

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

DRAFT

Issued on: .....

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## DRAFT PUBLIC OFFERING AND TRADING OF SECURITIES DIRECTIVE

### PREAMBLE

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

**WHEREAS**, it is necessary to provide for a regulatory framework that allows for effective and efficient regulation of Public Offering and Trading of Securities; protects the interest of investors; ensures the integrity of capital market transactions; and ensures the existence of orderly, fair, efficient and transparent capital markets, that promotes the development of Ethiopia;

**NOW, therefore**, the Authority hereby issues this Directive on Public Offer and Trading of Securities in accordance with Articles 6 (5), 6(8), 6(10), 6(17), 75, 76, 77, 80(2), 80(4), and 108(2) of the Proclamation.

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## PART ONE – GENERAL PROVISIONS

### SECTION 1: PRELIMINARY

#### 1. Short Title

This Directive may be cited as the “Directive on Public Offer and Trading of Securities No. /2023.”

#### 2. Scope of Application

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

#### 3. Definitions

- (1) In this Directive, any expression in the masculine shall include the feminine.
- (2) Unless the context otherwise requires, any term defined in this Directive shall have the meaning assigned to it in the Proclamation.
- (3) In this Directive, unless the context otherwise requires:

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- a. **“Advertisement”** shall have the meaning provided for under Article 2(1) of the Proclamation.
- b. **“Authority”** means Ethiopian Capital Market Authority that is established by the Proclamation.
- c. **“Allotment Policy”** means guidelines and criteria set by the issuer regarding the allocation and distribution of securities to investors in respect of an offering.
- d. **“Book Building”** means the process through which an issuer determines the demand and price for its securities prior to its issuance.
- e. **“Book Closure Date”** means a date in which only shareholders marked in the company's record in the Central Securities Depository by such date would be entitled to receive the benefits for which a closure date is determined.
- f. **“Book Runner”** means an investment bank licensed by the Authority that is responsible for marketing and promoting the securities in a book building to potential investors.
- g. **Bonus shares**” means additional shares of an issuer distributed to shareholders usually in proportion to their existing holdings without the requirement for any additional payment.
- h. **“Days”** shall have the meaning provided under Article 2(17) of the Proclamation.
- i. **“Calendar Days”** means consecutive days including Saturdays, Sundays, and public holidays in Ethiopia.
- j. **“Certificate of Commercial Registration”** means an official document issued by the Government of Ethiopia to verify the legal existence of and registration of a commercial entity pursuant to the Commercial Code of Ethiopia and the Commercial Registration and Licensing Proclamation No. 980/2016 and any amendments or succeeding legislations thereto.
- k. **“Certificate of Registration”** means a legal document issued by the Authority upon registration of an issuer’s securities.
- l. **“Compliance Advisor”** means an investment bank licensed by the Authority or any other eligible licensed or qualified capital market service provider approved by the Authority, as described in Article 9 (5) of this Directive.



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- m. **“Convertible Loan Agreement”** means a loan agreement between an issuer and an investor that can be converted into a predetermined number of equity shares on specified terms and conditions.
- n. **“Convertible Debentures”** means a type of Security offered by issuers that give investors the option to convert the debentures into the issuer’s shares at a later date.
- o. **“Debentures”** means a type of debt Security, as defined in Article 2(19) of the Proclamation.
- p. **“Debt Security”** shall have the meaning as provided under Article 2(19) of the Proclamation.
- q. **“Emerging Growth Company”** means a share company with the following characteristics:
  - i. Total number of assets as its last audited financial statement of not more than Birr 100 million; or
  - ii. Annual gross revenue as at the last audited financial statement of less than Birr 500 million; and
  - iii. Market capitalization of not more than Birr 500 million.
- r. **“Escrow Account”** means a blocked account opened in a bank licensed by the National Bank of Ethiopia where funds are held in trust while the offering process is completed.
- s. **“Expert”** means a person who is very knowledgeable or skilful in a particular area.
- t. **“False Market”** means an instance where there is misinformation or incomplete information in the market which compromises proper price discovery of a Security.
- u. **“Feasibility Study”** means a report on the assessment of the practicality or viability of a proposed plan or project and shall include information on the business, risk, potential etc. on the proposed business or project.
- v. **“Firm Underwriting”** means an underwriting arrangement where an issuer sells the entire issue to an underwriter, who then attempts to resell the securities. The Issuer receives the agreed amount and all the risks associated with selling the securities are transferred to the underwriter(s).

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- w. **“Foreign Investor”** shall have the meaning provided for under Article 2(28) of the Proclamation.
- x. **“Inside Information”** shall have the meaning provided for under Article 93 of the Proclamation.
- y. **“Insider”** shall have the meaning provided for under Article 94 of the Proclamation.
- z. **“Institutional Investor”** means an entity that invests significant amounts of capital in financial assets as determined by the Authority periodically and shall include:
  - i. Financial Institutions including banks, insurance companies, and micro-finance institutions,
  - ii. Federal and Regional Governments,
  - iii. Collective Investment Schemes,
  - iv. Pension and Retirement Funds, or
  - v. Any other category as the Authority may determine from time to time.
- aa. **“High Net Worth Investor”** means an individual with a net worth of at least five million (5,000,000) Birr excluding automobiles and primary residence or such amount as maybe prescribed by the Authority.
- bb. **“Information Memorandum”** includes circular, explanatory memorandum or other equivalent document relating to Securities.
- cc. **“Initial Public Offering (IPO)”** shall have the meaning provided for under Article 2 (32) of the Proclamation.
- dd. **“Interested persons”** shall have the meaning provided under Article 79 of the Proclamation.
- ee. **“Investment Bank”** shall have the meaning provided under Article 2 (34) of the Proclamation.
- ff. **“Investment Permit”** means authorization received from the Ethiopian Investment Commission to carry out investments activities in Ethiopia as described in the Investment Proclamation No. 1180/2020 or any amendments or succeeding legislations thereto.
- gg. **“Issuer”** shall have the meaning provided for under Article 2(37) of the Proclamation.

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- hh. **“Listing by Introduction”** means the process of introducing or listing an issuer’s securities held by existing investor on a securities exchange without an initial public offering.
- ii. **“Listing”** means the admission of a security to the official list of a securities exchange; and the terms ‘list’ and ‘listed’ shall be construed accordingly.
- jj. **“Material Information”** means any information that may ordinarily affect the price of an issuer’s securities or influence investment decisions including both material facts and material changes relating to the business and affairs of a company and includes, without limitation the examples in Part Five of this Directive.
- kk. **“Media”** means all channels of mass communication including from printed paper to digital data such as radio, television, newspapers, internet including social media.
- ll. **“Memorandum of Association”** means an instrument drawn up to establish a business organization, as described in the Commercial Code Proclamation No. 1243/2021.
- mm. **“Non-offering Prospectus”** means a prospectus filed with the Authority and the Securities Exchange providing information on securities in connection with which no distribution is contemplated and no securities are offered to the public.
- nn. **“Offer document”** means any document containing relevant information to help an investor make an investment decision. Such documents may include prospectus, information or offering memorandum, pricing supplement or any equivalent document.
- oo. **“Offer of securities”** means a proposition of subscription or purchase of securities in an issuer which, if accepted, would give rise to a contract for the issue or sale of the securities.
- pp. **“Offer for sale”** means the offer of a portion or all of the securities held by promoters or major shareholder(s) in a company to the public.
- qq. **“Offer for subscription”** means a public offering where an issuer invites investors to purchase newly issued securities with a set minimum level of subscription.
- rr. **“Offer Period”** means the period during which an offer for subscription or sale of securities to the public remains open.
- ss. **“OTC Market”** means Over-the-Counter Market and shall have the meaning provided under Article 2(48) of the Proclamation.

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- tt. **“Person”** means a physical or juridical person.
- uu. **“Preferred Rights of Subscription”** means a process through which an issuer offers its existing shareholders the right to purchase additional shares in proportion to their existing holdings.
- vv. **“Preliminary Prospectus”** means the initial prospectus issued in a book building process that does not have the complete particulars on the price and quantum of securities to be issued.
- ww. **“Pricing Supplement”** means a document which provides indicative terms (which includes but not limited to issue date, size, tenure, price, utilization of proceeds, etc.) of a specific offer under a shelf registration, that is issued prior to opening of such offer to the targeted investors.
- xx. **“Primary Regulator”** shall have the meaning provided under Article 2(50) of the Proclamation.
- yy. **“Private Placement”** shall have the meaning provided for under Article 2 (51) of the Proclamation.
- zz. **“Proclamation”** means the “Capital Market Proclamation No. 1248/2021”.
- aaa. **“Professional Parties”** means securities advisers, experts, and/or any party that is involved in an offering process.
- bbb. **“Prospectus”** shall have the meaning provided under Article 2(52) of the Proclamation.
- ccc. **“Public Offer”** shall have the meaning provided under Article 2(56) of the Proclamation.
- ddd. **“Public Company”** shall have the meaning provided under Article 2(53) of the Proclamation.
- eee. **“Public Enterprise”** shall have the meaning provided under Article 2(55) of the Proclamation.
- fff. **“Publicly Held Company”** means a share company that has more than fifty (50) shareholders.
- ggg. **“Publicly Traded Security”** shall have the meaning provided under Article 2(57) of the Proclamation.

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- hhh. **“Qualified Investor”** means buyers of securities with a high level of financial sophistication or expertise to appraise investment opportunities and shall include:
- i. institutional investors as defined by this Directive,
  - ii. a high net worth individual as defined in this Directive; and
  - iii. any other category of investors as the Authority may determine from time to time.
- iii. **“Quoted”** means the placement of a bid or offer price on a security not listed on a securities exchange.
- jjj. **“Registration Statement”** means a filing with the Authority, by an issuer or its authorized representative, making required disclosures for the registration of a security.
- kkk. **“Retail Investor”** means an individual other than an institutional investor or High Net Worth Individual who typically invests small amounts of money and requires a greater level of protection relative to institutional or high net worth individual investors.
- III. **“Securities”** shall have the meaning provided under Article 2(62) of the Proclamation.
- mmm. **“Securities Exchange”** shall have the meaning provided under Article 2(67) of the Proclamation.
- nnn. **“Share-based Payment”** means a form of compensatory payment that issuers provide to their employees, directors, or other service providers in the form of the equity instruments, such as shares or stock options.
- ooo. **“Share”** shall have the meaning provided under Article 2(72) of the Proclamation.
- ppp. **“Shelf Registration”** means a filing undertaken by an issuer which allows an issuer to make multiple offerings at intervals in the near future inviting investors to subscribe to securities but within the validity period as approved by the Authority.
- qqq. **“Standby Underwriting”** means an underwriting arrangement where the underwriter is legally bound to take and pay up to the underwritten percentage only if the Issue is not fully subscribed.

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rrr. **“Supplementary Prospectus”** means a document that provides material information necessary to update or amend the information in a prospectus after the approval of such prospectus by the Authority.

sss. **“Underwriter”** shall have the meaning provided under Article 2(75) of the Proclamation

ggg. **“Underwriting”** means an arrangement between an issuer and an underwriter whereby the underwriter, for an agreed commission, undertakes to pay the issuer an amount based on an agreed price and volume of securities, in connection with the issuance of that security, with a view to resell the securities and not as a form of investment.

## SECTION II – REGISTRATION OF SECURITIES

### 4. Prohibition

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

### 5. Exempted Securities

- (1) Notwithstanding Article 4 of this Directive, the registration requirement shall not apply to the following:
  - a. Securities issued or guaranteed by the Federal Government of Ethiopia,
  - b. Securities offered through private placement,
  - c. Securities offered to qualified investors,
  - d. Small offerings where the total amount to be raised by the issuer is not more than Birr 5,000,000 (five million), or
  - e. Any other classes of securities exempted by the Proclamation and any class of Security the Authority may exempt from the registration requirement from time-to-time.
- (2) Securities issued by the Federal Government of Ethiopia shall not include securities issued by Public Enterprises fully or partially owned by the Government of Ethiopia.

**6. Sale Method of Registrable Securities**

- (1) All securities subject to registration by the Authority may be offered through any of the following:
  - a. Offer for subscription,
  - b. Offer for sale,
  - c. Preferred Rights of Subscription,
  - d. Bonus Shares,
  - e. Convertible debt, or
  - f. Share-based payments.

**7. Application Requirements**

- (1) Subject to Article (5) of this Directive, issuers of securities shall register their securities with the Authority by filing a registration statement which shall:
  - a. be made in accordance with the provisions of this Directive and any other directive which the Authority may issue from time to time,
  - b. be accurate, adequate and disclose material facts concerning the issuer, its business, financial position, the securities it offers, and associated risks to enable potential investors to make informed investment decisions, and
  - c. be submitted to the Authority in the form to be prescribed by the Authority and in effect on the date of filing the application.
- (2) All applications and accompanying documents shall be filed with the Authority in Amharic and/or English language. If any information and/or document to be filed with the application is in any other language, then it shall be accompanied by a certified translation to Amharic and/or English.
- (3) All application information and documents or copies of such information and documents, in so far as practicable, shall be submitted in electronic form or other form as required by the Authority, and in all cases shall be clear and easily readable.

**8. Registration Requirements**

- (1) Unless otherwise stipulated by the Authority, a registration statement filed with the Authority shall include a copy of the prospectus prepared in accordance with the requirements of the Proclamation, this Directive or any other directive or guidelines issued by the Authority from time to time accompanied by:
  - a. evidence of payment of fees as prescribed by the Authority which are in effect on the date of filing the application,

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- b. a certified extract of the resolution(s) of the board of directors authorizing the offer of the securities,
  - c. where applicable, a certified extract of the resolution(s) of shareholders passed at an extraordinary general meeting authorizing the increase in capital and issuance,
  - d. where applicable, a copy of the certificate of commercial registration and investment permit of the issuer, issued by the relevant government organ,
  - e. an authenticated copy of the memorandum of association of the issuer and other applicable incorporation documents showing the shareholders, directors, and capital of the issuer (including amendments),
  - f. where the issuer is a financial institution, a no-objection from the issuer's primary regulator,
  - g. a signed copy of the annual report for the preceding three (3) years, disclosing the following information:
    - i. audited financial statements prepared in accordance with the prevailing accounting standard for the reporting period as set by the Accounting Board of Ethiopia or any relevant Ethiopian Authority,
    - ii. where the latest audited annual financial statement of the issuer is dated more than six (6) months an audited interim financial statement shall also be submitted, and
    - iii. the amount of capital of the company clearly showing the issued and paid-up capital
  - h. a report on the valuation of the securities (for equity securities) issued by a licensed investment bank in good standing with the Authority,
  - i. a copy of any material contracts,
  - j. a schedule of pending claims and litigation, and
  - k. any other document which may be required by the Authority from time to time.
- (2) Notwithstanding the valuation report submitted in accordance with Sub-Article 1(h) of this Article, where the Authority is in doubt as to the veracity of the information stated in the valuation report, the Authority may request for a second valuation of the securities by a different investment bank at the expense of the issuer or offeror.

