FEDERAL DEMOCRATIC REPULIC OF ETHIOPIA

COUNCIL OF MINISTERS

REGULATION NO. ……./2026

FOREIGN POTFOLIO INVESTMENT REGULATION

Whereas, Ethiopia is committed to the development of a transparent, well-regulated, and dynamic capital market;

Whereas, the mobilization of foreign portfolio investment is critical to deepening financial markets, enhancing liquidity, bridging the domestic savings–investment gap, and integrating Ethiopia into the global capital market ecosystem.

Whereas, it is necessary to establish a coherent legal and regulatory framework for foreign portfolio investment that balances capital and investment mobility with financial stability, investor protection, and macroprudential oversight;

Now, therefore, as per Article 108 (1) of the Capital Market Proclamation No. 1248/2021, the Council of Ministers has issued this Regulation.

Public Consultation Draft

PART ONE
GENERAL

1. Short Title

This Regulation may be cited as the **Foreign Portfolio Investment Regulation No. …../2026**

2. Definitions

In this Regulation, unless the context requires otherwise:

1. **Authority** means the Ethiopian Capital Market Authority established under Article 3(1) of the Proclamation.
2. **Authorized Dealer** shall have the meaning given to it under Article 2(1) of National Bank of Ethiopia Proclamation 1359/2025.
3. **Beneficial Owner** means the ultimate owner of a Security entitled to all the rights, benefits, powers, and privileges and all liabilities, duties and obligations in respect of, or arising from the securities
4. **Custodial Agreement** means a written contract entered into between a Foreign Portfolio Investor and a Designated Custodian, or between a Global Custodian and a Designated Custodian, which governs the holding, safekeeping, administration, and record-keeping of securities..
5. **Designated Custodian** means a Custodian or Sub-Custodian licensed by the Authority to provide custody and safekeeping services .
6. **Eligible Foreign Currency"** means any freely convertible currency other than the legal tender of Ethiopia that is:
    a. Widely used to make payments for international transactions;
    b. Traded on the principal international exchange markets; and
    c. Recognized as a reserve currency by the International Monetary Fund (IMF) or specifically designated as such by the National Bank through a Directive.
7. **Foreign Portfolio Investment** means a cross-border investment in Securities by a Foreign Portfolio Investor..
8. **Foreign Portfolio Investor** means an investor participating in the activities of investing in Securities as prescribed under this Regulation.
9. **Global Custodian"** means a custodian established outside of Ethiopia appointed by a Foreign Portfolio Investor to act as its agent for safekeeping financials instruments linked to its investment activities across jurisdictions.
10. **Know Your Client:** means the policies, procedures, and controls used to identify, verify, monitor the identity of customers, clients and beneficial owners , understand the nature and purpose of the business relationship, and assess, manage and prevent money-

laundering, terrorist-financing, and other financial crime risks, in accordance with applicable laws and standards.

11. **Market Infrastructures** mean systems, facilities, and entities that enable the clearing, settlement, registration, and trading of securities including Securities exchanges and Securities depositories and clearing companies
12. **National Bank:** means the National Bank of Ethiopia established under the National Bank of Ethiopia Proclamation 1359/2025.
13. **Off-shore Financial Center** means a jurisdiction outside Ethiopia that provides financial services primarily, and is characterized by preferential tax treatment, reduced regulatory or disclosure requirements, financial secrecy provisions, designed to attract foreign capital.
14. **Politically Exposed Person:** shall have the meaning given to it under Article 2(11) of Prevention and Suppression of Money Laundering and Financing of Terrorism Proclamation 780/2013 and any amendments thereto.
15. **Proclamation** means the Capital Market Proclamation No. 1248/2021.
16. **Sub-Custodian:** means a Designated Custodian licensed by the Authority to provide custody services for a Foreign Portfolio Investor on behalf of a Global Custodian.
17. **Person:** means a legal or natural person.
18. Any expression in the masculine includes the feminine.
19. Any terms and expressions defined in the Proclamation shall apply to this Regulation.

3. Scope

This Regulation shall apply to all Foreign Portfolio Investment carried out in Ethiopia.

PART TWO:

ELIGIBILITY CRITERIA, CATEGORIES OF FOREIGN PORTFOLIO INVESTORS AND REGISTRATION PROCESS

4. Eligibility Criteria

1/ A person shall be eligible to invest as a Foreign Portfolio Investor if the person is:

a. A foreign national;
b. An enterprise in which a foreign national has an ownership stake;
c. An enterprise incorporated outside of Ethiopia by any investor;
d. An enterprise established jointly by two or three of the investors specified under paragraphs (a), (b) and (c) of this sub-article; or
e. An Ethiopian permanently residing abroad and preferring treatment as a foreign investor;

2/ Notwithstanding sub-article (1) of this Article, a foreign national of Ethiopian origin who prefers to be treated as an Ethiopian national shall not be eligible to invest as a Foreign Portfolio Investor.

3/ Foreign Portfolio Investor shall not be registered, nor shall any existing registration remain valid, if the Foreign Portfolio Investment is primarily used as a conduit for any kind of investment of funds originating from residents of Ethiopia as well as foreign citizens of Ethiopian origins, electing domestic investor treatment.

4/ All foreign portfolio investments shall be funded exclusively from sources originating outside Ethiopia in eligible foreign currency and shall be remitted through authorized banking channels in accordance with procedures prescribed by National Bank.

5/ Designated Custodians shall comply with all reporting, monitoring, and record-keeping requirements prescribed by National Bank and the Authority.

6/ An eligible Foreign Portfolio Investor shall satisfy the fit and proper person conditions as prescribed under Schedule A of this Regulation.

7/ Upon satisfaction of the eligibility requirements under this Article, the applicant shall be classified as Category I or Category II Foreign Portfolio Investor in accordance with Article 5, and such classification shall determine the applicable regulatory requirements under this Regulation

5. Categories of Foreign Portfolio Investors

1/ Foreign Portfolio Investors shall be classified into two categories:

a. Category I Foreign Portfolio Investors shall include:
   i. government, multilateral or international organizations and government-related investors including central banks, sovereign wealth funds, and entities fully or partially owned or controlled by such investors.
   ii. Regulated Pension and retirement funds and endowments subject to oversight in their home Jurisdictions.
   iii. institutional investors such as banks, insurance companies, asset managers, investment funds, Collective Investment Schemes, and other Capital Market Service Providers. .

b. Category II Foreign Portfolio Investors shall include all other eligible investors that do not qualify as Category I Foreign Portfolio Investors, including:

   i. Foundations, charitable organizations, corporates, family businesses, and individuals.

ii. entities investing on behalf of clients, subject to conditions specified by the Authority.
iii. Non resident individual retail investors, subject to applicable investor protection requirements.

2/ The Authority may specify, through a directive, additional sub-categories and conditions for each category from time to time, considering risk profile, investment scope, and Anti-Money laundering and Combating the Financing of Terrorism considerations.

6. Requirement to Invest through a Designated Custodian

No person shall invest in securities issued in Ethiopia as a Foreign Portfolio Investor unless all assets and financial instruments linked to such investment are safekept by a Designated Custodian.

7. Application Requirements

1/ Category I Foreign Portfolio Investors shall submit to the Designated Custodian:

a. incorporation documents, including memorandum and articles of association, partnership agreements, trust deeds, or equivalent establishment instruments; and
b. proof of legal existence, including certificates of incorporation, business registration certificates or licenses, or other official documentation issued by the competent authority in the investor's home jurisdiction.

