sub-Schemes in a manner that is not prejudicial to unitholders in the sub-Schemes.

9/ Where an Umbrella Scheme is initiating, or is subject to, any legal proceeding in respect of a Sub-Scheme, any order or judgment shall be restricted to that Sub-Scheme.

147. Professional Parties Appointment

- 1/ The Authority may require the Operator to have an Investment Manager or such other professionals for each of the Sub-Schemes created considering the nature of the Sub-Schemes.
- 2/ The Investment Manager or other professionals appointed in accordance with Sub-article (1) of this article shall meet the competency and fit and proper criteria specified under the Licensing Directive.

148. Record-Keeping

- 1/ An Umbrella Scheme shall keep separate records for the Scheme and each of its Sub-Schemes that: -
 - a) sufficiently explain the transactions and financial position of the Umbrella Scheme and its sub-Schemes; and
 - b) would be necessary for the preparation of true and fair financial statements.
- 2/ An Umbrella Scheme shall establish and maintain adequate internal accounting controls to ensure that: -
 - a) the assets of the Umbrella Scheme and each of its Sub-Schemes are safeguarded against loss from unauthorized use or disposition; and
 - b) the transactions of the Umbrella Scheme and each of its Sub-Schemes are properly authorized and recorded in such manner as to permit the preparation of true and fair financial statements and maintain accountability of assets.

149. Cross-Investment Between Sub-Schemes

- 1/ A Sub-Scheme may invest its assets into another Sub-Scheme of the same Umbrella Scheme, provided that:

- a) The Operator shall not impose redemption fees or charges at both the investing Sub-Scheme level and Sub-Scheme on which an investment is to be made;
- b) A Sub-Scheme may not invest more than 20% of its NAV in a single Sub-Scheme;
- c) The aggregate amount a Sub-Scheme can invest across different Sub-Schemes in the same Umbrella Scheme shall not exceed 40% of its NAV;
- d) The Operator shall have a conflict-of-interest management policy governing how cross-investment would be conducted in the best interest of unitholders;
- e) The intention to cross-investment and any limits thereof is expressly disclosed under the Establishment Documents; and
- f) Any other restrictions or limitations specified by the Authority to ensure investor protection, governance integrity and control the fiduciary duty of the Operator.

2/ Notwithstanding Sub-Article (1) of this Article, a Sub-Scheme shall not invest in another sub-Scheme that has already invested in it.

3/ During the calculation of the NAV of the Umbrella Scheme, the Operator shall ensure that assets are not double-counted as a result of any cross-investments.

150. Disclosure

1/ An Umbrella Scheme that has multiple Sub-Schemes shall disclose in its offer documents, key investor information document, Memorandum of Association and subscription agreements that assets and liabilities of sub-Schemes are segregated.

2/ The Operator shall disclose the following in every agreement, contract, publication, document or transaction that refers to any of its sub-Schemes:

- a) the name of the sub-Scheme.
- b) the certificate of approval of the Sub-Scheme provided by the Authority;
- c) the fact that the Umbrella Scheme is acting for the purpose of the concerned Sub-Scheme; and
- d) the fact that the assets and liabilities of the sub-Scheme are segregated in accordance with this Directive.

151. Dissolution of Sub-Schemes

1/ A Sub-Scheme may voluntarily wind up in accordance with a plan approved by the Authority.

2/ A resolution of the board of the Umbrella Scheme regarding the decision to dissolve the sub-Scheme and an approval of Unitholders representing 3/4th of capital for dissolution shall be submitted to the Authority accompanying the dissolution plan.

3/ A sub-Scheme shall be dissolved in one of the following grounds:

- a) When a court judgment or ruling requires the dissolution of the Sub-Scheme;
- b) When the Sub-Scheme is declared bankrupt;
- c) If the Sub-Scheme no longer meets the conditions under which it was approved;
- d) If the Establishment Documents specify a fixed period that a sub-Scheme will exist and such period is reached; or

- e) When the Authority decides for the dissolution of the sub-Scheme for any other grounds.
- 4/ A notice of mandatory winding-up of the Sub-Scheme shall be published in English and Amharic language within 24 hours on its website and immediately on newspaper of wide circulation, and by any other means as required by the Authority.
- 5/ Notwithstanding that a Sub-Scheme does not have separate legal personality, it shall be dissolved as if it has a legal personality following the general rules of dissolution under this Directive.
- 6/ Each Sub-Scheme shall be separately liquidated without affecting the other.