### 9. Registration Requirements for Emerging Growth Companies

- (1) An emerging growth company shall comply with the requirements of Article 8 of this Directive.



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- (2) Notwithstanding the provisions of Article 8(g) of this Directive, an emerging growth company shall submit annual reports and audited financial statements for a minimum of two (2) years.
- (3) An emerging growth company shall appoint a Compliance Advisor by a written contract which shall be submitted to the Authority and shall ensure it always has a Compliance Advisor as long as the company is classified as an emerging growth company.
- (4) The Compliance Advisor shall be an investment bank licensed by the Authority or any other eligible licensed or qualified capital market service provider approved by the Authority.
- (5) The Compliance Advisor shall:
  - a. be responsible for ensuring that the offer of securities is made in accordance with the provisions of the Proclamation, any subsidiary legislations made under the Proclamation as well as directives that the Authority may issue consistent with the Proclamation.
  - b. take all reasonable steps to brief the issuer's board of directors and management as to the nature of their responsibilities under the emerging growth company requirements, other applicable Directives, and the general nature of their obligations in relation to stakeholders.
  - c. advise, monitor, and guide the issuer in complying with all requirements of the Authority and other applicable laws and regulations as well as instituting high level of corporate governance practices in its operations.
  - d. review with the issuer, prior to publication, all periodic financial information announcements, and any other disclosures to ensure that the directors of the issuer, after due and careful consideration, understand the importance of accurately disclosing all to shareholders and the market.
  - e. carry out any activities relating to the issuer for which it is the Compliance Advisor as may be requested by the Authority, from time to time.

### 10. Registration of Bonus shares

- (1) An application for registration of securities to be issued as bonus shares shall be made in the designated form within one (1) month of the approval by the shareholders and shall be accompanied by the following:
  - a. certified extracts of each of the board and shareholders' resolutions authorizing the dividend shares, and
  - b. evidence of payment of appropriate fees to the Authority.
- (2) The Authority will confirm that provision has been made for the bonus shares from the Company's most recent audited accounts and may require a copy of the following, where same has not been previously filed with the Authority:

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- a. a copy of the certificate of commercial registration and investment permit of the issuer, issued by the relevant government organ, and
  - b. an authenticated copy of the company's Memorandum of Association.
- (3) the Authority will register the bonus shares within seven (7) business days of receipt of the application, subject to compliance with all registration requirements.
  - (4) The company shall forward the required data to the Central Securities Depository within five (5) business days of receipt of the Authority's approval and the securities depository shall credit shareholders' accounts within two (2) business days of receipt from the company.

### 11. Registration Requirement for Convertible Debt

- (1) Securities to be issued subsequent to the conversion of debt instruments or other fixed income instruments into equity, based on predetermined agreements or conditions by the parties involved shall file an application for registration with the Authority within one (1) month of conversion.
- (2) An application for registration of securities arising from convertible debentures shall be duly filed with the Authority accompanied by:
  - a. Information Memorandum containing the following details:
    - i. summary of the convertible loan/debt,
    - ii. the convertible amount,
    - iii. name of borrower and lender,
    - iv. Outstanding share capital of the issuer,
    - v. purpose and use of loan proceeds,
    - vi. basis of conversion,
    - vii. class of securities as well as rights attached to them,
    - viii. effects of conversion including on the company's share capital, share structure and debt profile, and
    - ix. shareholding structure pre-conversion and post-conversion.
  - b. where applicable, conversion loan agreement duly certified by the company secretary,

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- c. a certified extract of the resolution(s) of the Board of Directors authorizing the conversion and issuance of the debt,
- d. a certified extract of the resolution of the shareholders passed at an extra-ordinary general meeting approving the increase in capital and issuance,
- e. where applicable, evidence of collection of the loan,
- f. evidence of payment of fees to the Authority,
- g. a copy of the memorandum of association of the issuer (including amendments),
- h. a copy each of the audited financial statement for the preceding three (3) years,
- i. Where the most recent audited account of the issuer is dated more than six (6) months, an interim financial statement shall also be submitted, and
- j. any other information that may be relevant to the transaction or required by the Authority.

### 12. Listing by Introduction of Shares

- (1) All outstanding shares of companies that apply for listing on a securities exchange by way of introduction shall be registered with the Authority, provided that only already issued securities shall be registered and no new securities shall be offered and registered by the Authority as part of a listing by introduction.
- (2) An issuer proposing to list its shares by introduction on a securities exchange shall file its application for registration with the Authority on the prescribed form accompanied by the following documents:
  - a. a non-offering prospectus prepared in accordance with Schedule II of this Directive,
  - b. certified extract of the board resolution authorizing the listing,
  - c. a copy of the certificate of commercial registration and investment permit of the issuer, issued by the relevant government organ,
  - d. an authenticated copy of the memorandum of association of the issuer and other applicable incorporation documents showing the shareholders, directors, and capital of the issuer (including amendments),
  - e. a copy each of the audited financial statement for the preceding three (3) years,

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

### **13. Fees**

Every Applicant shall pay a non-refundable fee as specified in the Authority's Fee Directive.

### **14. Timeline for processing of Application**

- (1) Except otherwise stated in this Directive, a registration statement filed with the Authority shall be reviewed within twenty (20) business days. In the case of an initial public offer, this time frame shall be thirty (30) business days.
- (2) The timeline specified under Sub-Article (1) of this Article shall reset once the Authority communicates comments to revise, update or clarify information or a deficiency in the application.
- (3) Failure of the Authority to act on the registration statement within the time limits laid down in Sub-Article (1) of this Article, however, shall not be construed to constitute approval or non-approval of the registration statement by the Authority.

### **15. Principles for Review of Registration Statement**

- (1) In reviewing the prospectus and other offer documents filed with the Authority, the Authority shall give regard to the consistency, comprehensibility and completeness of information contained therein.
- (2) The Authority in consideration of the issuer's activities, purpose of the offer and/or nature of securities to be issued may request inclusion of additional information in the prospectus or offer document.

**16. Approval of Registration by the Authority**

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

**17. Rejection of Registration**

- (1) The Authority shall reject an application for registration if it finds that:
  - a. the registration statement is on its face incomplete, misleading, inaccurate in any material respect, includes any untrue statement of a material fact or omits to state a material fact required to be stated therein and the issuer fails to amend the registration statement as required,
  - b. the issuer, senior officer, director or controlling person of the issuer, or person performing similar functions, or any underwriter has been convicted, by a competent judicial body of an offense involving dishonesty, fraud, or crime of breach of honor or trust,

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- c. the issuer, senior officer, director or controlling person of the issuer, or person performing similar functions, or any underwriter has been judicially declared insolvent,
  - d. the issue has violated any of the Articles of the Proclamation, this Directive, or any directive or any order of the Authority of which the issuer has notice in connection with the offering for which a registration statement has been filed,
  - e. the issuer has failed to comply with any requirement that the Authority may impose as a condition for registration of the security for which the registration statement has been filed; or
  - f. the issuance, thereof, might be contrary to the interests of investors and the public in general, having regard to whether a reasonable investor, would lose confidence in the capital market and be less willing to invest if the Authority did not take action to deter the issuance in question, and may include:
    - i. an offering structured to manipulate the provisions of the Proclamation or this Directive or exploit a loophole,
    - ii. an offering that would otherwise be illegal,
    - iii. where it is determined that the business of the issuer may not be conducted with integrity and in the best interest of the security holders of the issuer because of past conduct of the issuer or any of the issuer's officers, directors, promoters, or control persons,
    - iv. a person or company that has prepared or certified any part of the prospectus, or that is named as having prepared or certified a report or valuation used in connection with the prospectus, is not acceptable, or
    - v. an escrow and adequate arrangements have not been made for the holding of the proceeds payable to the issuer from the sale of the securities pending the distribution of the securities.
- (2) The Authority, having provided the issuer with an opportunity to be heard, may reject an application for registration and refuse registration of the security thereunder by issuing an order to such effect. Any rejection by the Authority shall be in writing and it shall state in a clear and precise manner the basis for the decision.

**18. Certificate of Registration**

A certificate of registration shall be issued by the Authority upon registration of the securities. In the case of a public offer of securities, the Authority shall issue an approval letter to the issuer upon approval of the prospectus and thereafter issue a certificate of registration to the issuer upon clearance of the proposed allotment of the securities.

**19. Transitional Provision**

- (1) Following the effective date of this Directive, existing publicly held companies shall register their securities with the Authority in accordance with the provisions of this Directive and any other directive which the Authority may issue from time to time.
- (2) Except as approved by the Authority, existing publicly held companies shall have one (1) year following the effective date of this Directive to register their securities with the Authority.
- (3) The application for registration of securities shall be duly filed with the Authority accompanied by:
  - a. Information Memorandum containing the following details:
    - i. information on the company including the objectives and business of the company,
    - ii. issued and paid-up capital,
    - iii. profile of directors and management staff,
    - iv. a brief description of the securities,
    - v. class of securities as well as rights attached to them, and
    - vi. Any other material information the Authority may require.
  - b. certified extract of the board resolution authorizing the registration of securities,
  - c. a copy of the certificate of commercial registration and investment permit of the issuer, issued by the relevant government organ,
  - d. an authenticated copy of the memorandum of association of the issuer and other applicable incorporation documents showing the shareholders, directors, and capital of the issuer (including amendments),
  - e. a copy each of the audited accounts for the preceding three (3) years or number of years the company has been in operation,

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- f. where the latest audited annual financial statement of the issuer is dated more than six (6) months an interim financial statement shall also be submitted,
  - g. a certified copy of the prescribed form reflecting the capital and allotted shares of the company,
  - h. a certified copy of corporate form containing the particulars of directors,
  - i. evidence of payment of fees to the Authority; and
  - j. any other document or information that may be required by the Authority.
- (4) Share companies seeking to list their securities on a securities exchange by introduction shall comply with the provisions of Article 12 of this Directive.
- (5) Public offer of securities by companies under formation which have not been completed as of the effective date of this Directive shall have until the time given under the Commercial Code, which is generally five years from the start of the offer to complete the offer and finalize the formation and registration of the company with the Ministry of Trade and Regional Integration.
- (6) An issuer subject to the provision of Sub-Article (5) of this Article shall file an application for registration of its securities with the Authority upon registration of the Company in accordance with Sub-Article (2) of this Article or Article 12 of this Directive as applicable.

## PART TWO – OFFER OF SECURITIES

### SECTION I – GENERAL

#### 20. Eligibility

- (1) Without prejudice to the provisions of Section 75 (4) of the Proclamation, no person shall make any offer to the public to acquire or dispose of any securities of an entity except the entity concerned is:
- a. a share company,
  - b. a share company under formation and the public offering is made in compliance, with this Directive and such other directive as may be issued by the Authority,



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

### **21. Prospectus Requirement**

No person shall issue any form of application to deposit money for the purpose of subscribing to, purchasing or in any way acquiring the securities of an issuer and no issuer shall receive such monies unless the form is accompanied by a valid prospectus that complies with the requirements of this Directive and approved by the Authority.

### **22. Appointment of an Investment Bank**

- (1) An issuer proposing to offer its securities to the public shall:
- a. appoint a licensed investment bank in good standing with the Authority. Where more than one investment bank is appointed, a lead investment bank shall be identified,
  - b. the investment bank(s) appointed under Sub-Article (a) of this Article shall be responsible for ensuring that the offer of securities is made in accordance with the

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provisions of the Proclamation, this Directive and any subsidiary legislations made under the Proclamation that the Authority may issue consistent with the Proclamation, and

- c. The lead investment bank shall be responsible for:
  - i. coordinating the preparation of the registration statement and other transaction documents,
  - ii. coordinating the activities of other professional parties to the offer,
  - iii. filing of the registration statement and offer documents with the Authority including responding to any question or clarifications that the Authority may seek on behalf of the issuer, and
  - iv. carrying out any other activity as may be contained in this Directive or requested by the Authority with respect to the issuance from time to time.

### 23. Additional Registration Requirement

- (1) In addition to the requirement of Article 8 of this Directive, a registration statement for the public offer of securities shall be accompanied by
  - a. An external independent legal opinion on:
    - i. whether all licenses and consents required to perform the business or proposed business of the issuer have been duly obtained,
    - ii. any agreements or contracts with respect to the proposed issue of securities, including, where applicable but not limited to, underwriting contracts, agreements, or contracts material to the offer of securities,
    - iii. any material claim, litigation, prosecution or other civil or criminal legal action in which the issuer or any of its director is involved,
    - iv. whether the existing capital of the issuer and any proposed changes thereto is in conformity with applicable laws and has received all necessary authorizations,
    - v. any other material items with regards to the legal status of the issuer and the proposed issue; and
    - vi. any other matter as may be requested by the Authority.

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- b. a copy of agreements with underwriters, investment banks and other agreement entered in respect to the securities, offer or listing,
- c. evidence of escrow account opened for the subscription monies in a bank licensed by the National Bank of Ethiopia (NBE) and empowered to accept deposit and savings,
- d. schedule of estimated expenses and fees payable to professional parties related to the offer,
- e. consent of all professional parties, directors, promoters, and experts who are named in the prospectus. A corporate body giving consent shall do so through duly authorized persons who shall be a director, company secretary or persons acting in those capacities, and
- f. any other document as may be requested by the Authority.

### **24. Exemption from Obligation to Issue a Prospectus**

- (1) The obligation to issue a prospectus set out in Article 21 of this Directive shall not apply to any of the following:
  - a. an offer of securities by the way of private placement,
  - b. an issuance of shares resulting from the conversion or exchange of other securities or from the exercise of the rights conferred by other securities, where the resulting shares are of the same class as the shares provided that a document is made available containing information on the number and nature of the securities and the reasons for and details of the offer or allotment,
  - c. shares issued in substitution for shares of the same class already issued, if the issuing of such new shares does not involve any increase in the issued capital provided that a document is made available containing information on the number and nature of the securities and the reasons for and details of the offer or allotment,
  - d. shares offered, allotted or to be allotted free of charge to existing shareholders, and dividends paid out in the form of shares of the same class as the shares in respect of which such dividends are paid provided that a document is made available containing information on the number and nature of the securities and the reasons for and details of the offer or allotment,

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- e. securities offered, allotted or to be allotted to existing employees by their employer, provided that a document is made available containing information on the number and nature of the securities and the reasons for and the details of the offer or allotment,
  - f. shares offered upon merger, acquisition, split-up, injection of a part of assets as capital in kind, or exchange of shares, within the context of the laws and regulations pertaining to merger and split-up, provided that the issuer is a listed company and requisite disclosures as may be required by the Authority have been made, or
  - g. securities offered to existing shareholders in proportion to their existing holdings.
- (2) Notwithstanding the provisions of Sub-Article (1) of this Article, any document issued in relation to the issue of securities shall not contain any untrue, misleading, or incomplete statement.