2/ Category II Foreign Portfolio Investors shall submit to the Designated Custodian:

a. Verified identity documents;
b. Tax payer certificate or an equivalent document;
c. Beneficial Owner declarations and ownership arrangements;
d. Source of Funds evidence;
e. Politically Exposed Persons screening results; and
f. Any other documents required by the Designated Custodian or the Authority to verify the fit and proper criteria of the Foreign Portfolio Investor;

3/ All Foreign Foreign Portfolio Investors,, shall submit comprehensive beneficial ownership information, including:

a. the full ownership structure, from the applicant up to the beneficial owner(s);
b. details of the control chain, including any persons or entities exercising ultimate control, whether directly or indirectly; and
c. identification of any politically exposed persons within the ownership or control structure, where applicable.

4/ All investors shall submit a written confirmation, in a form approved by the Authority, attesting that:

a. they are not subject to any applicable international or domestic sanctions; and
b. they are in full compliance with applicable Anti-Money Laundering and Combating the Financing of Terrorism laws and standards, including those of their home jurisdiction and any international standards recognized by Ethiopia.

8. Review of Applications by the Designated Custodian

1/ Upon receipt of an application, the Designated Custodian shall:

a. conduct Know Your Client verification and Anti-Money Laundering and Combating the Financing of Terrorism screening using applicable laws and guidelines assess the authenticity, accuracy, and sufficiency of the information provided;
b. ensure compliance with the eligibility and documentation requirements of this Regulation and other applicable laws;
c. request additional information or clarification where necessary; and

2/ Notwithstanding sub article 1 of this Article Category I Foreign Portfolio Investors located in a jurisdiction with which Ethiopia has an investment treaty or formal bilateral, multilateral, or regional cooperation arrangement , and that have regulatory cooperation and information exchange with the Authority, ensure effective supervisory and enforcement cooperation to the satisfaction of the Authority, and have adopted know your clients rules, material anti money laundering, anti-terrorism financing, and financial crime risks rules and framework that are at least up similar standard to those applicable in Ethiopia, may be subject to simplified due diligence

3/ The Designated Custodian shall approve or reject the application of Foreign Portfolio Investors categorized under Category I within five (5) business days from the date of receipt of a complete application.

4/ The Designated Custodian shall approve or reject the application of Foreign Portfolio Investors categorized under Category II within ten (10) business days from the date of receipt of a complete application.

5/ When rejecting any application, the Designated Custodian, shall grant the applicant a reasonable opportunity to remedy such deficiencies except where immediate actionis necessary to protect the market or public interest

6/ Upon approval of the application the Foreign Portfolio Investor and the Designated Custodian shall enter into a custodial agreement.

9. Account Opening and Registration

1/ Upon submission of the Custodial agreement, the Designated Custodian shall facilitate the opening and activation of the accounts required under Article 22 of this Regulation.

2/ A Foreign Portfolio Investor shall be deemed registered only upon the opening a securities account by the Designated Custodian .

3/ The Designated Custodian shall report to the Authority each registration, along with the custodial agreement or refusal within five (5) business days, together with summary information in a form prescribed by the Authority.

10. Mandatory Referral to the Authority by the Designated Custodian

The Designated Custodian shall refer an application to the Authority for direct assessment where the applicant's ownership, governance, or control arrangement involves multiple ownership layers, nominee entities, trusts, or intermediary vehicles that impede clear identification of the Beneficial Owner.

11. Review by the Authority

1/ Upon receipt of a referral pursuant to Article 10 of this Regulation, the Authority shall, within thirty (30) days, review the application and:

a. authorize the Designated Custodian to register the applicant; or
b. direct the Designated Custodian to reject the application, stating the reasons for such rejection in writing.

2/ Where the Authority requires additional information or documents to conduct enhanced due diligence or seeks clarification, the review period shall be suspended until such requirements are duly satisfied.

12. Rejection of application by the Designated Custodian

1/ Where an application is incomplete, inaccurate, misleading, or otherwise fails to satisfy the eligibility, fit-and-proper, or compliance requirements under this Regulation or other applicable Ethiopian laws, the Designated Custodian shall notify the refusal in writing of the identified deficiencies and the reasons thereof.

2/ An applicant aggrieved by the Designated Custodian decision may appeal to the Authority within 30 days of receiving the rejection decision.

3/ After receiving an appeal under Sub-article (2) of this Article, the Authority shall review the case and decide on the appeal within 30 days by:

a. confirming, varying or setting aside an original decision.
b. remitting the matter in question to the Designated Custodian with such directions as it considers appropriate; or
c. making any other order which the Authority considers appropriate.

13. Rejection of Application by the Authority

1/ The Authority, may reject an application as referred by a Designated Custodian pursuant to Article 10 of this Regulation where, upon review, it determines that:

a. The applicant, its beneficial owner(s), intermediaries, or home jurisdiction present material money laundering, financing of terrorism, sanctions, or other financial crime risks that cannot be adequately mitigated;
b. The applicant has significant links to an Offshore Financial Centre or any other jurisdiction not subject to enhanced regulatory scrutiny, and such links pose risks to investor protection, market integrity, or financial stability in Ethiopia;
c. Information or documentation submitted to the Authority is false, misleading, inaccurate,
d. Information or documentation submitted to the Authority is incomplete, or materially deficient, and such deficiency is not remedied within the prescribed timeframe;

2/ For the purpose of Sub article 1(b) of this Article, a Foreign Portfolio Investor shall be considered to originate from or be linked to an Offshore Financial Centre where:

a. its domicile, registered office, investment manager, or custodian, is located in such a jurisdiction;

b. a material portion of its beneficial ownership or economic interest is held through entities in such jurisdictions; or

c. its investment structure relies heavily on investment vehicles in located or operated in such jurisdictions.

3/ The Authority shall provide a reasonable opportunity to rectify deficiencies, except where immediate rejection is required to safeguard market integrity or the interest of investors.

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

14. Suspension of Trading Activity

1/ The Authority may, on its own motion or upon the recommendation of a Designated Custodian, suspend the trading activity of a Foreign Portfolio Investor , in whole or in part, where the Authority determines that the Foreign Portfolio Investor:

a. has failed to submit required reports, or information disclosures, failed to update material information within prescribed timelines under this Regulation, or has failed to respond to regulatory inquiries.

b. is subject to investigation by a competent domestic or foreign authority in a manner that raises concerns regarding fitness and propriety, market integrity, or investor protection.
c. poses a risk to market integrity, investor protection, financial stability, national security, or the public interest.
d. has breached any provision of this Regulation, any directive issued hereunder, or any applicable Ethiopian law governing capital markets, foreign exchange, or financial services.

2/ Suspension under sub-article (1) may be imposed for a specified period or until identified deficiencies are remedied to the satisfaction of the Authority.
3/ A suspension decision, and the conditions, for lifting such suspension, if any, shall be communicated to Market Infrastructures in writing.
4/ The Authority shall notify the Designated Custodian about the suspension decision stating the reasons for the suspension once the suspension is in effect.