CHAPTER TEN

MERGERS, ACQUISITION AND WINDING UP

152. Mergers, Acquisitions, and other Combinations

- 1/ Subject to relevant provisions 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 Security Holders of all the Schemes subject to the merger, acquisition or combination.

153. Dissolution and Winding-up of the Scheme

- 1/ Subject to relevant provisions 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 dissolution.
- 3/ The Operator shall use all reasonable efforts to ensure that all the liabilities of the Scheme are discharged before the completion of the dissolution.
- 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 dissolution; or
 - b) The Operator would have become aware before the completion of the dissolution had it used all reasonable efforts to ascertain the liabilities of the Scheme.
- 5/ Where the Operator has the reason to believe that the scheme will be unable to meet its liabilities, the Operator shall notify the Board and the Authority forthwith.
- 6/ The Board shall cooperate with the Operator to ensure the orderly dissolution of the Scheme.

154. Accounting and Reports

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

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

155. 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 ELEVEN

COMPLIANCE, ADMINISTRATIVE MEASURES AND ENFORCEMENT

SECTION ONE

GENERAL

156. 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 a compliance report at least semi-annually, and annually in conjunction with the Scheme's Annual Report to investors, or more frequently as may be required by the Authority.
- 3/ The compliance report referred to in Sub-Article 1 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 securities is currently ongoing or whether any sale of the securities 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, 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, as applicable, investor reimbursement or deployment of capital towards investments, is currently underway;
- e) the scheme's compliance with Know Your Customer' (KYC), anti-money laundering (AML) and Combating the Financing of Terrorism (CFT) requirements;
- f) in the case of REIF, the amount of rental income distributed to the Fund's Security Holders; and
- g) Any other additional information relevant to the regulated activities of a Scheme.

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

SECTION TWO

ADMINISTRATIVE MEASURES

157. Unauthorized Publication

- 1/ Any person who publishes or distributes a Prospectus, Investment Policy, Advertisement, or Key Investor Information Document relating to a Scheme, commences a roadshow, or distributes a preliminary Prospectus without the approval of the Authority commits a violation of this Article.
- 2/ Where an Operator commits the violation under Sub-Article (1), the Authority may impose an administrative fine of 10% to 25% of the total amount of money raised or to be raised through the unauthorized publication.
- 3/ Where a Promoter commits the violation under Sub-Article (1), the Authority may impose an administrative fine of 10% to 25% of the total amount of money raised or to be raised through unauthorized publication.
- 4/ Where a Scheme is the subject of the violation under Sub-Article (1), the Authority may impose an administrative fine of 0.1% to 1% of the total amount of money raised or to be raised through unauthorized publication.
- 5/ Where any person commits the violation under Sub-Article (1), the Authority may issue a public or private warning.
- 6/ Where any person commits the violation under Sub-Article (1), the Authority may order the person to issue a publication recalling or rescinding the unauthorized publication within the time and in the manner specified by the Authority.

- 7/ Where the same Operator, Custodian, Capital Market Service Provider, Board member, or Promoter commits the violation under Sub-Article (1) for a second time, the Authority may blacklist that person.
- 8/ Where an offer has been made on the basis of the violation under Sub-Article (1), the Authority may cancel the offer.

158. Unauthorized Activities

- 1/ Any person who violates the restrictions set out in Article 91(1) of the Proclamation, violates a provision of this Directive, acts contrary to the Investment Policy of a Scheme, acts in contravention of the Scheme's policies and procedures approved by the Authority, undertakes collective investment scheme activities without registering the Scheme or engages in a fraudulent collective investment arrangement, commits a violation of this Article.
- 2/ Where an Operator commits the violation under Sub-Article (1), the Authority may impose an administrative fine of 100,000 Birr to 2,000,000 Birr.
- 3/ Where a Custodian commits the violation under Sub-Article (1), the Authority may impose an administrative fine of 100,000 Birr to 2,000,000 Birr.
- 4/ Where a Scheme is the subject of the violation under Sub-Article (1), the Authority may impose an administrative fine of 100,000 Birr to 2,000,000 Birr.
- 5/ Where any person commits the violation under Sub-Article (1), the Authority may issue a public or private warning.
- 6/ Where the violation under Sub-Article (1) involves fraud or is committed for a second time, the Authority may suspend or revoke the licence of the Capital Market Service Provider concerned.