### **25. Form and Content of a Prospectus**

- (1) The content of a prospectus shall include disclosure information as required by Schedule II of this Directive as applicable.
- (2) Emerging growth companies shall comply with the requirements of Schedule II-B of this Directive.
- (3) The information in the prospectus shall be presented in a manner that can be easily comprehensible and analyzable by investors under appropriate captions or headings reasonably indicative of the principal subject matter set forth thereunder.
- (4) The information in the prospectus must not include a presentation of estimates, projections, forecasts, or forward-looking statements or overviews, without sufficient qualification, or without sufficient factual basis.
- (5) Where the prospectus contains financial information which are not based on audited financial statements or financial information which have been reviewed by an independent accountant, such information must be consistent with and must not contain any contradiction with the information given in the audited and/or limited reviewed financial statements and the basis of preparation.
- (6) It must be clearly stated that information referred to in Sub-Article (5) of this Article is not from audited financial statements and the basis for their preparation must also be stated.
- (7) The names, functions and contact information of the persons responsible for the prospectus shall be clearly indicated in the prospectus.

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- (8) The front cover of the prospectus shall clearly state that the Authority does not assume any responsibility for the correctness of any statements made or opinions or reports included therein and the registration of the prospectus and the securities which it offers by the Authority should not be construed as an endorsement of the issuer or of the securities that is the subject of the prospectus.
- (9) The information required in a prospectus shall follow the order set out in the preliminary part of the Schedule, and thereafter it need not follow any particular order provided that the information is set forth in such a manner as not to obscure any of the required information necessary to keep the required information from being incomplete or misleading.
- (10) Notwithstanding the provisions of Schedule II, a prospectus or any offer document shall contain all such information as investors would reasonably require, and reasonably expect to find therein, for the purpose of making an informed assessment of:
  - a. the assets and liabilities, financial position, profits and losses, and prospects of the issuer of the securities,
  - b. the securities being offered and the rights attaching to those securities,
  - c. the reasons for the issuance and its impact on the issuer; and
  - d. the risk associated with such investment.
- (11) In determining what information is required to be included in a prospectus by virtue of Sub-Article (10) of this Article, regard shall be given to the nature of the issuer or offeror and the type of securities being offered.
- (12) The information to be included by virtue of this Directive shall be such information as is referred to in Sub-Article (10) of this Article which is within the knowledge of any person responsible for the prospectus, or which it would be reasonable for him to obtain by making enquiries.
- (13) The Authority may require additional information to be included in a prospectus if, in its opinion, it deems it in the interests of investors to be in a prospectus, or any offer document.
- (14) An issuer may provide a prospectus in English language as long as a corresponding Amharic version is made available. In case of any discrepancy between the versions, the Amharic version shall prevail.

- (15) The prospectus shall include an application form to be filled by subscribers with provisions for subscribers to indicate their names, address, the number of shares they seek to purchase, the date of the application and a confirmation that they have read the Prospectus as well as any information incorporated by reference to the Prospectus.

**26. Incorporation by Reference**

- (1) Except information that needs to be placed in the prospectus, any other information may be incorporated by reference in the prospectus where it has been previously submitted to the Authority and released to the public through the Authority or securities exchange and remains publicly available.
- (2) Information included in the prospectus by reference must be the most recent information held by the issuer and must refer to the source of such information, and state how such information may be accessed.
- (3) All information incorporated by reference shall be clearly identified by document type, date, page number, paragraph, caption, or other means of identification as the Authority may prescribe.
- (4) If only certain pages of a document are incorporated by reference and filed as an exhibit, the document from which the material was taken shall be clearly identified in the reference.
- (5) A matter shall not be incorporated by reference in any case if such incorporation would render the statement incomplete, unclear, or confusing.

**27. Persons Responsible for Prospectus**

- (1) Where a prospectus invites person to subscribe for securities, the persons responsible for the information in a prospectus shall be jointly and individually liable to pay compensation for losses or damage suffered by persons who subscribe to securities relying on information included in the prospectus, which is inaccurate, misleading, or incomplete.
- (2) For the purposes of this Directive, persons responsible for a prospectus shall include:
- a. the issuer of the securities to which the prospectus relates,
  - b. where the issuer is a corporate entity, each person who is a director and has given consent to be named and is so named in the prospectus as a director or as having agreed to become a director of that corporation either immediately or at a future time,

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- c. each person who accepts, and is stated in the prospectus as accepting, responsibility for, or for any part of, the prospectus or supplementary prospectus,
  - d. the offeror of the securities, where the offeror is not the issuer,
  - e. where the offeror is a corporate entity, but is not the issuer and is not making the offer in association with the issuer, each person who is a director of that corporate entity at the time when the prospectus is published, and/or
  - f. each person not falling within any of the foregoing paragraphs who has authorized the contents of, or of any part of, the prospectus or supplementary prospectus or offer document.
- (3) Notwithstanding the provisions of Sub-Article (2) of this Article, a person shall not be responsible for a prospectus where:
- a. under Sub-Article 2(a)(b) or (c) of this Article, the issuer has not made or authorized the offer in relation to which the prospectus is published, or
  - b. under Sub-Article 2(b) of this Article if such prospectus is published without their knowledge or consent and on becoming aware of its publication, they immediately give reasonable public notice that it was published without their knowledge or consent.
- (4) Where a person has accepted responsibility for, or authorized, only part of the contents of any prospectus, he shall be responsible under sub-article (2)(f) only for that part and only if it is included or substantially included in the form and context to which he has agreed.
- (5) An issuer may disclaim liabilities arising from inaccurate, misleading, or incomplete public disclosure in a prospectus or offer documents in the event that:
- a. the purchase or sale of the securities is not based on the prospectus or offer document,
  - b. the purchase or sale of the securities has been realized although it was known that the information contained in the prospectus was inaccurate, misleading, or incomplete,
  - c. the correction regarding the inaccurate, misleading, or incomplete information contained in prospectus has been publicly disclosed before the investment decision has been taken or before the transaction based on this document has been made, or
  - d. the investors would have incurred a loss even though the information contained in the prospectus was not inaccurate, misleading, or incomplete.

- (6) Any agreements, provisions or expressions mitigating or removing the responsibility arising from a prospectus or offer document shall be null and void.

**28. Expert Statement in a Prospectus**

- (1) A prospectus inviting persons to subscribe for the securities of an issuer and including a statement asserting to be made by an expert shall not be issued unless:
  - a. the expert has given and has not, before delivery of the prospectus for registration and distribution to the public, withdrawn his written consent to the issue of the statement included in the form and context in which it is issued; and
  - b. a statement appears in the prospectus that the expert has given and has not withdrawn his consent.

**29. Omission from Prospectus**

- (1) The Authority may authorize the omission from a prospectus or offer document of information whose inclusion would otherwise be required by these Directive if the Authority considers that:
  - a. disclosure of such information would be contrary to the public interest, or
  - b. disclosure of such information would be seriously detrimental to the issuer, provided that the omission of such information would not be likely to mislead the public, and the information is of minor importance only and as such, will not influence the assessment of the activities, assets, liabilities, financial position, profits and losses, or implicit risks and prospects of the issuer.

**30. Review of Prospectus**

- (1) The Authority shall review a prospectus submitted to ensure information contained therein is accurate, sufficiently clear, comprehensive, reasonably specific and timely.
- (2) Where applicable, the Authority shall communicate comments on the prospectus requesting the issuer and investment bank to revise, update or clarify information or a deficiency in the prospectus.
- (3) Each version of the draft prospectus submitted after the first draft shall highlight all changes made to the preceding draft and shall be accompanied by an unmarked draft and an explanation as to how the outstanding issues notified by the Authority have been addressed.



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- (4) A final draft of the prospectus or offer document submitted to the Authority shall be accompanied by:
  - a. a cross reference list stating how the disclosure requirements of the prospectus and any additional request by the Authority have been complied with,
  - b. any information that is incorporated by reference (where not already submitted), and
  - c. any other information requested by the Authority for review and approval.

### 31. Advertisement

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

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- “brighter future”, “Reliable”, “Profitable” and other similar language** shall be avoided.
- (8) An advertisement shall not contain statements which promise or guarantee a rapid increase in profits.
  - (9) An advertisement shall include a recommendation that potential investors read the prospectus before making an investment decision in order to fully understand the potential risks and rewards associated with the decision to invest in the securities and where in doubt to consult their stockbroker, portfolio managers, investment adviser, or any other professional adviser for guidance before subscribing.
  - (10) The advertisement shall include a statement that the approval of the prospectus by the Authority should not be understood as an endorsement or recommendation of the securities offered.
  - (11) Advertisements disseminated to potential investors shall be amended where:
    - a. a supplement to the prospectus is subsequently published in accordance with Article 40 of this Directive, or
    - b. the significant new factor, material mistake or material inaccuracy mentioned in the supplement renders the previously disseminated advertisement materially inaccurate or misleading.
  - (12) Models, celebrities, fictional characters, landmarks or caricatures or the likes shall not be displayed on or form part of the advertisements. Advertisements shall not appear in the form of crawlers (the advertisements which run simultaneously with the program in a narrow strip at the bottom of the television screen) on television.
  - (13) An advertisement shall present the information in the prospectus in a balanced way, including by way of presentation of the negative aspects and the positive aspects of such information with the same prominence without omission or selective presentation of certain information.
  - (14) An advertisement shall be considered to be misleading if it contains:
    - a. statements made about the performance or activities of the company (in the absence of necessary explanatory or qualifying notes), which may give an exaggerated picture of the performance of the company, or
    - b. an inaccurate portrayal of the company’s past performance or its portrayal in a manner which suggests that past gains or income will be repeated in future.

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- (15) The following advisory clause shall be stated as a footnote in all print and electronic media advertisements:

*“Please read the Prospectus and where in doubt, consult your Securities Broker, Portfolio Manager or any other Securities Adviser for guidance before subscribing.”*

- (16) Where it is necessary for the smooth operation of the market or for investor protection, the Authority may prohibit, restrict, or suspend or withdraw, amend, or refrain from issuing an advertisement.

### 32. Underwriting of Public Offers

- (1) Underwriting of public offers shall be at the discretion of the issuer subject to the prior approval of the Authority.
- (2) Where an issuer opts for underwriting, the offering shall be underwritten by the investment bank to the transaction. Where the issue is underwritten by a syndicate of underwriters, the lead investment bank, shall act as the lead underwriter; provided, however, that in the case of a debt issue a lead underwriter other than the lead investment bank, may be appointed as lead underwriter.
- (3) All underwriting and sub-underwriting agreements shall be submitted to the Authority along with other registration documents.
- (4) The following shall apply in a firm or standby underwriting:
- the underwriter shall sell the securities on a securities exchange or OTC market,
  - the underwritten securities shall be sold by the underwriter within such period as may be predetermined by the issuer and approved by the Authority,
  - where the securities are not disposed of within the predetermined period, the Authority may, on the written application of the underwriter, extend the period of sale referred to in Sub-Article (4)(b) of this Article having regard to the prevailing market conditions and other factors that are relevant in the circumstances, and
  - underwriters shall submit quarterly returns to the Authority in respect of the undisposed securities until same is fully disposed.
- (5) Where any party or parties in an underwriting agreement intend to terminate the agreement, such party or parties shall give not less than five (5) business days' notice to the Authority and shall state the reasons for the intended termination. If the Authority is satisfied with the reasons given it may give approval for the termination of the agreement.

**33. Amount to be Underwritten**

- (1) The amount or percentage of the offer underwritten by any underwriter shall be subject to review and amendment by the Authority.
- (2) Notwithstanding the foregoing, the underwriting commitment by a single underwriter at any time shall be as specified by the Authority.

**34. Underwriting Commission**

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

**35. Time in Which Underwritten Amount is Made Available**

- (1) In all cases of firm underwriting, the underwriter shall pay the amount underwritten available to the issuer on the day the offer opens.
- (2) In all cases of standby underwriting, the amount underwritten shall be paid to the issuer the next working day after clearance of allotment.

**36. Amendment of Information Before Approval**

- (1) Where after the submission of a prospectus but before approval, a material change occurs or an error in the information submitted is found that makes the facts contained in the prospectus misleading, incorrect, inadequate, or incomplete in any respect:
  - a. the issuer shall file, as soon as practicable and in any event within ten (10) days after the change occurs, file an amendment thereto setting forth the error or the change and providing current information that would make the information in the prospectus true, correct, and complete from the identification of the error or occurrence of the change.
- (2) If the issuer fails to meet its obligation under Sub-Article (1) of this Article, the Authority shall issue an order directing the issuer to file an amendment of the registration statement or face rejection of the registration.

**37. Publication of a Prospectus**

- (1) An issuer of securities shall obtain the approval of the Authority prior to issuing of its prospectus.
- (2) An approved prospectus shall be published within six (6) months and at the latest ten (10) days before the offer to the public is scheduled to start or such other timeframe as maybe approved by the Authority from time to time.
- (3) The approved prospectus shall be published and made available to the public free of charge. The issuer shall make available to investors free of charge a printed copy of the prospectus upon demand.
- (4) The text and the format of the prospectus, and any supplement to the prospectus made available to the public, shall at all times be in the form and content as approved by the Authority.
- (5) The prospectus shall be deemed available to the public when published in electronic form on the website of the issuer or in the form prescribed by the Authority. The prospectus shall also be posted on the website of the intermediaries placing or selling the securities, and the website of the exchange where the issuer securities trade or admission to trading is sought.
- (6) The prospectus shall be published in a dedicated and easily accessible section of the issuer's website which shall be evident from the landing page. It shall be downloadable, printable, and in a searchable electronic format that cannot be modified.
- (7) Access to the prospectus shall not be subject to the completion of a registration process, the acceptance of a disclaimer limiting legal liability, or the payment of a fee.
- (8) Where an approved prospectus is not published within the timeframe approved by the Authority, it shall be required to be re-validated by the Authority before publication and distribution.
- (9) Subject to the approval of the Authority, an issuer may also publish a summary prospectus prepared in accordance with the section on summary in the relevant schedule of this Directive in at least two newspapers (one (1) in Amharic and one (1) in English) of wide circulation in Ethiopia and such summary prospectus shall disclose basic information on the issuer, including:
  - a. a summary of statement of financial positions and profit and loss accounts for the three years immediately preceding the issue,
  - b. key information on the issuer, and

- c. key information on the securities being offered and the offer.
- (10) The offer shall only be opened to the public on the terms and conditions approved by the Authority.
- (11) All approved prospectuses shall remain publicly available in electronic form for at least (10) years after their publication on the websites of the issuer.
- (12) Unless the context requires otherwise, a reference in this Directive to a prospectus includes a supplementary prospectus.