PART THREE

PERMITTED INVESTMENTS & LIMITS

15. Eligible Financial Instruments:

1/ A Foreign Portfolio Investor may invest only in the following securities:

a. Money Market Instruments
b. Shares;
c. Debt Securities;
d. Public Debt Securities;
e. Units or shares of Collective Investment Schemes registered by the Authority; and
f. Derivatives and other securities or financial instruments as may be approved by the Authority

2/ Subject to restrictions applicable sector-specific laws, or regulatory approvals imposed by the competent authority, a Foreign Portfolio Investor may invest in shares of a company incorporated in Ethiopia and operating in any economic sector, provided that such investment complies with the limits, conditions, and prudential requirements set forth in this Regulation.
3/ The Authority may impose through a directive, restrictions, conditions, or prohibitions on Foreign Portfolio Investor participation in securities that are not listed on a licensed Securities Exchange or on any eligible financial instruments set out under sub article 1 of this Article, where the Authority determines that such investment:

a. Impairs or materially limits the Authority's and/or the National Bank's ability to effectively track, monitor, or supervise, capital inflows, outflows, or repatriation of funds;
b. Presents risks to investor protection arising from inadequate disclosure, corporate governance deficiencies, or insufficient regulatory oversight;
c. Undermines the Authority's capacity to monitor ownership thresholds, beneficial ownership structures, concentration limits, or compliance with prescribed holding periods;
d. Poses actual or potential systemic risk to financial stability, market integrity, or the orderly development of the capital market;
e. Is in breach of the applicable laws;

16. Investment Limits applicable to Equity Investment

1/ Unless a higher holding is permitted by applicable law or the primary regulator of the issuer, no single Foreign Portfolio Investor, including its affiliates and any persons acting in concert, shall hold more than ten percent (10%) of the total paid-up capital of an issuer directly or indirectly.
2/ Notwithstanding Sub-Article (1) of this Article, Category I Foreign Portfolio Investors may, upon prior approval of the Authority, hold up to fifteen percent (15%) of the paid-up capital of an issuer.
3/ Any acquisition that results in a holding exceeding the ten percent (10%) threshold shall be:

   a. Subject to the mandatory approval of the Authority; or
   b. subject to the requirements set out in the Investment Proclamation 1180/2020 , its subsidiary legislations and any amendments thereto and an.

4/ Notwithstanding sub article 1 and 2 of this article, a Foreign Portfolio Investor exceeding the maximum threshold as a result of circumstances beyond its control, including but not limited to
   a. Capital Restruturing,
   b. mergers and acquisitions, or
   c. other corporate actions undertaken by the issuer,

shall notify the Authority and the Designated Custodian five (5) business days of becoming aware of the breach; and shall, within fifteen (15) business days from the date of the breach, divest such number of securities as is necessary to restore its holding to ten percent (10%) or below.

5/ Notwithstanding sub article 4 of this Article the Authority may, upon a reasoned request and were justified by market conditions or liquidity constraints, grant a one-time extension not exceeding thirty (30) business days.

6/ The total combined shareholding of all registered Foreign Portfolio Investors in a single-listed company shall not exceed Thirty percent **(30%)** of the company's total share capital, unless a higher limit is approved by the Authority in respect of specific issuers, sectors, or classes of instruments, subject to any restriction imposed under applicable Ethiopian law.

7/ Market Infrastructures shall monitor and suspend further foreign purchases of securities once the investment limits is reached.

8/ A Foreign Portfolio Investor shall not become a member of the board of directors or participate in the management of an issuer in which it has invested, and any such act shall constitute evidence of intent to exercise control and may result in reclassification of the investment as foreign direct investment in accordance with the Investment Proclamation 1180/2020 or any amendments thereto.

9/ For the purpose of Sub article 8 of this article the exercise of ordinary shareholder rights, including voting at general meetings, submitting shareholder proposals, and other such corporate actions shall not constitute participation in management. Participation in management shall be deemed to occur **only** where a Foreign Portfolio Investor, directly or indirectly:

   a. holds a seat with voting rights on the board of directors;
   b. exercises day-to-day operational or executive authority; or
   c. enters into an agreement granting the investor veto rights over core business decisions or the right to appoint executive officers.

PART FOUR:

POWERS, FUNCTIONS AND INSTITUTIONAL COORDINATION FRAMEWORKS

17. Powers and Functions of the Authority

1/ Pursuant to the powers granted under Article 6 of the Proclamation to regulate, supervise, and oversee the capital market, the Authority shall, for the purposes of this Regulation. .

   a. prescribe notices or guidelines on registration and categorization of Foreign Portfolio Investors prescribe and enforce specific licensing, conduct of business, and prudential requirements for Capital Market Service Providers and Market Infrastructures that facilitate or render services to Foreign Portfolio Investors;
   b. direct Market Infrastructures to implement trading rules, settlement procedures, and operational safeguards necessary to ensure the proper, stable, and efficient execution of Foreign Portfolio Investment transactions and to maintain overall market integrity;

c. prescribe and implement prudential measures toidentify, monitor, and mitigate systemic and market stability risks arising from Foreign Portfolio Investment activities; and
d. establish mechanisms for investor asset protection and enforcement, including the authority to detect, trace, freeze, and recover misappropriated assets, and to utilize whistleblower information in the exercise of its enforcement functions.

3. The Authority may establish arrangements to ensure interoperability and effective data sharing between the Market Infrastructures, Capital Market Service Providers, and the National Bank or any other relevant institutions, subject to applicable confidentiality, data-protection, and cybersecurity requirements.

18. Powers and Functions of the National Bank

1/ Pursuant to the powers granted under Article 6 of the National Bank of Ethiopia Establishment Proclamation No. 1359/2025, the National Bank shall have regulatory responsibility over the macro-financial and foreign exchange-related issues of foreign portfolio investment, and shall specifically:

a) Regulate cross-border capital flows arising from foreign portfolio investment, including inflows, outflows, and approve repatriation of proceeds;

b) determine the conditions under which foreign-exchange related to portfolio investment may be introduced into, converted within, held in, or repatriated from Ethiopia;

c) oversee and coordinate responses during periods of market stress, excessive volatility, or sudden capital-flow reversals; and

d) supervise banks and authorized dealers with respect to foreign-exchange, related to foreign portfolio investment.

19. Centralised Reporting and Monitoring of Foreign Portfolio Investment

1/ Foreign portfolio investment activity shall be conducted and monitored through licensed Market Infrastructures and Capital Market Service Provider.

2/ Without prejudice to other obligations given by law, the Central Securities Depository shall:

a) maintain accurate and timely records of securities ownership attributable to Foreign Portfolio Investors;

b) capture transaction, position, and corporate-action data relating to Foreign Portfolio Investments;

c) ensure appropriate investor identification, and segregation of Foreign Portfolio Investor holdings; and

d) provide the Authority with direct, secure, and timely access to relevant data.

3/ Banks and Authorised Dealers licensed by the National Bank shall report capital inflows and repatriation of proceeds arising from Foreign Portfolio Investment in accordance with foreign-exchange laws and directives issued by the National Bank.

20. Establishment of a Coordination Committee

1/ A Committee may be established for the purpose of coordinating government activities and facilitating information-sharing in relation to Foreign Portfolio Investment

2/ The Authority or the National Bank may initiate and coordinate the establishment of the Committee in collaboration with relevant government entities.

3/ The Committee may be established on either a temporary or permanent basis, depending on the specific objectives for which it is constituted.

4/ The Committee shall composed representatives from:

a) Ministry of Finance

b) National Bank of Ethiopia

c) Ethiopian Capital Market Authority

d) Ethiopian Investment Commission

e) Ministry of Trade and Regional Integrational

f) Financial Intelligence Service

g) Other relevant institutions determined by the members of the Committee

5/ The Committee shall be chaired by the Minister of Finance or his designated representative

6/ The Committee shall:

a) support coordinated responses during periods of market stress; and

b) facilitate inter-agency data sharing and information exchange.

c) review and propose recommendations on policies and legal frameworks relevant to foreign portfolio investment

d) conduct other relevant activities

7/ The FPI Committee shall meet at least semi annually on an ad hoc basis as required.