- 7/ Where a person whose license has been suspended under Sub-Article (6) of this Article commits the same violation, their license shall be revoked; provided, however, that such revocation shall not bar the person from applying for a new license after two (2) years.
- 8/ Where the violation under Sub-Article (1) involves fraud or is committed for a second time, the Authority may suspend or revoke the Certificate of Registration of the Scheme concerned.
- 9/ Where a member of the Scheme's Board commits, authorizes, or knowingly permits the violation under Sub-Article (1), the Authority may order the suspension or dismissal of that member.
- 10/ Where the same Operator, Custodian, Capital Market Service Provider, or Board member commits the violation under Sub-Article (1) for a second time, the Authority may blacklist that person.

159. Late Filing in Relation to a Public Offer of Units or Shares

- 1/ Where an Operator submits a supplementary prospectus, notification, or report, including an allotment report, required in relation to a Public Offer of Units or Shares after the timeline stipulated in the Public Offering and Trading Directive, the Authority may impose an administrative fine of 1,000,000 Birr to 3,000,000 Birr.
- 2/ Where an Operator commits the violation under Sub-Article (1), the Authority may issue a public or private warning.

160. Late Filing of Ongoing Information Disclosures

- 1/ Where any person submits a disclosure required under the Scheme's ongoing information disclosure requirements after the timeline stipulated in

this Directive, the Authority may impose an administrative fine of 10,000 Birr, together with an additional 1,000 Birr for each day of default.

- 2/ Where any person commits the violation under Sub-Article (1), the Authority may issue a public or private warning.

161. Failure to Discharge Operator Obligations

- 1/ Where an Operator fails to discharge a responsibility or obligation imposed under this Directive, the Authority may impose an administrative fine of 10,000 Birr to 100,000 Birr, together with an additional 1,000 Birr to 10,000 Birr for each day of default.
- 2/ Where an Operator commits the violation under Sub-Article (1) for a second time, the Authority may blacklist the Operator.
- 3/ Where an Operator commits the violation under Sub-Article (1), the Authority may issue a public or private warning.

162. Failure to Maintain Separate Accounting Records for Each Sub-Scheme

- 1/ Where any person fails to maintain separate accounting records for each Sub-Scheme as required under this Directive, the Authority may impose an administrative fine of 100,000 Birr to 300,000 Birr.
- 2/ Where any person commits the violation under Sub-Article (1), the Authority may order the person to submit corrected accounts within the period specified by the Authority.
- 3/ Where any person commits the violation under Sub-Article (1), the Authority may issue a public or private warning.

163. Failure to Segregate Assets, Liabilities, or Accounts of Sub-Schemes

- 1/ Where any person fails to properly segregate the assets, liabilities, or accounts of Sub-Schemes as required under this Directive, the Authority may impose an administrative fine of 1,000,000 Birr to 3,000,000 Birr.
- 2/ Where any person commits the violation under Sub-Article (1) for a second time, or where a Unitholder suffers loss as a result of the violation, the Authority may suspend or revoke the person's service license.
- 3/ Where a person who has been subjected to a suspension under Sub-Article (2) of this Article commits the same violation, their license shall be revoked; provided, however, that such revocation shall not bar the person from applying for a new license after two (2) years.
- 4/ Where any person commits the violation under Sub-Article (1), the Authority may issue a public or private warning.
- 5/ Where any person commits the violation under Sub-Article (1), the Authority may order any other measure that is reasonably necessary to protect the affected Unitholders.

164. Failure to Disclose Segregation of Assets and Liabilities of Sub-Schemes

- 1/ Where any person omits or inaccurately makes a disclosure required under this Directive relating to the segregation of assets and liabilities of Sub-Schemes, the Authority may impose an administrative fine of 100,000 Birr to 500,000 Birr.
- 2/ Where any person commits the violation under Sub-Article (1), the Authority may order the person to issue a corrective disclosure in the form and manner specified by the Authority.

- 3/ Where any person commits the violation under Sub-Article (1), the Authority may issue a public or private warning.

165. Issuance of Securities in Contravention of the Directive and Establishment

Documents

- 1/ Where any person issues securities otherwise than in accordance with this Directive or the Establishment Documents, the Authority may impose an administrative fine of 100,000 Birr to 2,000,000 Birr.
- 2/ Where any person commits the violation under Sub-Article (1), the Authority may order the person to reverse, correct, or nullify the issuance.
- 3/ Where any person commits the violation under Sub-Article (1), the Authority may issue a public or private warning.