**38. Effective Date of Prospectus**

A prospectus issued by or on behalf of an issuer or in relation to an offer shall be dated and that date shall, unless the contrary is proved, be taken as the date of publication of the prospectus.

**39. Period of Offer**

- (1) The offer period shall be determined by the issuer and/or the public offeror but shall not be for more than ninety (90) business days.
- (2) The Authority may, on an application by the issuer, grant an extension of offer period.
- (3) Any application for extension of the offer period shall be made in writing to the Authority at least five (5) business days before the date of closure of the offer as stated in the prospectus or offer document. No offer shall continue beyond the closing date unless prior written approval of the Authority is obtained.
- (4) The Authority shall grant an extension of time on the condition that the issuer's latest audited accounts shall remain valid throughout the extension period.
- (5) The new closing dates period shall be immediately announced by the issuer using the same means as when the initial offer was announced.

**40. Material Changes to Prospectus**

- (1) Where, after the approval of the prospectus, and at any time between the approval and the closing of the offer period the issuer becomes aware that the information contained in its prospectus is or has become misleading, incorrect, inadequate, incomplete in any material respect, or new developments has made it so, or new information that is material to the offer becomes available that impacts the accuracy of information previously provided, the issuer shall:

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- a. immediately suspend the offer of its securities, if an offering is still being conducted; and
  - b. with the prior approval of the Authority, issue a supplementary prospectus before recommencing the offering of its securities.
- (2) Information shall be considered material, if:
  - a. there is a significant change affecting any matter contained in the prospectus the inclusion of which was required by this Directive; or
  - b. a significant new matter arises the inclusion of information in respect of which would have been so required if it had arisen when the prospectus was being prepared.
- (3) Where a supplementary prospectus has been approved:
  - a. the issuer shall make the supplementary prospectus available in similar fashion as the prior publication of the prospectus, and
  - b. the Articles of this directive shall have effect as if any reference to a prospectus were a reference to the prospectus, which were originally registered and the supplementary prospectus, taken together.
- (4) Where the prospectus relates to investors who have already agreed to purchase or subscribe for the securities before the supplementary prospectus is published, it shall contain the right, exercisable within fifteen (15) business days after the publication of the supplement, to withdraw their subscriptions.
- (5) The period provided under Sub-Article (4) of this Article may be extended by the issuer and the final date of the right of withdrawal shall be stated in the supplement prospectus.
- (6) The supplement prospectus shall contain a prominent statement concerning the right of withdrawal, which clearly stating:
  - a. that a right of withdrawal is only granted to those investors who had already agreed to purchase or subscribed for the securities before the supplement was published,
  - b. the period in which investors can exercise their right of withdrawal; and
  - c. how and who investors may contact should they wish to exercise the right of withdrawal.

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### **41. Authority's Power to Stop Offer**

Where it is necessary for the smooth operation of the market or for investor protection, the Authority may prohibit, restrict, suspend or order withdrawal, amendment, or refrain from issuing offer.

### **42. Allotment of Securities**

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

### **43. Publication of Allotment Result**

- (1) The issuer or investment bank shall within five (5) business days of approval of the allotment by the Authority, publish the allotment in at least two (2) newspapers (one (1) in Amharic and one (1) in English) of wide circulation and on the issuer's website.



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- (2) Securities shall be listed not later than thirty (30) days after the allotment clearance (where applicable).

### **44. Under-subscription**

- (1) Where the total subscription amount received in an offering that is not underwritten is less than the minimum target amount specified in the prospectus, the offer shall be aborted by the issuer within thirty (30) days of the closing date of the offer subject to the approval of the Authority.
- (2) The issuer shall publish details of the decision to abort the offer in at least two newspapers of wide circulation (one in Amharic and one in English) not later than five (5) business days after the approval of the Authority.
- (3) The issuer and investment bank shall ensure monies are returned to subscribers to the aborted issue not later than fifteen (15) business days of the approval of the Authority to abort the issue.
- (4) Any issuer who does not receive the minimum number of subscriptions in a public offering shall not be eligible to make another public offering before the expiry of one year from the date of approval of the previous undersubscribed public offering.

### **45. Over- Subscription**

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

### **46. Notice of Completion of Offer**

- (1) The investment bank to an offer shall notify the Authority of the completion or termination of an offering within thirty (30) business days from such completion or termination, and the notice shall state the number of securities sold.
- (2) The offer process shall be completed upon transfer of securities to the investor's account held with a central securities depository and/or money returned to investors as appropriate.

- (3) The issuer shall submit to the Authority on an annual basis, a report on how the proceeds of the offer have been applied in line with the disclosures contained in the prospectus on the use of proceeds until full utilization of the offer proceeds.

**47. Condition for Approval of Subsequent Public Offers**

- (1.) Subsequent capital raising shall be approved only upon satisfactory account of utilization of previous issue proceeds.
- (2.) However, in the case of a shelf registration the issuer shall, within the validity period of the shelf be permitted to issue securities to the limit of the program.

**SECTION II – SHELF REGISTRATION**

**48. Eligibility**

- (1) An issuer subject to the provisions of this Directive may offer for subscription or issue an invitation to the public or a select few subscribers for purchase of a class of securities in accordance with a shelf registration subject to the following conditions:
  - a. in the case of a public company:
    - i. the company has been listed on a securities exchange for at least three (3) years,
    - ii. the company is up to date on its ongoing reporting obligations,
    - iii. the issuer has not been in breach of any terms and condition of a loan which has resulted in a default during the last twelve (12) calendar months preceding the date of application for registration of the shelf prospectus, and
    - iv. the issuer has not been in breach of any applicable laws or regulations.

**49. Transaction Size Requirement**

The total value of the offer under shelf registration shall not be less than five (5) billion Birr.

**50. Validity of a Shelf Registration**

A shelf prospectus shall be valid for a period of three (3) years from the date of its issue and it shall not be renewed. In the case of a multilateral agency, it shall be valid indefinitely.

**51. Requirement for Shelf Prospectus and Pricing Supplement**

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

**52. Contents of a Shelf Prospectus and Pricing Supplement**

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

**53. Publication of Shelf Prospectus**

- (1) Upon the registration of the shelf prospectus by the Authority, the issuer is allowed to publish the shelf prospectus, provided that:
  - a. securities are only to be issued upon the registration of a pricing supplement by the Authority,
  - b. the form of application which would facilitate the issue of, offer for subscription or purchase of, or the making of an invitation to subscribe for or purchase of securities based on the shelf registration is attached to the relevant pricing supplement and not the shelf prospectus, and
  - c. all shelf prospectuses shall be published on the website of the issuer and the Authority as well as made available at the offices of the issuer.

**SECTION III – BOOK BUILDING**

**54. Eligibility**

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

**53. Investors in a Book Building**

- (1) In an offer of debt securities by way of book building, one hundred (100) percent of the securities shall be offered to qualified investors.
- (2) In an offer of equity securities through book building, a portion of the offer may be reserved for retail investors. Nothing in this part prevents an issuer from offering 100 percent of the equities through a book building process, subject, where applicable, to compliance with eligibility requirements relating to listing.
- (3) The portion of equity securities offered that are available for the book building process shall be separately identified as the “book building portion” and the balance of securities to be offered to the public shall be referred to as the “fixed price portion”.
- (4) The upper limit of the price range shall not be more than 20% of the lower limit except as approved by the Authority.

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- (5) The fixed price portion shall be offered to the public at the same price at which the book building portion was issued to qualified investors.

### 54. Conditions for Clearance

- (1) The issuer shall appoint a book runner which shall be a licensed investment bank and shall be responsible for the book building process. Where a consortium of book runners is appointed, a lead book runner shall be identified.
- (2) The lead book runner shall be primarily responsible for building the book.
- (3) A preliminary prospectus prepared in accordance with the requirements of this Directives (as applicable) shall be filed with the Authority and shall include:
  - a. the size of the issue and amount to be raised through book building, and fixed price portion, if applicable,
  - b. the offer price range or minimum bid price, provided that where a minimum bid price is indicated, it shall state the basis for the determination of the same,
  - c. the criteria for bid consideration and selection,
  - d. the duration of the book building process, and
  - e. the method and process of bidding.
- (4) Two different accounts shall be opened for the subscription monies, one for the qualified investors and the other for the retail investors.
- (5) For the purposes of this section, where the issuer opts for underwriting, it shall be on a 100 percent standby basis.

### 55. Bidding Process

- (1) Upon clearance of the preliminary prospectus by the Authority, the book runners may commence road show/distribution of the preliminary prospectus only to qualified investors inviting bids for subscription to the securities.
- (2) Before the order of an investor is accepted in a book build, the book runner(s) shall verify the identity of the investor. The acceptance of such order shall not in itself indicate that the order will be met.

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- (3) The book runner(s) on the receipt of the order shall maintain a record of the names and number of securities ordered and the price at which the qualified investor is willing to subscribe to the securities under the book building process.
- (4) The book runner(s) shall on a daily basis aggregate the orders received and make available to the lead book-runner the aggregate amount of the orders received during the book building period.
- (5) No incentive, whether in cash or kind, shall be paid to investors to participate in the book building process or the offer of securities.

### 56. Offer Period

- (1) The book building period shall be open for a maximum of seven (7) business days.
- (2) The offer period for the fixed price portion shall open within five (5) business days from the date of closure of bidding; and the fixed price offer shall remain open for a period of at least ten (10) working days.
- (3) The investors who have participated in the book building process shall not be barred from participating in the fixed price portion of the offer.

### 57. Determination of Price

- (1) At the close of the book building period and following a review of the orders received in accordance with the criteria disclosed in the prospectus, the book runner and the issuer shall determine the price at which the securities shall be offered to the public.
- (2) On the determination of the issue price, the number of securities to be offered shall be determined based on the issue size divided by the price which has been determined.
- (3) On determination of entitlements in the book building process the number of securities which each participating investor is to be allocated in line with the allotment policy indicated in the prospectus shall be communicated to each investor within 24 hours of the close of the book building period.
- (4) Investors shall deposit the full payment of their subscription in the designated account for the offer within 24 hours of notification by the book runner.
- (5) The prospectus and other relevant offer documents shall be updated and filed with the Authority, together with an allotment proposal, within 48 hours of the close of the book building period.

**58. Approval of the Authority**

Upon filing the complete updated prospectus and payment of the appropriate fees, the Authority shall approve the document within 48 hours (not counting non-working days) of receiving the document and fees.

**59. Allotment of Securities**

- (1) The lead book runner shall consolidate the investors list and allocate the securities offered among investors according to procedures set out in the prospectus.
- (2) Notwithstanding the provision of Sub-Article (3) of this Directive, retail investors in the fixed price offer shall be allotted before additional allotment is made to investors who participated in the book build process.

**60. Rights of Investors**

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

**61. Records to be Maintained**

The book-runner and other intermediaries associated with the book-building process shall maintain records for the book-building process for at least ten (10) years following the offer.

**62. Other Requirements**

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

**SECTION IV – PREFERRED RIGHTS OF SUBSCRIPTION**

**63. General Requirements**

- (1) An issuer proposing to issue new shares shall first offer those shares to existing shareholders in proportion to their existing holdings. Any unsubscribed securities may subsequently be issued to other existing shareholders having applied for a greater

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number of shares than they would have been entitled to under their preferred rights in proportion to their existing holding and limits of their application.

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

### **64. Conditions for Approval**

- (1) The application for preferred rights of subscription shall be filed with the Authority at least thirty (30) business days prior to the proposed date of book closure.
- (2) Where an issuer considers it necessary to make underwriting arrangements for the preferred rights of subscription, details of such underwriting arrangements shall be subject to the approval of the Authority.
- (3) The Authority shall be at liberty to impose such conditions as it deems fit for the protection of existing shareholders and potential investors in approving the application.

### **65. Registration Requirements**

- (1) An application for preferred rights of subscription shall be accompanied by:
  - a. an offering memorandum prepared in accordance with Schedule III,
  - b. where applicable, a copy of the underwriting agreement, costs and details of the underwriter. Any relationship of the underwriter to the issuer or any of its directors shall be disclosed,



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- c. evidence of escrow account opened for the subscription monies,
- d. a schedule of estimated expenses and fees payable to professional parties related to the offer,
- e. consent of all professional parties, directors and experts who are named in the offering memorandum. A corporate body giving consent shall do so through duly authorized persons who shall be a director, company secretary or persons acting in those capacities with the seal of that body,
- f. any document required by the commercial code with respect to issuance of securities and increase in capital, and
- g. any other document as may be requested by the Authority.

### **66. Publication of Notice of Subscription**

- (1) An issuer shall notify shareholders of the date of opening of subscription list at least ten (10) days before the subscription list opens.
- (2) The notice of preferred rights offering shall be published in at least two (2) newspapers (one in Amharic and one in English) of wide circulation, the securities exchange where the company is listed, on the issuer's website and any other means by which ongoing disclosures are provided.
- (3) The notice shall indicate to shareholders:
  - a. the preferred rights of shareholders,
  - b. the dates of opening and closing of the subscription,
  - c. the issue price and the amount required to be paid-up immediately,
  - d. the form of acceptance of rights by shareholders,
  - e. the form of renunciation or assignment of rights, and
  - f. excess share application form.
- (4) The notice of subscription sent to shareholders shall include a copy of the approved offering memorandum and shall indicate the number of shares which each shareholder is entitled to subscribe for.

**67. Underwriting of Preferred Rights of Subscription**

A preferred rights of subscription may be underwritten at the discretion of the issuer subject to a decision at an extra- ordinary general meeting.

**68. Under-subscription of Preferred Rights of Subscription**

In the case of under-subscription of preferred rights, the balance may be offered to non-shareholders subject to a resolution of shareholders at an extra ordinary general meeting and in compliance with the provisions of this Directive with respect to offer of securities, prospectus requirement and any other relevant directive as applicable.

**69. Allotment of Preferred Rights of Subscription**

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

**70. Other Requirements**

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

**SECTION V – ISSUANCE OF SECURITIES EXEMPTED FROM REGISTRATION**

**71. Applicability**

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

**72. Issuance Through Private placement**

- (1) Private placements shall be effected only through an invitation addressed to predetermined investors who shall not be more than fifty (50) persons and the

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aggregate amount to be raised in a private placement shall not exceed Birr 50,000,000 (Fifty Million Ethiopian Birr).