PART FIVE

MARKET ACCESS, ACCOUNTS & TRADING

21. Account Opening

1/ A Foreign Portfolio Investor shall, prior to the commencement of any investment activity, open and maintain:

a. A securities account opened in accordance with the rules or procedures of Central Securities Depository or Securities Depository and Clearing Company approved or licensed by the Authority;
b. A securities trading account established with a trading member in accordance with the rules of a licensed Securities Exchange or Over-the-Counter trading facility;
c. A foreign currency bank account and non-resident Birr (ETB) bank account opened with a licensed commercial bank; and
d. Securities Custody Account maintained with a Designated Custodian.

2/ The opening, operation and closing of accounts specified under sub-article 1 of this Article shall be subject to the applicable laws and procedures issued by the Authority and the National Bank with respect to their regulatory mandate.

22. Use of Local Intermediaries

1/ Transactions involving Dealing in Securities by a Foreign Portfolio Investor shall be undertaken through Capital Market Service Providers on a Securities Exchange or an Over The Counter trading facility licensed by the Authority.

2/ A Foreign Portfolio Investor shall comply with conditions or directions prescribed by the Authority and the National Bank from time to time.

23. Clearing and Settlement

1/ Subject to applicable capital-flow/holding-period requirements, all Foreign Portfolio Investment transactions shall be cleared and settled through the Central Securities Depository and/or Securities Depository and Clearing Company in accordance with their rules and procedures, on the settlement date and through the settlement mechanism specified therein, including delivery-versus-payment and settlement finality arrangements

2/ A Central Securities Depository or Securities Depository and Clearing Company may provide detailed rules and procedures regarding securities accounts, securities transactions

and clearing and settlement of transactions by Foreign Portfolio Investor subject to the approval of the Authority.

24. Custodial Arrangements

1/ All eligible financial instruments owned by Foreign Portfolio Investors shall be held, in custody or monitored , by a Designated Custodian licensed by the Authority.

2/ Foreign Portfolio Investors may appoint a Global Custodian to act on their behalf for the custody of their investment activities in Ethiopia.

3/ A Global Custodian may provide services to Foreign Portfolio Investors only through a Sub-Custodian licensed in Ethiopia or through a subsidiary or branch duly licensed by the Authority.

4/ A Designated-Custodian may maintain an omnibus securities account at the Central Securities Depository on behalf of a Foreign Portfolio Investor or its Global Custodian acting for one or more Foreign Portfolio Investors.

5/ The omnibus account shall be opened in the name of the Designated Custodian, designated as "Omnibus – FPI," and shall represent aggregated holdings of all the Foreign Portfolio Investors of one Designated Custodian.

6/ The Sub-Custodian shall ensure that the Global Custodian has the necessary authorization from the Foreign Portfolio Investor to act on its behalf.

7/ The Foreign Portfolio Investor or its Global Custodian shall enter into an agreement with the Designated Custodian before making any investment.

8/ The agreement between the Global Custodian and the Sub-Custodian shall be submitted to the Authority for approval.

9/ Sub-Custodians may only operate after the approval of custodial agreement under sub article 8 of this Article .

10/ The Designated Custodian shall act on behalf of the Foreign Portfolio Investor or its Global Custodian and ensure compliance with all applicable requirements set or approved by the Authority regarding registration, deposit, clearing, and settlement of securities.

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25. Commercial banks as Custodians

1/ A commercial bank licensed by the National Bank may provide custody services to Foreign Portfolio Investors, provided that it satisfies the following requirements:

a. Obtains a letter of No Objection and a confirmation of good standing from the National Bank, verifying that the bank is in a good regulatory standing and fit to provide custody services;

b. Maintains the minimum paid-up capital and capital adequacy ratio prescribed by the National Bank for banking business operations;

c. Maintains a robust liquidity position and complies with all liquid asset requirements as determined by the National Bank;
d. Has no record of material non-compliance or unremedied violations of applicable Basel standards, or any other prudential standards and guidelines issued by the National Bank;
e. Possesses the necessary technological infrastructure, systems, and internal controls to:
    i. Safekeep assets held in custody; and
    ii. Ensure strict functional, operational, and legal segregation between the bank's proprietary assets and assets held on behalf of Foreign Portfolio Investors.
f. Establishes and maintains a separate, ring-fenced business unit dedicated exclusively to custody operations, which shall:
    i. Operate independently from the bank's banking business activities
    ii. Maintain reporting lines, and internal control frameworks to prevent conflicts of interest;
    iii. Implement robust client-asset protection, reconciliation, and recordkeeping procedures, including maintenance of accurate beneficial ownership records;
    iv. Establish information barriers and access controls to safeguard confidential client information; and
    v. Maintain business continuity and disaster recovery arrangements specific to custody operations.
g. Satisfies such other requirements as may be prescribed by the Authority from time to time.

2/ A commercial bank providing custodial services shall not use funds held in custody for Foreign Portfolio Investors, to finance, support, or otherwise be commingled with its own banking business operations or those of its other clients.

3/ Supervisory and audit functions over custodial operations shall be independent of the bank's commercial management and reporting structures, ensuring objective oversight and compliance.

4/ A commercial bank providing custodial services shall not use data, information, or records of Foreign Portfolio Investors for its commercial banking operations, marketing, or any other activities unrelated to the provision of custodial services.

5/ Without prejudice to the above, a commercial bank intending to provide custodial services shall apply for and obtain the applicable license from the Authority, subject to the licensing and ongoing requirements prescribed under the relevant directives of the Authority**.**

26. Change in Designated Custodian

1/ A Foreign Portfolio Investor or its Global Custodian may change the Designated Custodian at any time by providing prior written notice to the Authority, the Central Securities Depository, and the concerned custodians.
2/ The Global Custodian shall have written authorization from the Foreign Portfolio Investor to request Sub-Custodian change.
3/ The outgoing custodian shall transfer all securities, cash balances, and records to the new custodian within the timeframe and procedures prescribed by the Central Securities Depository.
4/ Without prejudice to the above, the relevant directive of the Authority relating to relinquishment of a Custodian license shall apply *mutatis mutandis* to custodian change requests.
5/ Any other matter relating to a change in custodian shall be handled as per the requirements specified by the Authority.

27. Increase of Paid-up Capital

1/ Notwithstanding the minimum paid-up capital requirements prescribed under the applicable Directives of the Authority, the Authority may increase the minimum capital requirement for a Designated Custodian, if it determines that the existing minimum capital requirement is insufficient to cover systemic and operational risk profile of Custodians.
2/ In determining an increase in the minimum capital requirement, the Authority shall consider the following:
    a. The nature, scale and complexity of the custodial services including safekeeping of complex financial instruments;
    b. Custodians level of exposure to institutional risks including operational and market risks;
    c. Existing Custodian's compliance track record with liquidity ratios, audit findings, regulatory fillings or other legal and regulatory requirements; or
    d. The integrity of the market and reduction of systemic risk.
3/ Where the Authority decides to increase the minimum paid-up capital requirement, it the Authority shall grant a transition period of not exceeding six (6) months to existing Custodians

PART SIX

FOREIGN EXCHANGE, FUNDING & REPATRIATION

28. Repatriation of Capital, Dividends, and Income

1/ Subject to the provisions of this Regulation and applicable foreign exchange laws of the National Bank, a Foreign Portfolio Investor shall be entitled to repatriate, through Authorized Dealers, the following repatriable in Eligible Foreign Currency:
   a. maturity proceeds of Debt Securities and money market instruments ;
   b. proceeds from the sale or transfer of securities;
   c. redemption proceeds of collective investment schemes
   d. dividends, interests, coupons, or other investment income;
   e. capital gains realized from securities transactions; and
   f. any other investment-related income lawfully accrued from permitted investments.