166. Failure to Honor Redemption Requests

- 1/ Where any person operating a Scheme formed as a Unit Investment Company fails to honor a redemption request without a ground permitted under this Directive or the Establishment Documents, the Authority may impose an administrative fine of 100,000 Birr to 2,000,000 Birr.
- 2/ Where any person commits the violation under Sub-Article (1), the Authority may order the person to immediately pay the redemption proceeds.
- 3/ Where any person commits the violation under Sub-Article (1) for a second time, or where the violation constitutes a serious case, the Authority may suspend or revoke the person's service license.
- 4/ Where a person who has been subjected to a suspension under Sub-Article (3) of this Article commits the same violation, their license shall be revoked;

provided, however, that such revocation shall not bar the person from applying for a new license after two (2) years.

- 5/ Where any person commits the violation under Sub-Article (1), the Authority may issue a public or private warning.

167. Failure to Redeem Units Within the Prescribed Time Period

- 1/ Where any person fails to pay redemption proceeds within the time period prescribed under Article 128(4) of this Directive, the Authority may impose an administrative fine of 100,000 Birr to 1,000,000 Birr, together with an additional 10,000 Birr for each day of default.
- 2/ Where any person commits the violation under Sub-Article (1), the Authority may issue a public or private warning.

168. Unlawful Suspension of the Issue or Redemption of Units

- 1/ Where any person suspends the issue or redemption of Units in a Scheme formed as a Unit Investment Company otherwise than in accordance with this Directive, the Authority may impose an administrative fine of 300,000 Birr to 3,000,000 Birr.
- 2/ Where any person commits the violation under Sub-Article (1), the Authority may order the person to immediately lift the suspension.
- 3/ Where any person commits the violation under Sub-Article (1) for a second time, the Authority may suspend or revoke the person's service license.
- 4/ Where a person who has been subjected to a suspension under Sub-Article (3) of this Article commits the same violation, their license shall be revoked; provided that such revocation shall not bar the person from applying for a new license after two (2) years.

- 5/ Where any person commits the violation under Sub-Article (1), the Authority may issue a public or private warning.

169. Failure to Include Mandatory Segregation Clauses

1. Where any person omits a mandatory segregation clause from an agreement, contract, publication, or other document relating to an Umbrella Scheme, the Authority may impose an administrative fine of 100,000 Birr to 300,000 Birr.
2. Where any person commits the violation under Sub-Article (1), the Authority may order the person to amend or replace the document within the period specified by the Authority.
3. Where any person commits the violation under Sub-Article (1), the Authority may issue a public or private warning.

170. Other violations

Unless otherwise expressly provided under this Chapter, the Authority may impose a fine of fifty thousand (50,000) Birr to three hundred thousand (300,000) Birr for any breach of this Directive, taking into account the circumstances and gravity of the case and by whom the violation is committed.

171. Considerations in Imposing Administrative Penalties

When the Authority imposes penalties in accordance with this Chapter, it shall consider the nature, seriousness, and duration of the violation; the actual or potential harm caused to investors or the integrity of the capital market; whether the violation was committed intentionally, recklessly, or negligently; the responsibility and seniority of the person or entity involved; any prior record of violations; the remedial action taken; any benefit derived from the violation; and any other relevant aggravating or mitigating circumstances.

CHAPTER TWELVE

MISCELLANEOUS PROVISIONS

172. Responsibility of the Authority and duty to Cooperate

- 1/ The Authority shall have the responsibility to impose administrative measures and enforce compliance in accordance with this Directive.
- 2/ Any Scheme, Operator, Custodian, Investment Advisor, or any other person or service provider, as well as any director, manager, partner, secretary, officer, or employee thereof, shall be obliged to produce any necessary information, record, or document in their custody or control upon request by the Authority.
- 3/ The Authority may engage external auditors, law enforcement personnel, or other relevant authorities and specialists as deemed appropriate in the course of its inspections.

173. 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.

174. Exemption and Interim arrangements

- 1/ Notwithstanding the provisions of this Directive, the Authority may waive specific requirements contained herein or approve interim arrangements in lieu thereof upon written application demonstrating operational impossibility, disproportionate compliance burden, innovative functional equivalence, or other grounds acceptable to the Authority.
- 2/ Arrangements issued under Sub-Article (1) of this Article:

a) Shall be necessary for 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.

175. Inapplicable Laws

Any directive or customary practice inconsistent with this Directive shall not be applicable with respect to matters governed by this Directive.

176. 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, September, 2026

Hana Tehelku

Director General of the Ethiopian Capital Market Authority