- (2) The offer or sale of securities through private placement shall not be advertised, published and/or discussed in the print and/or electronic media.
- (3) Securities issued through a private placement shall not be publicly traded.

### **73. Issuance Through Offer or Sale to Qualified Investors**

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

**74. Small Offerings**

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

**75. Report to be Filed with the Authority**

- (1) Within ten (10) business days of the close of an offer undertaken pursuant to the exemptions of Article (5) of this Directive, the issuer shall file with the Authority a report on the offer which shall clearly state the applicable exemptions upon which the offer was made. The report shall be accompanied by:
  - a. a copy of the offer document used for the offer,
  - b. a certified extract of the resolution of shareholders and board of directors that authorized the issue,
  - c. names and address of all subscribers to securities and the category of the investor,
  - d. amount subscribed to by each investor, date, and mode of payment,
  - e. amount raised by the company, and
  - f. a copy of the application form used for the offer.

**SECTION VI – SHARE COMPANY UNDER FORMATION**

**76. Prohibition**

A company under formation shall not issue debt securities.

**77. Requirement to Obtain Approval of the Authority**

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

**78. Appointment of a Compliance Advisor**

- (1) A company under formation shall appoint a compliance advisor by a written contract which shall be submitted to the Authority.

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- (2) Such a company shall retain the services of a compliance advisor for a minimum three (3) years following its issuance of securities to the public or as determined by the Authority.
- (3) The compliance advisor shall be an investment bank licensed by the Authority or any eligible licensed capital market service provider approved by the Authority.
- (4) A compliance advisor appointed by a company under formation as provided under Sub-Article (1) of this Article, shall have the powers and duties enumerated under Article 9(5) of this Directive.

### 79. Conditions for Approval

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

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- j. expert valuation on the contribution in kind attributable to promoters or any persons,
  - k. evidence of escrow opened for the subscription proceeds, and
  - l. where the issuer seeks to operate in the financial services sector, a no-objection from the issuer's primary regulator.
- (3) The Authority may require that a guarantee is provided to the corporation that the shares which remain unsold within the offer period will be purchased and paid for completely.
  - (4) The Authority may request the issuer to take measures for facilitating the purchase by investors and for protection of their rights and interests, and to apply a certain offer method.
  - (5) A company under formation shall have a core investor or investors who shall commit to invest a minimum of 10% of the company's issued capital.
  - (6)
  - (7) The securities of the core investor shall be restricted from trading or otherwise being transferred for two (2) years following the company's formation.
  - (8) A share company under formation shall comply with the requirements of Section I of this Part as applicable.

### **80. Period of Offer**

- (1) Notwithstanding the requirements of Article (39) of this Directive, in the case of a company under formation the offer period to be determined by the issuer or the offeror could be up to five (5) years provided that such an issuer or offeror meets the requirements below:
  - a. if the offer period determined by the issuer or the offeror is more than one (1) year, the offeror or the issuer shall provide in the "risk" section of its prospectus a statement that the issue period is more than a year and that would add additional risk to investors.
  - b. that the issuer or offeror shall provide to the Authority update on its capital raise activity every six months

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- c. that the prospectus shall be valid only for one (1) year period and the issuer or offer shall file with the Authority a fresh prospectus and have such prospectus approved before the expiration of the current prospectus.

### 81. Obligation of Promoters

- (1) The promoters shall fulfil all the requirements of a company under formation as required under the Commercial Code in addition to the following:
  - a. open an escrow account into which the gross subscription proceeds shall be deposited by the subscribers,
  - b. the promoters shall only utilize a maximum of four (4) percent of the gross proceeds and such utilization shall be limited to defraying the costs associated with the formation of the company, and
  - c. always give the compliance advisor access to the books and accounts.

### 82. Registration requirements

- (1) Upon conclusion of the incorporation process, the company shall forward the following documents to the Authority for registration of the issued securities.
  - a. a copy of the certificate of commercial registration and investment permit of the company, issued by the relevant government organ,
  - b. an authenticated copy of the memorandum of association of the issuer and other applicable incorporation documents showing the shareholders, directors, and capital of the issuer (including amendments),
  - c. verification report of the formation process by an external auditor,
  - d. a certified extract of the resolution(s) of the subscribers,
  - e. evidence of transfer and/or registration of the property contributed in kind in the name of the company,
  - f. profiles of directors and key management staff of the company, and
  - g. Audited initial financial position of the company.

## PART THREE - DEBT SECURITIES

### 83. Applicability

This section applies only to issuance of debt securities.

### 84. Eligibility

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

### 85. General Requirements

- (1) The issuer must comply with the provisions of this Directive with respect to registration and offer of securities and any other relevant provisions as applicable.
- (2) Debt securities to be offered to the public shall be listed or quoted on a securities exchange or OTC market, and an application shall be filed with the exchange for this purpose.
- (3) The Authority may require payment obligations in relation to debt securities to be guaranteed by a bank or a third-party legal entity or demand a restriction to be imposed in relation to the qualifications of persons to whom an invitation will be made and/or conditions of offer, or may shorten the validity period of the offer document.
- (4) Where a third party guarantees the fulfillment of obligations relating to debt securities being offered to the public, the prospectus shall also contain information about the guarantor and the kind and description of the guarantee.
- (5) An issuer subject to a primary statutory regulator shall comply with the debt limits set by the relevant regulator.
- (6) Where a shelf prospectus for debt securities has been registered by the Authority, an application for subsequent issuances under the shelf shall be filed with the Authority at least ten (10) business days before the proposed offer open date.
- (7) Debt securities shall have the following characteristics:



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- a. be denominated in Ethiopian Birr,
- b. have a tenure of more than one year,
- c. have a fixed term with principal and any accrued interest / coupons/profit payable at expiry,
- d. have a fixed or variable coupon/interest rate,
- e. coupons/returns/interest shall be payable periodically on certain specified intervals from the issue date, except for zero-coupon bonds, and
- f. does not embed any swaps, options or other derivatives, except in the case of convertible or exchangeable corporate bonds where:
  - i. the option is to convert or exchange the corporate bonds into shares,
  - ii. the option to convert or exchange the corporate bonds into shares is at the discretion of the investor, and
  - iii. the underlying shares are listed on a stock exchange.

### 86. Rating Requirements

- (1) Debt securities may be rated by a credit rating agency.
- (2) Where an issuer opts for credit rating on the debt securities:
  - a. The rating shall be provided by a credit rating agency licensed or approved by the Authority, and
  - b. the final credit rating for the securities must be made available as part of the submission for approval that is made to the Authority.
- (3) In the case of a debt shelf registration that is rated, where the credit rating is not assigned for the full amount of the program but for a tranche or series as the case may be:
  - a. all issuances under the program must be rated, and
  - b. the principal terms and conditions of the debt program must include a disclosure of all the pre-conditions, relevant risk factors and all material information relating to the credit rating per tranche or series and a provision that states all subsequent issuances of the debt program will be rated.

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- (2) Where the issuer decides to rely on more than one credit rating for the purpose of offering the debt securities, the issuer must disclose such credit ratings in its prospectus.
- (3) An issuer must provide sufficient and relevant information to the credit rating agency for the purpose of assessing and evaluating the credit risk of the debt instruments.
- (4) The issuer shall ensure the credit rating shall be reviewed by the credit rating agency that granted the rating at least once a year throughout the duration of the bond or as maybe required by standards applicable to ratings or as required by the Authority.

### **87. Additional Registration Requirements for Debt Securities**

- (1) In addition to the requirement of Article 2) of this Directive, a registration statement for the issuance of debt securities shall be accompanied by:
  - a. a feasibility report on the project to be financed (where the proceeds from the offer is to finance a project) which shall include the name, address, qualification, and expertise by the preparer,
  - b. a copy of the bond indenture,
  - c. where applicable, credit rating report issued by a licensed or recognized credit rating agency,
  - d. where applicable, details of guarantor and copy of the guarantee document, and
  - e. any other document and/or information as may be required by the Authority.

### **88. Other Requirements**

No issuer shall amend the terms or conditions in relation to issued debt securities without the consent of bondholders and approval of the Authority.

## **PART FOUR – CROSS BORDER SECURITIES TRANSACTIONS**

**89. Offer of Securities Made Outside of Ethiopia**

- (1) An offer or sale of securities by an Ethiopian company that occur outside of Ethiopia is exempted from the registration and prospectus filing requirement in Ethiopia but shall be subject to all applicable ongoing disclosure requirements.
- (2) An offer or sale of securities by the issuer, distributor, or any affiliates shall be deemed to occur outside of Ethiopia if:
  - a. the offer or sale is made in outside of Ethiopia, and
  - b. no direct selling efforts are made in Ethiopia by the issuer, distributor, or any affiliates.

**PART FIVE- ONGOING INFORMATION DISCLOSURE  
OBLIGATIONS**

**SECTION I – GENERAL ONGOING OBLIGATIONS**

**90. Timely Disclosure of Information**

- (1) Every Issuer is required to keep the public fully informed and make immediate public disclosure of any information necessary to enable shareholders and the public to appraise the position of the issuer and to avoid the establishment of a false market in the securities of the issuer.
- (2) Information required to be disclosed under Sub- Article (1) of this Article includes information which might reasonably be expected to have a material effect on the issuer and all matters which affect the value of the securities. Such information includes but not limited to:
  - a. appointment and resignation of directors and key management personnel,
  - b. death or dismissal of directors and key management personnel,
  - c. giving or receiving a notice of intention to make a takeover or mergers, or acquisitions or tender offers or divestments,
  - d. changes in a company's certifying accountant,
  - e. a company's bankruptcy or receivership,

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- f. changes in control of a company,
- g. entry into or termination of a material agreement not made in the ordinary course of business,
- h. unregistered sales of equity securities by the company,
- i. material modifications to rights of holders of the company's securities,
- j. issuance of securities by the company,
- k. any proposed change in its capital structure including the structure of its debt securities,
- l. any change(s), in the rights attaching to any class of securities, in loan terms (or in the rate of interest carried by a debt security) or to any securities which are convertible,
- m. financial statements and annual reports and interim accounts,
- n. non-declaration of dividends or payment of interest, and
- o. any other major development in the issuers' activities which may:
  - i. by virtue of the effect of such development on its assets and liabilities or financial position or on the general course of its business, may have an impact in the price of its securities; or
  - ii. any other information necessary to enable shareholders and investors to appraise the position of the issuer and to avoid the establishment of a false market in the securities of the company.

(3) In addition to the information required to be disclosed in Sub-Article (2) of this Article issuers of debt securities are required to make the following additional disclosures:

- a. any issuance of a new tranche or series of debt security by an Issuer,
- b. any change in the terms and conditions of debt securities,
- c. any redemption or cancellation of a debt security,
- d. any occurrence of an event of default, and

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- e. any event which requires an immediate notification to the bond holders under the bond agreement.

(4) Information required to be disclosed shall be disclosed within twenty-four (24) hours of the event except for the submission of financial statements, annual reports and earnings forecast which shall be submitted in line with the requirements under Article 94-97 of this Directive.

- (5) Information required by and provided in confidence to, and for the purposes of a government department, the National Bank of Ethiopia, the Authority, or any other statutory or regulatory body need not be published but shall be reported to the Authority.
- (6) An issuer must publish, by way of a cautionary announcement, information which could lead to material movements in the price of its securities if at any time the necessary degree of confidentiality cannot be maintained, or that confidentiality has or may have been breached.
- (7) Where the issuer's securities are listed in more than one jurisdiction, the issuer must ensure that equivalent information is released on an identical basis and simultaneously to the Authority and securities exchange where it is listed whether or not such information is required to be disclosed by the Proclamation, this Directive or any other regulation of the Authority.
- (8) Ongoing disclosure of information should be fairly presented, not be misleading or deceptive and contain no material omission of information.

### **91. Method of Disclosure**

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

### **92. System of Internal Controls**

- (1) Every public company shall establish a system of internal controls over its financial reporting and security of its assets, and it shall be the responsibility of the board of directors to ensure the integrity of the company's internal controls and reporting.

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- (2) The board of directors of a public company shall report on the effectiveness of the company's internal control system in its annual report. The auditors are also required to issue a statement as to the existence, adequacy and effectiveness or otherwise of the internal control system of the company, both reports are to be included in the annual report. This provision shall not apply to an emerging growth company.
- (3) In this section, "internal control" means policies, procedures and practices put in place by management to ensure safety of assets, accuracy of financial records and reports, achievement of corporate objectives and compliance with laws, regulations and applicable corporate governance standards.

## **SECTION II - PERIODIC DISCLOSURE OBLIGATIONS**

### **93. Filing of Financial Statements**

- (1) An issuer of securities that are the subject of a public offer or which are publicly traded, except an Emerging Growth Company, shall submit to the Authority and the securities exchange on which they are listed and/or traded its financial statements on a quarterly and annual basis.
- (2) An emerging growth company shall submit a semi-annual (half yearly) and annual financial statements to the Authority and the securities exchange on which they are listed and/or traded.
- (3) The periodic financial statements shall be prepared in accordance with the prevailing accounting standard for the reporting period as set by the Accounting and Auditing Board of Ethiopia or any relevant Ethiopian Authority and shall include:
  - a. the statement of financial position,
  - b. the profit and loss statement,
  - c. the statement of cashflows,
  - d. the statement of changes in equity,
  - e. explanatory notes to the account and accounting policies, and
  - f. any other statement the Authority may require from time to time
- (4) The financial statement shall also be published on the website of the issuer.

**94. Semi-Annual and Quarterly Financial Statements**

- (1) The quarterly or semi -annual financial statements of an issuer shall be submitted not later than thirty (30) calendar days after the end of every quarter or half-year period of the issuer's financial year.
- (2) An issuer shall disclose the following in the notes to the financial statements:
  - a. a description of the nature and effect of any change in its accounting policies and estimates compared to the most recent annual financial statements,
  - b. explanatory comments about the seasonality or cyclicity of its operations,
  - c. the nature and amount of items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size, or incidence,
  - d. contingent liabilities and/or assets,
  - e. any events or transactions that are material to an understanding of the current period, and
  - f. any other statement the Authority may require from time to time.
- (3) An issuer shall publish their signed quarterly or semi-annual statement of financial position, statement of profit and loss and statement and cash flow statements in at least one (1) newspaper of wide circulation.

**95. Annual Audited Financial Statement**

- (1) An issuer shall submit its annual audited financial statements not later than ninety(90) calendar days after the end of its financial year.
- (2) Issuers are required to disclose the following information in its audited financial statements:
  - a. information on directors' direct and indirect interest in the issuer's shares,
  - b. a description of the nature and purpose of each reserve within owner's equity,
  - c. when dividends have been proposed but not formally approved for payment, the amount included (or not included) in liabilities, and
  - d. any other statement the Authority may require from time to time.