2/ Repatriation under Sub-Article (1) shall be effected only after:
   a. the investor has fully complied with any holding period applicable to such investment as prescribed by this Regulation;
   b. settlement of the relevant securities transactions;
   c. payment of all applicable taxes, fees, other related payments; and
   d. compliance with reporting and documentation requirements prescribed by the Authority and the National Bank.

3/ Any change in the residency status of a registered foreign portfolio investor from non-resident to resident of Ethiopia shall be subject to prior notification to the National Bank and the Authority, upon which the relevant laws of the National Bank shall apply.

4/ Repatriation requests shall be processed within a period specified under applicable foreign exchange laws of the National Bank following the complete submission of all required documents.

29. Temporary Capital Flow Management Measures

1/ Notwithstanding any provision of this Regulation, the National Bank may, in exceptional circumstances, impose temporary measures to restrict, delay, or condition the repatriation of capital, proceeds, dividends, interest, or other income by Foreign Portfolio Investors.

2/ Exceptional circumstances under Sub-Article (1) shall include, but shall not be limited to:
   a. severe shortages of foreign exchange reserves;
   b. systemic stress in the financial system; or
   c. a balance-of-payments crisis or a material threat thereof.
   d. any other material shocks deemed to threaten the financial system according to the National Bank.

3/ Any measure imposed under this Article shall be:
   a. transparent and communicated publicly in a timely manner;

b. proportionate to the risks addressed;
c. limited duration and subject to periodic review; and
d. consistent with applicable laws and international obligations of the country.

4/ Measures imposed under this Article may include but are not limited to:
a. temporary deferment or sequencing of repatriation requests;
b. quantitative limits on repatriation within a specified period; or
c. additional procedural or documentation requirements.

5/ No capital-flow management measure imposed under this Article shall remain in force for more than one hundred eighty (180) days, unless renewed in accordance with applicable law.

30. Minimum Holding Periods for Foreign Portfolio Investments

1/ The minimum holding periods applicable to investments made by Foreign Portfolio Investors shall not be less than one (1) year.

2/ Holding periods prescribed under Sub-Article (1) may be set, abolished, adjusted, waived, or differentiated by the Authority through a Directive, having regard to:
a. the status, liquidity, and maturity of the securities market, as determined by objective quantitative indicators of the Authority;
b. the type of financial instrument, including equity securities and debt instruments;
c. the maturity or residual duration of the instrument;
d. the currency in which the investment is denominated; and
e. the category , investment horizon, or risk profile of the Foreign Portfolio Investor.
f. any other objective criteria consistent with the objectives of the Authority set out under the Proclamation.

3/ No Foreign Portfolio Investor shall repatriate capital, proceeds, or income in respect of an investment prior to the expiry of the applicable holding period, except as may be expressly permitted by the Authority.

4/ The Authority shall periodically review the holding period requirements and make necessary adjustments progressively, with a view to removing such requirements once the conditions that justified their imposition no longer exist..

5/ Holding periods applicable to Money Market instruments shall be imposed by the National Bank.

PART SEVEN

ONGOING OBLIGATIONS, DISCLOSURE, AND REPORTING

31. Principle

1/ All registered Foreign Portfolio Investors shall adhere to the registration requirements of this Regulation at all times.
2/ The Designated Custodian shall submit required disclosures and reports relating to their registered Foreign Portfolio Investors and their investment activities to the Authority in the manner, form, and frequency prescribed in this Part of the Regulation.
3/ The disclosures and reports made as per this part of this Regulation shall be complete, accurate, timely, and shall not be misleading or omit material information.
4/ Ongoing obligations under this Part include:

a. general compliance obligations;
b. current disclosure obligations; and
c. periodic disclosure and reporting obligations.

32. General Ongoing Compliance Obligations

1/ A Designated Custodian shall ensure that a Foreign Portfolio Investor, at all times:

a. maintain their eligibility and registration status under this Regulation;
b. satisfy fit-and-proper requirements stipulated in this Regulation;
c. comply with applicable Anti-Money laundering and Combating the Financing of Terrorism laws and sanctions,
d. observe applicable investment limits, sectoral restrictions, and ownership caps;
e. conduct all investment activity through licensed intermediaries and approved market infrastructures; and
f. complies with any additional requirements as may be prescribed by the Authority from time to time.

2/ A Designated Custodian shall take all reasonable steps to ensure that a Foreign Portfolio Investor does not engage in any prohibited trading practices as stipulated under the Capital Market Proclamation and other relevant laws.

33. Current Disclosure

1/ A registered Foreign Portfolio Investor shall immediately disclose any material information, including information listed under article 36 of this Regulation, to his Designated Custodian.
2/ A Designated Custodian shall notify the Authority in writing within 24 hours, from the time being aware any information that:

a. materially affects its eligibility, regulatory status, ownership, or ability to invest as a Foreign Portfolio Investor; or
b. may affect market integrity, investor protection, or financial stability.

34. Events Requiring Disclosure

1/ Without prejudice to the general disclosure obligations specified under Article 35 of this Regulation, the Designated Custodian shall immediately disclose the Authority of the occurrence of any of the following events affecting either the Foreign Portfolio Investor or the Designated Custodian, as applicable:

a. any change in legal status, name, domicile, residency, or regulatory authorization;
b. initiation of insolvency process, liquidation, receivership, or similar proceedings, or declaration of bankruptcy;
c. investigation, enforcement action, or regulatory measures by any domestic or foreign regulatory authority;
d. imposition of sanctions or such designation under any national or international bodies;
e. material change in ownership, control, voting arrangements, or investment strategy;
f. any change in Beneficial Ownership; or
g. any other event determined by the Authority to be material.

35. Disclosure of Beneficial Ownership

1/ The Foreign Portfolio Investor shall immediately notify through its Designated Custodian, the Authority, when it becomes an interested person by directly or indirectly holding in a listed issuer that reaches or exceeds five percent (5%) of the paid-up capital of an issuer.
2/ For the purpose of Sub-article 1 of this Article, disclosures shall include, at a minimum:
a. the name of the issuer;
b. the class and nature of the securities held;
c. the amount and percentage of the holding in relation to the issuer's total paid-up capital;
d. the date on which the relevant change in ownership occurred;
e. the identity of the Beneficial Owner;
f. the nature and extent of control or influence exercised; and
g. any additional information may be prescribed by the Authority.
3/ In determining the percentage referenced in sub Article 1 of this Article, holdings shall be aggregated across affiliated entities of the issuer, persons acting in concert, and all forms of direct, indirect, or beneficial ownership.

4/ Failure to disclose Beneficial Owner information shall result in administrative measures by the Authority.

36. Periodic Reporting Obligations of Designated Custodian

1/ Periodic reports shall contain accurate and complete information relating to the reporting period and shall include, at a minimum:

a. a statement of portfolio holdings by each Foreign Portfolio Investor, security type, quantity, and market value including aggregate value of investments;
b. details of purchases, sales, subscriptions, redemptions, and other transactions executed during the period;
c. aggregate exposure by asset class, sector, and issuer;
d. details of any changes in ownership, control, voting arrangements, or investment strategy;
e. confirmation of compliance with investment limits and ownership caps ;
f. any other information necessary to enable the Authority to assess compliance with this Regulation and relevant directives.

2/ A Designated Custodian shall submit:

a. a monthly report in respect of Category II Foreign Portfolio Investors within seven (7) calendar days after the end of each month
b. a quarterly report in respect of Category I Foreign Portfolio Investors within thirty (30) calendar days after the end of each quarter; and
c. an annual report within ninety (90) calendar days after the end of each financial year.