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- (3) An issuer shall publish their signed annual audited financial statement containing the statement of financial position, statement of profit and loss and statement and cash flow statements in at least one (1) newspaper of wide circulation.

### 96. Annual Reports

- (1) In addition to the submission of annual audited financial statements, every issuer is required to submit its annual report to the Authority and the securities exchanges where it is listed and/or traded not later than four (4) months after the end of its financial year end.
- (2) The annual report shall at a minimum include the following:
  - a. the audited financial statements for the year ended,
  - a. the notice of annual general meeting,
  - b. a statement from the Chairman of the Board,
  - c. a responsibility statement by directors,
  - d. the issued and paid-up capital of the issuer, issued but not fully paid for, each class of share capital and their par values,
  - e. details of directors' and substantial shareholders' direct and indirect interests in the share capital of the issuer,
  - f. the domicile and legal form of the issuer, its country of incorporation and the address of the registered office (or principal place of business, if different from the registered office),
  - g. a description of the nature of the issuer's operations and its principal activities,
  - h. the name of the parent company and the ultimate parent company of the group,
  - i. information on the issuer's capital structure such as:
    - i. details of the issuance of shares and share buybacks during the year; and
    - ii. reasons for the issuance of shares as well as share buybacks during the year
  - j. sufficient disclosure on risk management,



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- k. report of any unclaimed dividends,
- l. related party transactions,
- m. either the number of employees at the end of the period or the average for the period covered by the financial statements,
- n. remuneration of directors and executive management,
- o. corporate governance report,
- p. opinion of the auditor and the auditor's reporting responsibilities,
- q. the board of directors shall state in the company's annual report its responsibility for preparing the annual report and accounts, and
- r. any other information the Authority may require from time to time.

### 97. Earnings Forecast

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

### 98. Other Ongoing Obligations

- (1) Every public company shall designate relevant officer(s) who shall ensure compliance with all regulatory requirements of the Authority.
- (2) In addition to the continuing obligations in this Directive, every issuer must also comply with the continuous disclosure obligations set out in the rules of the securities exchange where it is listed.

## PART SIX - TRADING IN SECURITIES

**99. Prohibition**

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

**100. Suspension and De-listing**

- (1) No security shall be suspended or delisted by a securities exchange without the prior approval of the Authority.
- (2) The Authority may require the suspension or de-listing of an issuer in any other circumstances, which in the opinion of the Authority, serves to protect the interest of the investors.
- (3) Where a security has been suspended or de-listed, the securities exchange shall publish such information in at least two (2) newspapers (one in Amharic and one in English) of wide circulation as well as on its website.
- (4) The Authority may impose additional disclosure requirements as appropriate.

**101. Disclosure of Interest by Interested Persons**

- (1) An interested person shall within five (5) days of acquiring an interest, whether directly or indirectly, that represents five (5) percent or more in the capital of a company listed on an exchange send an authenticated and signed disclosure to the Authority, the securities exchange where the shares are traded and the issuer in a prescribed format determined by the Authority.
- (2) Any subsequent transaction by an interested person that exceeds more than 0.5 percent of the issuer's capital shall also be filed with the Authority, the securities exchange and issuer in the prescribed form required by the Authority within ten (10) days from the date of change. This notification shall continue until the change results in decline of interest below five (5) percent of the issuers capital.
- (3) Listed companies shall on an annual basis, notify the Authority and the securities exchange where it is listed of information on interested persons holding 5% or more of the issuer's shares in the prescribed form as required by the Authority.
- (4) A listed company shall notify the Authority and the securities exchange of any subsequent transaction by interested persons that exceeds more than 0.5 percent of the issuer's capital in the prescribed form as required by the Authority. This notification shall be done within ten (10) business days as of the date of change.

**102. Market Manipulation**

- (1) No person or entity shall engage in any form of market manipulation.
- (2) Without prejudice to the provisions of the Proclamation, a person involved in securities trading shall not:
  - a. employ any device, scheme or artifice to defraud or capable of defrauding any person or institution,
  - b. make, utter or present any untrue statement of a material fact,

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- c. omit to disclose a material fact necessary in order not to render any statement misleading in the light of the circumstances under which the statement was made,
- d. engage in any act, practice or course of business which operates or would operate as a fraud or deceit upon any person in connection with the purchase or sale of or dealing in any security, or
- e. deal in the securities of a company of which he is an insider.

### 103. Prohibition Against Insider Dealing

- (1) Without prejudice to the provisions of the Proclamation, every person or entity in possession of inside information is prohibited from dealing with such inside information.
- (2) An inside information is an information of a specific or precise nature, which has not been made public, and which, if it were made public, would be likely to have a material effect on the prices of any securities.
- (3) A person or entity is deemed to have dealt with inside information by using that inside information in:
  - a. acquiring or disposing of, or attempting to acquire or dispose of, for his own account or for the account of a third party, directly or indirectly, securities to which that information relates, or
  - b. cancelling or amending, or attempting to cancel or amend, an order to acquire or dispose of, for his own account or for the account of a third party, directly or indirectly, financial instruments to which that information relates.
- (4) Insider dealing consists of taking unfair advantage being obtained from inside information to the detriment of third parties who are unaware of such information and, consequently, the undermining of the integrity of financial markets and investor confidence.
- (5) Every issuer is required to establish a policy on securities dealing to prohibit insider dealing and information confidentiality.

## PART SEVEN: ENFORCEMENT AND SANCTIONS (ADMINISTRATIVE MEASURES)

### 104. Compliance

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

### 105. Penalties and Others

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

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- a. issue a public or private warnings,
  - b. impose fine,
  - c. suspension or revocation of securities registration,
  - d. temporary or permanent restrain to make a public offering,
  - e. suspension or prohibition of trading,
  - f. order to stop actions that violates the Directive,
  - g. order for a corrective measure,
  - h. blacklist issuer, senior management, representative, promoter, or anyone responsible for violation of this Directive, or
  - i. any other measure the Authority prescribe from time to time.
- (2) In addition to the provisions of Schedule I, the Authority may refer an issuer, its board of directors and other employees for criminal investigations and prosecution according to the Proclamation and the Criminal Code.

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## SCHEDULE I - PENALTIES, FINES AND OTHER ENFORCEMENT ACTIONS

S/No.	Activities	Administrative Measures
A.	<p><b>Unauthorized Publication</b></p> <p>These include but are not limited to the following:</p> <ol style="list-style-type: none"> <li>i. Publishing of prospectus without the approval of the Authority</li> <li>ii. Publishing of allotment result without clearance by the Authority</li> <li>iii. Publication of advertisement relating to a public offer in any form (notice, posters, documents, etc.) without the prior approval of the Authority</li> <li>iv. Unauthorized publication of allotment report in any newspaper</li> <li>v. Commencement of road show/distribution of preliminary prospectus without prior approval of the Authority</li> <li>vi. Advertisement, in any form and media, of an offer of exempted securities</li> </ol>	<p><b>Investment Bank</b></p> <ul style="list-style-type: none"> <li>• Birr 1,000,000 – 2,000,000</li> </ul> <p><b>Issuer</b></p> <ul style="list-style-type: none"> <li>• Birr 500,000 – 1,000,000</li> </ul> <p><b>Other Sanctions include, but is not limited to:</b></p> <ul style="list-style-type: none"> <li>• Public or private warning</li> <li>• Issuer or investment bank to issue publication to recall unauthorized publication in any form and through any media as may be required by the Authority from time to time</li> <li>• Cancellation of offer</li> </ul>

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<p><b>B</b></p>	<p><b>Unauthorized Activities</b></p> <p>These include but is not limited to the following:</p> <ul style="list-style-type: none"> <li>• Listing/Public trading of restricted securities without first registering the securities with the Authority in line with the process of registration</li> <li>• Offering securities exceeding the aggregate amount through a private placement</li> <li>• Offering securities through private placement to more than fifty (50) persons</li> <li>• Issuance of debt securities by a company under formation</li> </ul>	<p><b>Investment Bank</b></p> <ul style="list-style-type: none"> <li>• Birr 1,000,000 – 2,000,000</li> </ul> <p><b>Issuer</b></p> <ul style="list-style-type: none"> <li>• Birr 500,000 – 1,000,000</li> </ul> <p><b>Other Sanctions include, but is not limited to:</b></p> <ul style="list-style-type: none"> <li>• Public or private warning</li> <li>• Cancellation of offer</li> </ul>
<p><b>C.</b></p>	<p><b>Late filing of reports</b></p> <p>This include but not limited to:</p> <ul style="list-style-type: none"> <li>i. Late filing of allotment result</li> </ul>	<p><b>Investment Bank</b></p> <ul style="list-style-type: none"> <li>• Lead investment bank – Birr 150,000 to 250,000</li> <li>• Other investment banks – Birr 100,000</li> </ul>
<p><b>D.</b></p>	<p><b>Late filling of report</b></p> <ul style="list-style-type: none"> <li>ii. Late filling of annual or interim financial reports</li> <li>iii. Late filling of on-going obligation notification</li> </ul>	<p><b>Issuer</b></p> <ul style="list-style-type: none"> <li>• Birr 10,000 – 20,000; and</li> <li>• Additional Birr 1,000 for everyday of default</li> <li>• Public or private warning</li> </ul>

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<p><b>E.</b></p>	<p><b>Trading in Securities</b></p> <p>These include but are not limited to the following:</p> <ul style="list-style-type: none"> <li>i. Failure to notify the Authority of acquiring (directly or indirectly) interest that represents five (5) per cent or more in the capital of a listed company, within the stipulated timeline in this Directive</li> <li>ii. Failure to notify the Authority of additional (direct or indirect) interests that exceeds more than 0.5% of a listed company’s share by substantial shareholders within the prescribed timeline in this Directive</li> <li>iii. Failure to notify the Authority of interested persons holding 5% or more of an issuer’s shares on an annual basis and in the form prescribed by the Authority</li> <li>iv. Failure to notify the Authority of subsequent transactions by interested persons within the timeline prescribed in this Directive</li> </ul>	<p><b>Individual (Interested Person):</b></p> <ul style="list-style-type: none"> <li>• Fine of 300,000 - 500,000</li> </ul> <p><b>Entity (Interested Person):</b></p> <ul style="list-style-type: none"> <li>• Fine of Birr 500,000 – 1,000,000</li> </ul> <p><b>Issuer:</b></p> <ul style="list-style-type: none"> <li>• Fine of Birr 500,000 – 1,000,000</li> </ul> <p><b>Other Sanctions include, but is not limited to:</b></p> <ul style="list-style-type: none"> <li>• Public or private warning</li> <li>• Suspension of trading in the Ethiopian Capital Market for 1 to 2 years (for interested persons)</li> <li>• Mandate the interested person to close out position</li> </ul>
<p><b>F.</b></p>	<p><b>Arbitration/Enforcement Instructions</b></p> <p>These include, but are not limited to the following;</p> <ul style="list-style-type: none"> <li>i. Failure to honor arbitration and or enforcement instructions to reflect full intent of cooperation</li> <li>ii. Failure to fulfil enforcement instructions pursuant to resolving a dispute in whole or in part and in good faith; and</li> <li>iii. Failure to honor arbitration and or enforcement instructions in a timely manner</li> </ul>	<p><b>Failure to honor Instructions</b></p> <ul style="list-style-type: none"> <li>• Birr 500,000 - 1,000,000</li> <li>• In cases of continuous failure, a daily multiple of Birr 10,000 into the fine amount is applied.</li> </ul> <p><b>Failure to honor instructions in a timely manner</b></p> <ul style="list-style-type: none"> <li>• Birr 500,000 to Birr 1,000,000</li> </ul> <p><b>Other Sanctions, not limited to:</b></p> <ul style="list-style-type: none"> <li>• Suspension of trading in the securities of the issuer; and</li> <li>• Public or private warning</li> </ul>

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<b>F.</b>	<b>General</b>	<ul style="list-style-type: none"><li>• Unless stipulated in this Schedule, any violation of the provision of this Directive resulting in a fine shall attract a fine of not less than Birr 100,000</li></ul>
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**SCHEDULE II – CONTENTS OF PROSPECTUS**

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## SCHEDULE II-A

### CONTENT OF PROSPECTUS – EQUITIES

Section	Details
	<b>Front Page</b>
1	The front cover shall state the name of the issuer, the financial adviser(s) their respective registration certificate numbers, the type of offer, amount and or number of securities being offered, the price and amount payable in full on application
1.2	<p>The prospectus shall contain on the front page a statement that</p> <ul style="list-style-type: none"> <li>(a.) The prospectus is issued under the provisions of the Capital Market Proclamation, and in compliance with the Public Offer and Trading Directives of the Authority for the purpose of giving information to the public regarding the securities of the company</li> <li>(b.) The prospectus and the securities, which it offers, have been registered by the Ethiopian Capital Market Authority</li> <li>(c.) The registration of the prospectus and the securities which it offers with the Ethiopian Capital Market Authority should not be construed as an endorsement of the issuer or of the securities that is the subject of this prospectus or assumes responsibility for the correctness of any statements made or opinions or reports included herein</li> <li>(d.) The directors of the issuer, accept full responsibility for the information contained in the prospectus and to the best of their knowledge and belief having taken all reasonable care to ensure that such is the case, the information in the prospectus is in accordance with facts and does not omit anything likely to affect the import of such information or make the expression of such information or opinion misleading or untrue</li> <li>(e.) Investing in this offer involves risks with reference to the relevant pages on risk factors which should be considered by prospective investors</li> </ul>
2	<b>Table of Content</b>

**DRAFT PUBLIC OFFERING AND TRADING OF SECURITIES DIRECTIVE**

<b>Section</b>	<b>Details</b>
	A detailed table of contents showing the subject matter of the various sections or subsections of the prospectus and the page number on which each such section or subsection begins
<b>3</b>	<b>Person Responsible for the Information Disclosed</b>
	The name, address, and function of the persons responsible for the information or any parts of it, given in the prospectus; in the case of corporate entities indicate the name and registered office
<b>3.1</b>	<p>A declaration by the persons responsible for the prospectus that to the best of their knowledge, the information contained in the prospectus is in accordance with the facts and that the prospectus makes no omission likely to affect its import.</p> <p>Where a statement or report attributed to a person as an expert is included in the prospectus, provide the following details for that person:</p> <ul style="list-style-type: none"> <li>(a.) Name</li> <li>(b.) Business Address</li> <li>(c.) Qualifications</li> <li>(d.) Material interest if any in the issuer.</li> </ul> <p>If the statement or report has been produced at the issuer’s request, state that such statement or report has been included in the prospectus with the consent of the person who has authorized the contents of that part for the purpose of the prospectus</p>
	<b>Third Party Information</b>
<b>3.2</b>	Where information has been sourced from a third party, a confirmation that such information has been accurately reproduced and that as far as the issuer is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. In addition, the source(s) of the information shall be disclosed
	<b>Statutory Auditors</b>
<b>3.3</b>	Names and addresses of the issuer’s auditors for the period covered by the historical financial information together with their membership in a professional body
	<b>Definitions and Corporate Directory</b>