3/ The Authority may apply differentiated reporting requirements or require enhanced disclosure or verification of different categories of Foreign Portfolio Investors, having regard to:

a. the size, complexity, and concentration of investments;
b. the Investor's risk profile and trading behavior; and
c. the potential impact on market integrity, investor protection, or financial stability.
d. Other considerations that the Authority deems necessary from time to time;

37. Use of Multiple Trading Accounts by Foreign Portfolio Investor

1/ A Foreign Portfolio Investor may open and operate multiple trading accounts with one or more licensed brokers for the purpose of investing in securities.
2/ Notwithstanding sub article 1 of this Article, a Foreign Portfolio Investor shall be treated as one legal and beneficial investor for all regulatory purposes
3/ All trading accounts opened by a Foreign Portfolio Investor shall be linked to the single Designated Custodian, The Designated Custodian shall make sure that the investments of a Foreign Portfolio Investor are only link to one account only, in the books of the Central Securities Depository.
4/ All holdings and transactions across all trading accounts of a Foreign Portfolio Investor shall be aggregated for the purposes of :
    a. monitoring ownership limits and market conduct
    b. Reporting and disclosure; and
    c. Repatriation

38. Record-Keeping Obligations

1/ The Designated Custodian shall keep full, accurate, and up-to-date records of all investment activities conducted by their Registered Foreign Portfolio Investors under this Regulation.
2/ Records shall be kept for a minimum period of ten (10) years, in a form that preserves their integrity, prevents alteration or loss, and allows timely access and reproduction in legible form.
3/ The Authority may, at any time, require a Designated Custodian to produce records or copies thereof for inspection, audit, or supervisory purposes

39. Issuers Reporting Obligations

1/ As part of its ongoing disclosure obligations under relevant directives of the Authority, issuer shall have an obligation to monitor and report to the Authority any foreign portfolio investment holding, change in ownership, or voting interest that reaches or exceeds the disclosure thresholds prescribed under this Regulation, to the extent such information is known to the issuer or reasonably ascertainable through its shareholder records.
2/ An issuer shall promptly notify the Authority of any foreign ownership–related event or change that affects compliance with applicable foreign ownership limits, ownership caps, or any other regulatory requirement relating to Foreign Portfolio Investors, in such form and manner as may be prescribed by the Authority
3/ Issuer disclosures under this Article shall be accurate, complete, timely, and not misleading, and shall not omit material information.
4/ Failure to disclose information under this sub-Article of this Article shall result in administrative measures by the Authority.

PART EIGHT

SYSTEMIC RISK, PRUDENTIAL SAFEGUARDS AND MARKET STABILITY

40. Systemic Risk Monitoring and Market-Stability Safeguards

1/ The Authority, shall establish a systems and procedures for the continuous monitoring and evaluation of systemic risk arising from Foreign Portfolio Investment activities.

2/ For the purposes of Sub-Article (1) of this Article, the Authority may evaluate, among other things:

a. risk concentration of foreign portfolio ownership across issuers and sectors;
b. the volume, composition, and volatility of aggregate foreign portfolio inflows and reversals;
c. monitor asset-class exposure and diversification of Foreign Portfolio Investors
d. price volatility and liquidity conditions in the securities market;
e. contagion effect between capital market service providers, capital market infrastructures and financial institutions on Foreign Portfolio Investment activities;
f. potential spillovers of Foreign Portfolio Investment risk the financial system.
g. adequacy of cross-border regulatory cooperation, information exchange, and coordinated actions; and
h. other factors that the authority deems necessary for assessing systemic risk; and

3/ The Authority shall prepare and publish, at such intervals as it deems appropriate, a systemic risk and market stability report assessing the impact of Foreign Portfolio Investment, provided that sensitive or confidential information are anonymized.

4/ Where material or emerging systemic risks are identified, the Authority may:

a. issue early warnings, guidance, or recommendations.
b. enforce prudential requirements for capital market Service providers and Market infrastructures
c. require enhanced reporting or disclosures from relevant market participants;
d. take any other proportionate measures necessary to mitigate identified risks in accordance with this Proclamation.

5/ The Authority may issue directives to give effect to this Article.

41. Early-Warning Indicators and Supervisory Response

1/ The Authority, in coordination with the National Bank, may develop early-warning indicators to detect emerging risks associated with Foreign Portfolio Investment.

2/ The Authority in cooperation with the National Bank, shall systematically incorporate and detect early warning indicators, including but not limited to:

a. Rapid asset price inflation;

b. sharp surges, reversals, or concentration of foreign portfolio investment inflows and outflows;

c. Sudden increase in market volatility or liquidity stress.

d. deterioration in market depth, bid-ask spreads, or price-discovery mechanisms;

e. operational, clearing, settlement, or custodial disruptions affecting market functioning;

3/ The early warning systems shall include mechanisms to:

a. monitor foreign portfolio investment flows, ownership levels, concentration, and correlated trading behaviour;

b. assess financial, operational, custody, and settlement exposures of intermediaries servicing Foreign Portfolio Investors;

c. detect stress indicators, including capital and liquidity pressures, settlement delays, margin shortfalls, or repeated near-breaches of regulatory limits; and

d. identify circumstances that may impair the ability of intermediaries to meet their obligations to Foreign Portfolio Investors or to the market.

42. Prudential Exposure and Concentration Controls

1/ The Authority may require capital-market service providers and Capital market infrastructures servicing Foreign Portfolio Investors to comply with prudential requirements proportionate to the risks arising from such activities. These obligations may include but not limited to:

a. maintain adequate capital, liquidity, and financial buffers commensurate with the volume and nature of foreign portfolio transactions serviced;

b. implement robust risk-management systems and internal controls addressing settlement, custody, counterparty, operational, and concentration risks;

c. require additional operational resilience, business continuity and disaster recovery requirements standards,

d. maintain operational resilience and business-continuity arrangements addressing disruptions affecting foreign portfolio investment activity.

e. put thresholds, limits, or additional safeguards relating to interconnectedness and contagion risk, including exposures, dependencies, or critical service linkages with other capital market service providers, market infrastructures, financial institutions, or payment systems.

2/ The Authority may impose enhanced or differentiated prudential requirements where a service provider:

a) services a significant volume of foreign portfolio investment activity;

b) is deemed systemically important to foreign portfolio market access; or

c) exhibits elevated risk indicators identified through supervisory or early-warning mechanisms.

43. Market Stress and Exceptional Circumstances Measures

1/ Where the Authority determines, based on systemic risk assessments or early-warning indicators, that conditions of market stress or exceptional circumstances exist or are likely to occur in relation to Foreign Portfolio Investment, it may, in coordination with the National Bank of Ethiopia, adopt proportionate and temporary market-stability measures.

2/ For the purposes of this Article, market stress or exceptional circumstances may include, without limitation:

a. severe or disorderly price volatility or persistent liquidity shortages;

b. abrupt surges, reversals, or concentration of foreign portfolio investment flows;

c. material threats to the functioning of trading, clearing, settlement, custody, or payment systems;

d. heightened contagion or interconnectedness risks involving capital market service providers, market infrastructures, or financial institutions; or

e. other circumstances that pose a significant risk to investor protection or financial stability.

3/ Measures taken for circumstances on sub article 2 of this Article may include but limited to:

a. enhanced or ad-hoc reporting, disclosure, or notification requirements;

b. temporary adjustments to prudential requirements, including capital buffers, liquidity thresholds, or exposure limits on Capital Market Service Providers ;

c. temporary restrictions or circuit breaks on specific trading activities, instruments, or transactions related to Foreign Portfolio Investment;

d. directives to strengthen operational resilience, settlement discipline, or risk-management practices; or

e. any other proportionate supervisory or regulatory measures necessary to address the identified risks.