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<b>Section</b>	<b>Details</b>
4	A glossary of abbreviations and technical terms to guide investors on definitions and explanations of abbreviations and terms, especially for companies engaged in technical activities
4.1	The corporate addresses and telephone numbers of the issuers 'branch/regional office, head/office, e-mail, website and registrar's office
	<b>Summary of the Offer</b>
5	<p>The summary shall contain an introductory cautionary statement indicating that it is to be read together with the other parts of the prospectus and any decision to invest in the securities should be based on a consideration of the prospectus as a whole. The content of the summary shall be accurate, fair and clear and shall not be misleading. It is to be read as an introduction to the prospectus and it shall be consistent with the other parts of the prospectus and shall include:</p> <p><b>Key information on the issuer</b></p> <ul style="list-style-type: none"> <li>(a.) The name of the issuer</li> <li>(b.) The name of the offeror (where applicable)</li> <li>(c.) A brief description of the issuer of the securities</li> <li>(d.) A summary of its principal activities</li> <li>(e.) The share capital of the company showing the issued and fully paid share capital</li> <li>(f.) A summary of key historical financial information</li> </ul> <p><b>Key information on the Securities</b></p> <ul style="list-style-type: none"> <li>(g.) A brief description of the securities being offered to the public including their type and class</li> <li>(h.) The currency, denomination, par value, the number of securities issued and the terms of the securities</li> <li>(i.) The rights attached to the securities</li> <li>(j.) Information on where the securities are traded or will be traded</li> </ul> <p><b>Key information on the offer</b></p> <ul style="list-style-type: none"> <li>(a.) The amount/number of securities on the offer</li> <li>(b.) The method of offering</li> <li>(c.) Tenor, coupon redemption and other terms (for debt securities)</li> <li>(d.) The offer price</li> <li>(e.) The period during which the offer will be open</li> </ul>

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Section	Details
	<p>(f.) Method of subscription</p> <p>(g.) Method for delivery of securities</p> <p>(h.) Minimum application and multiples thereafter</p> <p>(i.) The general terms, conditions and expected timetable of the offer</p> <p>(j.) The plan for distribution and paying agents</p> <p>(k.) The amount and percentage of immediate dilution resulting from the offer</p> <p>(l.) An estimate of the total expenses of the issue</p> <p>(m.) A brief description of the reasons or purpose for the offer</p> <p>(n.) Estimated net amount of the proceeds and the use including expected periods to complete the project(s)</p> <p>(o.) An indication of whether the offer is subject to an underwriting agreement on a firm or standby commitment basis, stating any portion not covered</p> <p>(p.) The procedures for allotment</p> <p>(q.) Summary of key risk</p>
	<p><b>Information on the Issuer</b></p>
6	The legal and commercial name of the issuer.
6.1	The country of incorporation of the issuer, the date of incorporation
	<p><b>Business Overview</b></p>
7	A description of the nature of the issuer’s operations and principal activities stating the main categories of products sold and/or services performed for each financial year for the period covered by the historical financial information
7.1	Information on any significant new products and/or services that have been introduced and, to the extent the development of new products or services has been publicly disclosed, the status of their development
7.2	Information on the availability of raw materials (where applicable), i.e., where the company derives or will derive its raw materials from including quality control procedures
7.3	Information on the percentage utilization of installed capacity (where applicable)

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<b>Section</b>	<b>Details</b>
7.4	A description of the principal markets in which the issuer competes, including a breakdown of total revenues by operating segment and geographic market for each financial year for the period covered by the historical financial information
7.5	The important events and development in the issuer's business
7.6	A description of the issuer's business strategy and objectives, both financial and non-financial (if any). This description shall take into account the issuer's future challenges and prospects
7.7	Summary of information on the extent to which the issuer is dependent, if at all, on patents or licences, industrial, commercial or financial contracts or new manufacturing processes, where such factors are of fundamental importance to the issuer's business or profitability
7.8	The basis for any statements made by the issuer regarding its competitive position
7.9	A description of the issuer's material investments made since the date of the last published financial statements and which are in progress and / or for which firm commitments have already been made, including the geographical distribution of these investments; and the method of financing such investments
7.10	Information concerning the issuer's principal future investments (including new plant, factories, and research and development, if any), with the exception of interests to be acquired in other undertakings, on which the issuer's directors have already made firm commitments
7.11	Particulars of royalties payable or items of a similar nature in respect of the issuer and any of its subsidiaries
7.12	Information on any interruptions in the issuer's business which may have or have had during the recent past (covering at least the previous twelve months) a significant effect on the issuer's financial position
	<b>Organizational Structure</b>

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<b>Section</b>	<b>Details</b>
8	Where the issuer is part of a group, a brief description of the group including a description of the group structure and the issuer's position within the group. This may be in the form of, or accompanied by, an illustration
8.1	A list of the issuer's significant subsidiaries, including name, country of incorporation or residence, the proportion of ownership interest held and, if different, the proportion of voting power held.
	<b>Regulatory Environment</b>
9	The regulatory environment in which the issuer operates and any material changes in the issuer's regulatory environment since the period covered by the latest published audited financial statements.
	<b>Management Discussion and Analysis on Operation and Financial Results</b>
10	A comprehensive analysis of the development and performance of the issuer's business and of its position for each year and interim period for which historical financial information is required, including the causes of material changes. The analysis shall include both financial and, where appropriate, non-financial key performance indicators relevant to the particular business
10.1	Information regarding significant factors, including unusual or infrequent events or new developments, materially affecting the issuer's income from operations and indicate the extent to which income was so affected
10.2	Where the historical financial information discloses material changes in net sales or revenues, provide a narrative discussion of the reasons for such changes
	<b>Corporate Governance</b>
11	Brief profile of each of the following persons including their full names, nationality, function in the issuer or group, educational qualifications, skills and experience, relevant business interest and activities and any other information the Authority may require from time to time: (a.) directors, alternate and proposed directors of the issuer

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<b>Section</b>	<b>Details</b>
	<p>(b.) the senior management of the issuer including the chief executive, board secretary and finance director, with details of professional qualifications and period of employment with the issuer for each such person</p> <p>(c.) founders or promoters where the business has been in existence for less than five years</p> <p>Details of the nature of any family relationship between any of the persons referred to in points a-d</p>
11.1	Detailed disclosure of chief executive or other senior management changes planned or expected during twenty-four months following the issue and listing of the security or appropriate negative statement
11.2	<p>Information on whether or not any shareholder, director or key management personnel and, where applicable, its key technical personnel, are or have been involved in any of the following (whether in or outside Ethiopia)</p> <p>(a.) a petition under any bankruptcy or insolvency laws filed (and not struck-out) against such person or any partnership in which he was a partner or any company of which he was a director or key personnel</p> <p>(b.) a conviction in a criminal proceeding or is named subject of pending criminal proceedings relating to fraud or dishonesty</p> <p>(c.) the subject of any order, judgment or ruling of any court of competent jurisdiction or regulatory body relating to fraud or dishonesty, restraining him from acting as an investment adviser, dealer in securities, director or employee of a financial institution and engaging in any type of business practice or activity</p> <p>If there is no such information required to be disclosed, a statement to that effect is to be made</p>
11.3	All relevant information regarding the nature and extent of any interests of directors of the issuer in transactions which are or were unusual in their nature or conditions or significant to the business of the group, and which were effected by the issuer during the current or immediately preceding financial year; or an earlier financial year and remain in any respect outstanding or unperformed; or an appropriate negative statement
	<b>Board Committees and Practices</b>



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<b>Section</b>	<b>Details</b>
11.4	Information about the issuer's audit committee, remuneration committee and other board committees including the names of committee members and a summary of the terms of reference under which the committee operates
11.5	Date of appointment and expiration of the current term of office of members of the Board of Directors and the period during which the person has served in that office
11.6	Details of existing or proposed directors' service contracts with the issuer or any of its subsidiaries providing for benefits upon termination of employment, or an appropriate statement to the effect that no such benefits exist
11.7	Date of expiration of the current term of office, if applicable, and the period during which the person has served in that office
11.8	A statement as to whether or not the issuer complies with the corporate governance regime(s) applicable to the issuer.
11.9	Potential material impacts on the corporate governance, including future changes in the board and committees' composition (in so far as this has been already decided by the board and/or shareholders meeting)
	<b>Remuneration</b>
11.10	The total amount of remuneration paid (including any contingent or deferred compensation), and benefits in kind granted to the directors of the issuer and its subsidiaries for services in all capacities to the issuer and its subsidiaries by any person
11.11	An estimate of the amounts payable to directors of the issuer, including proposed directors, by any member of the group for the current financial year under the arrangements in force at the date of the prospectus
	<b>Directors Interest</b>
11.12	A statement showing the aggregate of the direct and indirect interests of the directors in, and the direct and indirect interests of each director holding in excess of 5% of the share capital of the issuer, distinguishing between beneficial and non-beneficial interests as of the most recent date, or an appropriate negative statement.

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<b>Section</b>	<b>Details</b>
11.13	The total of any outstanding loans granted by any member of the group to the directors and also of any guarantees provided by any member of the group for their benefit
	<b>Major Shareholder/Interested Persons</b>
12	The name of any person other than a member of board of directors who, directly or indirectly, has an interest in the issuer's capital or voting rights of 5% and above together with the amount of each such person's interest, as of the date of the prospectus or, if there are no such persons, an appropriate statement to that effect that no such person exists
12.1	Whether the issuer's major shareholders have different voting rights, or an appropriate statement to the effect that no such voting rights exist
12.2	A description of any arrangements, known to the issuer, the operation of which may at a subsequent date result in a change in control of the issuer
13	<b>Related Party Transactions</b>
13	Information on any existing and potential related-party transactions that the issuer has entered into since the date of the last financial statement
13.1	The amount or the percentage to which related party transactions form part of the turnover of the issuer
	<b>Employees</b>
13.2	Information on the number of employees at the end of the period or the average for each financial year for the period covered by the historical financial information up to the date of the prospectus (and changes in such numbers, if material)
13.3	Description of any arrangements for involving the employees in the capital of the issuer such as compensation benefit plans or share based payments
	<b>Financial Information</b>
14	Audited historical financials for the preceding three years which shall include (a.) statement of financial position; (b.) the income statement;

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<b>Section</b>	<b>Details</b>
	<p>(c.) a statement of changes in equity</p> <p>(d.) the cash flow statement</p> <p>(e.) the accounting policies and explanatory notes</p> <p>If the issuer prepares both stand alone and consolidated annual accounts, it must include both sets of accounts in the prospectus.</p>
14.1	<p>Audit report on the financial statement of the issuer for each of the years presented shall indicate whether or not the financial statements give a true and fair view of the affairs of the company in accordance with the prevailing accounting standard for the reporting period as set by the Accounting Board of Ethiopia or any relevant Ethiopian Authority</p> <p>If audit reports on the annual financial statements contain qualifications, modifications of opinion, or disclaimers or an emphasis of matter, such qualifications, modifications, disclaimers or emphasis of matter must be reproduced in full and the reasons given</p>
14.2	Indication of other information in the prospectus which has been audited by the auditor
14.3	Where financial information in the prospectus is not extracted from the issuer's audited financial statements state the source of the data and state that the data is not audited
	<b>Legal and arbitration proceedings</b>
14.4	Information on any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the issuer is aware), during a period covering at least the previous 12 months which may have, or have had in the recent past significant effects on the issuer and/or group's financial position or profitability, or provide an appropriate negative statement.
	<b>Significant change in the issuer's financial position</b>
14.5	A description of any significant change in the financial position of the group which has occurred since the end of the last financial period for which either audited financial statements or interim financial information have been published, or provide an appropriate negative statement

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<b>Section</b>	<b>Details</b>
14.6	All off-balance sheet financing by the issuer and any of its subsidiaries including all known contingent liabilities shall be quantified (where practicable) and disclosed by way of notes to the accounts
14.7	<p>Where six months have elapsed since the end of the financial year to which the last audited financial statement relate, an interim financial statement, which must be audited covering at least the first six months following the end of that financial year must be included in or appended to the prospectus.</p> <p>The interim financial statements should include comparative statements for the same period in the prior financial year, except that the requirement for comparative balance sheet information may be satisfied by presenting the year-end balance sheet.</p> <p>The issuer shall have any interim financial statements in the document reviewed by an independent auditor. If such a review has been performed and is referred to in the document, a copy of the auditor's interim review report must be provided in the document.</p>
	<b>Profit Forecast</b>
15	<p>Where a profit forecast or a profit estimate included in the prospectus, the profit forecast or estimate shall be clear and unambiguous and contain a statement setting out the principal assumptions upon which the issuer has based its forecast, or estimate.</p> <p>The forecast or estimate shall comply with the following principles:</p> <ul style="list-style-type: none"> <li>(a.) there must be a clear distinction between assumptions about factors which the members of the board of directors can influence and assumptions about factors which are exclusively outside the influence of the board of directors;</li> <li>(b.) the assumptions must be reasonable, readily understandable by investors, specific and precise and not relate to the general accuracy of the estimates underlying the forecast;</li> <li>(c.) in the case of a forecast, the assumptions shall draw the investor's attention to those uncertain factors which could materially change the outcome of the forecast.</li> </ul>
	<p>The prospectus shall include a statement that the profit forecast or estimate has been compiled and prepared on a basis which is both:</p> <ul style="list-style-type: none"> <li>(a.) comparable with the historical financial information;</li> <li>(b.) consistent with the issuer's accounting policies</li> </ul>