4/ Measures imposed pursuant to this Article shall be risk-based, proportionate, and time-bound, and shall be subject to periodic review and withdrawal once market conditions normalize.

5/ Where exceptional circumstances persist beyond a period specified by directive, the Authority shall develop and require the implementation of contingency and recovery plans for dealing with the eventuality of the failure of a licensed person, with the objective of ensuring that

6/ the contingency plan for such failure shall not disrupt the orderly functioning of other capital market service providers or market infrastructures and adequately protect interests and assets of Foreign Portfolio Investors.

PART TEN

GOVERNANCE AND CONDUCT

44. Compliance and Internal-Control

1/ Without prejudice to the conduct and governance requirements stipulated by the Authority, a Capital Market Service Providers and Market Infrastructures that provide services to a Foreign Portfolio Investors shall maintain a comprehensive compliance and internal control framework designed to monitor operational risks and regulatory adherence associated with the Foreign Portfolio Investment.

2/ The Designated Custodian of a Foreign Portfolio Investor shall appoint a dedicated Compliance Officer who shall ensure that all investment limits, reporting deadlines, tax obligations, and other regulatory requirements are met consistently.

45. Conflicts of Interest and Best-Execution

1/ A Capital Market Service Provider shall implement policies to identify and mitigate conflicts of interest and risks associated with Foreign Portfolio Investment.

2/ Without prejudice to the relevant capital market laws, rules of licensed securities exchanges, and the terms and conditions of the order from the client, a Capital Market Service Provider shall place orders and execute trades in good faith to the Foreign Portfolio Investor.

46. Responsibilities of Capital Market Service Providers

1/ Subject to the governance and conduct requirements and provisions stipulated under the relevant directives of the Authority, a Capital Market Service Provider shall act with professional due diligence, efficiency, and integrity.

2/ Without prejudice to other requirements under relevant laws, licensed Capital Market Service Providers shall:

a. execute Foreign Portfolio Investment transactions in a fair, transparent, and orderly manner;
b. ensure full compliance with applicable investment limits and market rules;
c. disclose all fees, commissions, and charges in a clear and transparent manner; and
d. establish effective operational policies and procedures to ensure compliance with applicable laws .

3/ Subject to its reporting duty to the Authority, a securities exchange shall submit reports on transactions involving Foreign Portfolio Investment and related information to the Authority with its periodic reports under relevant rules and regulations.

47. Duties and Liabilities of a Designated Custodian

1/ A Designated Custodian shall:
a. exercise due diligence and professionalism;
b. maintain confidentiality in respect of trades done on behalf of its clients;
c. cooperate with the Authority's investigations;
d. Restrict the sale or transfer of securities to prevent unauthorized transactions if instructed by the Authority;
e. observe high standards of integrity, conduct, and fit and proper requirements; and
f. adhere to other duties specified by the Authority.

2/ The Designated Custodians shall be liable for losses or damages arising from breach of legal or regulatory obligations.

48. Duties of Foreign Portfolio Investors

1/ A Foreign Portfolio Investor shall:
a. not provide misleading, false and inaccurate information to its Custodian and the Authority;
b. not structure investments to evade ownership limits, disclosure thresholds, or takeover rules;
c. exercise due diligence in appointing service providers and ensure they hold a valid license;
d. promptly and accurately reply to any reasonable information request made by the National Bank, the Authority and the Designated Custodian, and
e. adhere to beneficial ownership and disclosure requirements, market conduct, anti-money laundering and Counter Financing of Terrorism rules and standards as provided under this Regulation and other applicable laws.

2/ An Institutional Foreign Portfolio Investor shall ensure compliance with good corporate governance standards and other best applicable international practices.

PART ELEVEN

INVESTOR PROTECTION, AND COMPLAINT AND DISPUTE RESOLUTION

49. Non-Discrimination and Fair Treatment

1/ Foreign Portfolio Investors shall receive treatment no less favorable than that accorded to domestic investors in like circumstances.
2/ A Foreign Portfolio Investor shall be entitled to exercise voting rights, receive capital gains, dividends, interest, and any other lawful proceeds arising from their investment.
3/ No restrictions, limitations, or administrative measures shall apply to Foreign Portfolio Investors except where expressly provided under this Regulation or other applicable laws.

50. Compensation Fund

The Investor Compensation Fund shall compensate eligible retail Foreign Portfolio Investors who suffer pecuniary loss resulting from the failure of a licensed Capital Market Service Provider, and Securities Exchanges, subject to coverage limits and procedures as per the Capital Market Compensation Fund Regulation and Directive.

51. Complaint Submission to the Authority

1/ Without prejudice to existing laws, capital market service providers and market infrastructures shall maintain internal complaint-handling mechanisms.
2/ Any Foreign Portfolio Investor aggrieved by persons responsible under this Regulation may submit a complaint to the Authority.
3/ The Authority shall establish clear, accessible, and structured channels for lodging complaints, requesting clarification, or raising concerns.
4/ The investors submitting complaints shall be protected from any form of retaliation, discriminatory treatment, or adverse treatment.
5/ The Authority shall examine and decide on any complaint submitted under this Article and render its decision within thirty (30) days from the date of receipt of the complaint unless a longer period is required due to the complexity of the matter, the need for additional information or other justified circumstances, in which case the decision shall be rendered with in 60 days from the date of submission.
6/ When more information is needed from the investor and the investor has not submitted the information/evidence the time count should be suspended

7/ A Foreign Portfolio Investor aggrieved by a final administrative decision of the Authority may submit an appeal to the Administrative Tribunal as per the Proclamation.

52. Settlement of Disputes

Civil disputes arising in the capital market shall be resolved by mediation and where mediation fails, through arbitration in accordance with the Proclamation and the directives of the Authority.

PART TWELVE

ENFORCEMENT AND SANCTIONS

53. Administrative Measures

1. Where the Authority determines that a Foreign Portfolio Investor or a Capital Market Service Provider has breached any provision of this Regulation, the Authority may impose any one or a combination of the following administrative measures, as appropriate to the nature and gravity of the breach:
    a. order the cessation of any act or omission that violates this Regulation;
    b. order the person concerned to cease specific activities or to take corrective measures within a specified period;
    c. impose administrative fines proportionate to the gravity, duration, and impact of the violation;
    d. suspend or revoke the registration, license, or approval granted by the Authority;
    e. suspend, restrict, or prohibit trading or participation in the capital market, whether temporarily or permanently; or
    f. impose any other administrative measure prescribed by directive issued by the Authority pursuant to this Regulation.
2. Without prejudice to sub-article (1) of this Article, where a Capital Market Service Provider facilitates, aids, abets, or fails to exercise due diligence to prevent a breach of this Regulation by a Foreign Portfolio Investor, the Authority may impose any one or a combination of the administrative measures provided under sub-article (1) on such service provider.
3. The Authority shall, by Directive, prescribe the applicable administrative measures and sanction ranges for specific violations of this Regulation, taking into account the nature, gravity, duration, and impact of the violation, as well as the degree of responsibility of the person concerned.

4. Where the Authority determines that an investor or service provider has engaged in prohibited trading practices stipulated under the Capital Market Proclamation, in addition to imposing an administrative fine and other administrative measures, it may order the restitution of any financial benefit obtained to affected market participants

54. Suspension, Restriction, and Revocation

1. The Authority may temporarily suspend a Foreign Portfolio Investor's right to trade on a licensed securities exchange if there is a pending investigation.
2. In cases of gross negligence, fraud, or repeated offenses, the Authority may permanently revoke a Foreign Portfolio Investor's registration and mandate the orderly liquidation of its Ethiopian portfolio.
3. The Authority may temporarily or permanently prohibit any Foreign Portfolio Investor, found to have committed a material violation, from participating in the Ethiopian capital market.

55. Prohibited Acts

1. The following violations shall be subject to administrative measures by the Authority.
    a. Investing in securities not listed as eligible instruments.
    b. Investing outside approved financial instruments.
    c. Holding more than the specified ownership limit without the approval of the Authority
    d. Failing to divest equity ownership beyond limits within the specified time after breach.
    e. Circumventing thresholds via affiliates or acting in concert.
    f. Investing without a Designated Custodian.
    g. Operating trading accounts not linked to single CSD account.
    h. Opening accounts without Know Your Client due diligence.
    i. failure to comply with ongoing obligations;
    j. failure to submit required disclosures or reports;
    k. failure to maintain records or provide information;
    l. failure to provide accurate, complete, or timely information;
    m. utilizing multiple accounts to circumvent ownership caps.

n. Breach of prudential exposure limits; or

o. Failure to maintain required capital/liquidity buffers (for service providers)

2. Notwithstanding sub article 1 of this article, breaching any provision of the Regulation shall result in administrative measures by the Authority.

3. Other applicable violations and administrative measures to be imposed shall be specified in a directive to be issued by the Authority.

PART THIRTEEN

MISCELLANEOUS PROVISIONS

56. Issuance of Directives

The Authority may issue directives, necessary for the proper implementation and enforcement of this Regulation.

57. Inapplicable Laws

Any Regulation, Directive, guideline, or customary practice shall, to the extent of its inconsistency with this Regulation, be inapplicable in respect of matters provided for under this Regulation.

58. Effective Date

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

Done at Addis Ababa, this ___ day of _____ 2026.

ABIY AHMED ALI (PhD)

PRIME MINISTER OF THE FEDERAL DEMOCRATIC

REPUBLIC OF ETHIOPIA

SCHEDULE A

FIT AND PROPER PERSON REQUIREMENTS FOR FOREIGN PORTFOLIO INVESTORS

1. General Obligations

Requirement	Description
1.1.	An applicant for registration as a Foreign Portfolio Investor, including any person acting in concert, beneficial owners, directors, senior management, and authorized signatories, shall satisfy the fit and proper requirements set out in this Schedule at all times.
1.2.	Failure to satisfy any requirement under this Schedule shall constitute grounds for refusal, rejection, suspension, or revocation of registration.

2. Integrity, Honesty and Reputation

Requirement	Description	Verification and Documentation
2.1.	The applicant and its key persons or persons acting in concert shall not have been convicted in any jurisdiction for offences relating to money laundering, terrorism financing or financing of any other form of organized crime covered by international conventions, market abuse, insider trading, misrepresentation, or other serious economic or financial crimes and offences, including bribery of a public official or extortion by a public official;, theft, extortion, misappropriation or abuse of trust, fraud, or handling of stolen goods; fraudulent bankruptcy; genocide, crimes against humanity, or war crimes.	criminal record and regulatory action declarations.
2.2.	The applicant shall not be subject to sanctions under Ethiopian law, United Nations Security Council resolutions, or other applicable international sanctions regimes.	Sanctions screening results.
2.3.	The applicant and its key persons acting in concert shall not be subject to pending criminal proceedings or investigations that, in the opinion of the Authority, materially impair their fitness to participate in Ethiopia's capital markets.	Written consent for regulatory background checks.

2.4.	The applicant shall not be subject to suspension, debarment, prohibition, or similar enforcement action by a securities regulator, financial supervisor, or recognized exchange, nor have a record of serious regulatory contraventions within the preceding five (5) years, or such other period as the Authority may prescribe.	regulatory enforcement history disclosures.

3. Financial Soundness

Requirement	Description	Documentation Required
3.1.	The applicant and persons acting in concert shall not be insolvent, bankrupt, under liquidation process, or subject to equivalent proceedings in any jurisdiction.	declaration of no insolvency or similar proceedings.
3.2.	The applicant shall demonstrate financial capacity commensurate with the nature, scale, and risk profile of its intended investment activities.	Latest audited financial statements.

4. KYC, AML/CFT, AND BENEFICIAL OWNERSHIP

Requirement	Description	Documentation Required
4.1.	The applicant shall be subject to customer due diligence, enhanced where required, in accordance with Ethiopian AML/CFT laws and applicable directives.	Custodian attestation of completed AML/CFT checks.
4.2.	The applicant shall disclose complete and accurate beneficial ownership information.	beneficial owner declarations and ownership structure documents.
4.3.	The applicant shall provide verified evidence of Source of Funds sufficient to establish the lawful origin of the investment capital.	source of funds evidence.
4.4.	Politically Exposed Persons shall be identified and subject to enhanced due diligence.	PEP screening results.

4.5.	The applicant shall not be resident, incorporated, or effectively managed in a jurisdiction identified as high-risk or non-cooperative, unless sufficient mitigating controls are demonstrated to the satisfaction of the Authority.	Verified identity and incorporation documents.

5. FOREIGN EXCHANGE AND FUNDING COMPLIANCE

Requirement	Description	Documentation Required
5.1.	All portfolio investments shall be financed exclusively through eligible foreign currency remitted from outside Ethiopia.	Authorized bank account documentation
5.2.	All foreign exchange transactions, conversions, and repatriation of capital, dividends, interest, and gains shall be registered with and conducted in accordance with the requirements of the National Bank of Ethiopia.	FX transaction reporting arrangement.
5.3.	All foreign currency transfers shall be routed through banks authorized by the National Bank of Ethiopia.	
5.4.	The applicant and the Designated Custodian shall comply with all FX reporting, monitoring and record-keeping obligations.	

6. OPERATIONAL AND MARKET ACCESS REQUIREMENTS

Requirement	Description	Documentation Required
6.1.	The applicant shall obtain an Ethiopian Taxpayer Identification Number prior to commencing investment activities.	TIN registration Certificate
6.2.	Following approval of the investment application by the Designated Custodian, the appointed custodian shall establish the required custody, cash, foreign exchange, and securities accounts, subject to applicable investment thresholds.	Custody and account opening confirmations
6.3.	A custody agreement shall be executed with the Designated Custodian, clearly allocating responsibilities for safekeeping, asset segregation, reporting, and regulatory compliance, and shall be reported to the Authority within five (5) business days.	custody agreement and securities account records.

7. ADDITIONAL DOCUMENTATION (WHERE APPLICABLE)

Requirement	Description	Documentation Required
7.1.	The applicant shall provide a valid Tax Residency Certificate or equivalent issued by the competent authority in its home jurisdiction.	Tax Residency Certificate or an equivalent document.
7.2.	The applicant shall submit certified incorporation documents and corporate profile.	incorporation documents and corporate profile.
7.3.	The applicant shall provide a list of board members and senior management.	list of board members and senior management.
7.4.	Institutional investors shall submit a board resolution authorizing investment in Ethiopian securities.	board resolution to invest in Ethiopia
7.5.	Regulated entities shall provide authorization, license confirmation, or a confirmation letter from their home regulator.	home regulator authorization or confirmation letter.
7.6.	Where applicable, the applicant shall provide evidence that its home regulator is a signatory to the IOSCO Multilateral Memorandum of Understanding (MMoU) or that an equivalent cooperation arrangement exists with the Authority.	Evidence of IOSCO MMoU status or cooperation arrangement.

8. DOCUMENTARY STANDARDS (MANDATORY)

Requirement	Description
8.1.	All documents submitted under this Schedule shall be notarized copies.
8.2.	Any document not in English shall be accompanied by a certified translation into English or Amharic.