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<b>Section</b>	<b>Details</b>
	The forecast shall be accompanied by an independent accountants review on the report
	<b>Pro Forma Financial Information</b>
16	<p>Where any part of the proceeds of the issue are to be used directly or indirectly in any manner resulting in the acquisition by the issuer of shares in another body corporate which by reason of that acquisition or anything to be done in consequence of or in connection with it, that body corporate will become a subsidiary of the company, a description of how the transaction might have affected the assets, liabilities and earnings of the issuer, had the transaction been undertaken at the commencement of the period being reported on or at the date reported.</p> <p>This requirement will normally be satisfied by the inclusion of pro forma financial information.</p>
	<b>Dividend Policy</b>
17	A description of the issuer's policy on dividend distributions and any restrictions thereon.
17.1	The amount of the dividend per share for the last financial year adjusted, where the number of shares in the issuer has changed, to make it comparable.
	<b>Going Concern</b>
18	The directors of an issuer and the auditors/reporting accountants to an issue shall make a declaration in the prospectus as to whether or not the company will continue in operation in the foreseeable future
	<b>Share Capital</b>
19	<p>As of the date of the most recent balance sheet, the amount of issued capital, and for each class of share capital:</p> <ul style="list-style-type: none"> <li>(a.) the total of the issuer's share capital;</li> <li>(b.) the number of shares issued and fully paid and issued but not fully paid;</li> <li>(c.) the par value per share, or that the shares have no par value; and</li> <li>(d.) a reconciliation of the number of shares outstanding at the beginning and end of the year.</li> </ul>

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	If the capital has been paid for with assets other than cash within the period covered by the historical financial information, a statement to this fact
19.1	If there are shares not representing capital, state the number and main characteristics of such shares
19.2	The number, book value and face value of shares in the issuer held by or on behalf of the issuer itself or by subsidiaries of the issuer
19.3	The amount of any convertible securities and/or exchangeable securities with an indication of the conditions governing and the procedures for conversion, exchange or subscription
19.4	Information about and terms of any acquisition rights and or obligations over authorised but unissued capital or an undertaking to increase the capital
19.5	A history of share capital, highlighting information about any changes, for the period covered by the historical financial information
<b>Memorandum of Association</b>	
20	An extract of the issuer's memorandum of association briefly describing of the issuer's objects and purposes and where they can be found in the up-to-date memorandum and articles of association
20.1	Where there is more than one class of existing shares, a description of the rights, preferences and restrictions attaching to each class
20.2	A brief description of any provision of the issuer's memorandum of association, that would have an effect of delaying, deferring, or preventing a change in control of the issuer
<b>Material Contracts</b>	
21	A summary of each material contract, other than contracts entered into in the ordinary course of business, to which the issuer or any member of the group is a party, for the two years immediately preceding publication of the prospectus
21.1	Information on any contractual arrangement with a controlling shareholder required to ensure that the company is capable at all times of carrying on its business independently of

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<b>Section</b>	<b>Details</b>
	any controlling shareholder, including particulars of dates, terms and conditions and any consideration passing to or from the issuer or any other member of the group.
21.2	Details of the name of any promoter of any member of the group and the amount of any cash, securities or benefits paid, issued or given within the three years immediately preceding the date of publication of the prospectus, or proposed to be paid, issued or given to any such promoter in his capacity as a promoter and the consideration for such payment, issue or benefit. Where the interest of such promoter consists in being a member of a partnership, company, syndicate or other association of persons, the nature and extent of the interest of such partnership, company, syndicate or other association, and the nature and extent of such promoter's interest in the partnership, company, syndicate or other association
21.3	A statement of all sums paid or agreed to be paid within the three years immediately preceding the date of publication of the prospectus, to any director or to any company in which he is beneficially interested, directly or indirectly, or of which he is director, or to any partnership, syndicate or other association of which he is a member, in cash or securities or otherwise, by any person either to induce him to become or to qualify him as a director, or otherwise for services rendered by him or by the company, partnership, syndicate or other association in connection with the promotion or formation of the issuer
	<b>Risk Factors</b>
22	In a section headed 'Risk Factors',  a description of the material risks that are specific to the issuer and the securities. In each category, the most material risks, in the assessment undertaken by the issuer or offeror, taking into account the negative impact on the issuer and the probability of their occurrence shall be set out first
	<b>Working Capital Statement</b>
23	A Statement by the issuer as to the sufficiency of its working capital for the issuer's present requirements or, if not, how it proposes to provide the additional working capital needed
	<b>Capitalization and Indebtedness</b>

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<b>Section</b>	<b>Details</b>
24	<p>A statement of capitalization and indebtedness (distinguishing between guaranteed and unguaranteed, secured and unsecured indebtedness) as of a date no earlier than 90 days prior to the date of the document. The term 'indebtedness' also includes indirect and contingent indebtedness.</p> <p>In the case of material changes in the capitalization and indebtedness position of the issuer within the 90- day period, additional information shall be given through the presentation of a narrative description of such changes or through the updating of those figures</p>
	<b>Interest of natural and legal persons involved in the issue/offer</b>
25	A description of any interest, including a conflict of interest that is material to the issue/offer, detailing the persons involved and the nature of the interest
	<b>Reasons for the Offer and Use of Proceeds</b>
26	Reasons for the offer and, and the estimated net amount of the proceeds broken into each principal intended use and presented in order of priority of such uses. The minimum amount which, in the opinion of the directors, must be raised by the offer of the securities in order to provide the required totals must be stated. Where the anticipated proceeds will not be sufficient to fund all the proposed uses, then the issuer must state the amount and sources of other funds needed. Details must be also given about the use of the proceeds, in particular when they are being used to acquire assets, other than in the ordinary course of business, to finance announced acquisitions of other business, or to discharge, reduce or retire indebtedness. If the assets will be acquired from affiliates of the issuer or associates, the person from whom they will be acquired and how the cost to the issuer will be determined must be disclosed.
	<b>Information Concerning the Securities Being Offered</b>
27	A description of the type and the class of the securities being offered
27.1	The legislation under which the securities have been created
27.2	The name and address of the persons in charge of keeping the records of the firm shares
27.3	A description of the rights attached to the securities, including any limitations of those rights and procedure for the exercise of those rights including;



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Section	Details
	<ul style="list-style-type: none"> <li>(a.) dividend rights</li> <li>(b.) voting rights</li> <li>(c.) pre-emption rights in offers for subscription of securities of the same class</li> <li>(d.) right to share in the issuer's profit</li> <li>(e.) rights to share in any surplus in the event of liquidation</li> <li>(f.) redemption provisions</li> <li>(g.) conversion provisions</li> </ul>
27.4	A statement of the resolutions, authorisations and approvals by virtue of which the securities have been or will be created and/or issued and the expected issue date of the securities
27.5	A description of any restrictions on the transferability of the securities
27.6	An indication of public takeover bids by third parties in respect of the issuer's equity, which have occurred during the last financial year and the current financial year. The price or exchange terms attaching to such offers and the outcome thereof must be stated
27.7	Information on the taxation treatment of the securities where the proposed investment attracts a tax regime specific to that type of investment
<b>Terms and Conditions of the Offer of Securities to the Public</b>	
28	Conditions, offer statistics, expected timetable and action required to apply for the offer
28.1	Total amount of the offer, distinguishing the securities offered for sale and those offered for subscription (where applicable)
28.2	The time period, during which the offer will be open and description of the application process
28.3	A description of any possibility to reduce subscriptions and the manner for refunding amounts paid in excess by applicants
28.4	Details of the minimum and/or maximum amount of application (whether in number of securities or aggregate amount to invest) including whether or not multiple subscriptions are admitted, and where they are not, how any multiple subscriptions will be handled

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<b>Section</b>	<b>Details</b>
28.5	An indication of the period during which an application may be withdrawn, provided that investors are allowed to withdraw their subscription
28.6	Method and time limits for paying up the securities and for delivery of the securities
28.7	A description of the manner and date in which results of the offer are to be made public
28.8	The plan of distribution and allotment
28.9	The various categories of potential investors to which the securities are offered
28.10	To the extent known to the issuer, an indication of whether major shareholders/interested persons or members of the issuer's board of directors management, intend to subscribe in the offer, or whether any person intends to subscribe for more than five per cent of the offer
28.11	Process for notifying applicants of the amount allotted
	<b>Pricing</b>
29	The price at which the securities are being offered and the basis for the issue price. Where the price is not known: (a.) the price range or minimum bid price (b.) the valuation methods and criteria, and/or conditions, in accordance with which the final offer price will be determined and an explanation of any valuation methods used (c.) the Process for the disclosure of the offer price
	<b>Distribution and Underwriting</b>
30	Name and address of any paying agents and depository
	Name and address of the entities agreeing to underwrite the issue on a firm commitment basis, and name and address of the entities agreeing to place the issue without a firm commitment or under best 'efforts' arrangements. Indication of the material features of the agreements, including the quotas. Where not all of the issue is underwritten, a statement of the portion not covered. Indication of the overall amount of the underwriting commission
30.1	When the underwriting agreement has been or will be reached
	<b>Listing/ Quotation and Trading Arrangements</b>

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<b>Section</b>	<b>Details</b>
31	Information as to the securities exchange or OTC market where the securities will be listed or quoted and if known, the earliest dates on which the securities will be admitted to trading
	<b>Expense of the Offer</b>
32	<p>The following information on expenses shall be provided:</p> <ul style="list-style-type: none"> <li>(a.) the total amount of the discounts or commissions agreed upon by the underwriters or other placement or selling agents and the issuer shall be disclosed, as well as the percentage such commissions represent of the total amount of the offering and the amount of discounts or commissions per share</li> <li>(b.) An itemized state of the major categories of expenses incurred in connection with the issuance and distribution of the securities to be listed or offered and by whom the expenses are payable, if other than the issuer. The following expenses shall be disclosed separately: <ul style="list-style-type: none"> <li>i. advertisement</li> <li>ii. printing of prospectus</li> <li>iii. approval and listing fees</li> <li>iv. brokerage commission</li> <li>v. financial advisory fees</li> <li>vi. legal fees; and</li> <li>vii. underwriting fees.</li> </ul> </li> </ul> <p>If any of the securities are to be offered for the account of a selling shareholder, indicate the portion of such expenses to be borne by such shareholder. If the amounts of any items are not known, estimates (identified as such) shall be given</p>
	<b>Documents Available</b>
33	<p>A statement that for the term of the prospectus the following documents, where applicable, may be inspected:</p> <ul style="list-style-type: none"> <li>(a.) the up-to-date memorandum of association of the issuer</li> <li>(b.) all reports, letters, and other documents, historical financial information, valuations, material contracts and agreements and statements prepared by any expert at the issuer's request any part of which is included or referred to in the prospectus</li> </ul> <p>An indication of the website on which the documents may be inspected.</p>

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**SCHEDULE II-B**

**CONTENT OF PROSPECTUS FOR EMERGING GROWTH COMPANIES**

**DRAFT PUBLIC OFFERING AND TRADING OF SECURITIES DIRECTIVE**

<b>Section</b>	<b>Details</b>
	<b>Front Page</b>
1	The front cover shall state the name of the issuer, the financial adviser(s), the type of offer, amount/number of securities being offered, the price and amount payable in full on application
1.2	<p>The prospectus shall contain on the front page a statement that</p> <ul style="list-style-type: none"> <li>(a.) The prospectus is issued under the provisions of the Capital Market Proclamation, and in compliance with the public offer and trading Directives of the Ethiopian Capital Market Authority for the purpose of giving information to the public regarding the securities of the company</li> <li>(b.) The prospectus and the securities, which it offers, have been registered by the Ethiopian Capital Market Authority</li> <li>(c.) The registration of the prospectus and the securities which it offers by the Ethiopian Capital Market Authority should not be construed as an endorsement of the issuer or of the securities that is the subject of this prospectus or assumes responsibility for the correctness of any statements made or opinions or reports included herein</li> <li>(d.) The directors of the issuer, accept full responsibility for the information contained in the prospectus and that to the best of their knowledge and belief having taken all reasonable care to ensure that such is the case, the information in the prospectus is in accordance with facts and does not omit anything likely to affect the import of such information or make the expression of such information or opinion misleading or untrue</li> <li>(e.) Investing in this offer involves risks with reference to the relevant pages on risk factors which should be considered by prospective investors</li> </ul>
	<b>Table of Content</b>
2	A detailed table of contents prospectus showing the subject matter of the various sections or subsections of the prospectus and the page number on which each such section or subsection begins
	<b>Person Responsible for the information Disclosed</b>
3	The name, address and function of the persons responsible for the information or any parts of it, given in the prospectus; in the case of legal persons indicate the name and registered office

**DRAFT PUBLIC OFFERING AND TRADING OF SECURITIES DIRECTIVE**

<b>Section</b>	<b>Details</b>
3.1	<p>A declaration by the persons responsible for the prospectus stating that to the best of their knowledge, the information contained in the prospectus is in accordance with the actual facts and that the prospectus makes no omission likely to affect its import.</p> <p>Where a statement or report attributed to a person as an expert is included in the prospectus, provide the following details for that person's:</p> <ul style="list-style-type: none"> <li>(a.) Name</li> <li>(b.) Business Address</li> <li>(c.) Qualifications</li> <li>(d.) Material interest if any in the issuer.</li> </ul> <p>If the statement or report has been produced at the issuer's request, state that such statement or report has been included in the prospectus with the consent of the person who has authorized the contents of that part for the purpose of the prospectus</p>
	<b>Third party Information</b>
3.2	<p>Where information has been sourced from a third party, a confirmation that such information has been accurately reproduced and that as far as the issuer is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. In addition, the source(s) of the information shall be disclosed</p>
	<b>Statutory Auditors</b>
3.3	<p>Names and addresses of the issuer's auditors for the period covered by the historical financial information together with their membership in a professional body.</p>
	<b>Definitions and Corporate Directory</b>
4	<p>A glossary of abbreviations and technical terms to guide investors on definitions and explanations of abbreviations and terms, especially for companies engaged in technical activities;</p>
4.1	<p>The corporate addresses and telephone numbers of the issuers 'branch/regional office, head/office, e-mail, website and registrar's office</p>
	<b>Summary of the offer</b>
5	<p>The summary shall contain an introductory cautionary statement indicating that it is to be read together with the other parts of the prospectus and any decision to invest in the securities should be based on a consideration of the prospectus as a whole. The content</p>

**DRAFT PUBLIC OFFERING AND TRADING OF SECURITIES DIRECTIVE**

Section	Details
	<p>of the summary shall be accurate, fair and clear and shall not be misleading. It is to be read as an introduction to the prospectus and it shall be consistent with the other parts of the prospectus and shall include:</p> <p><b>Key information on the issuer</b></p> <ul style="list-style-type: none"> <li>(a.) The name of the issuer</li> <li>(b.) The name of the offeror (where applicable)</li> <li>(c.) A brief description of the issuer of the securities</li> <li>(d.) A summary of its principal activities</li> <li>(e.) The share capital of the company showing the issued share capital, issued and fully paid share capital</li> <li>(f.) A summary of historical key financial information</li> </ul> <p><b>Key information on the Securities</b></p> <ul style="list-style-type: none"> <li>(a.) A brief description of the securities being offered to the public including their type and class</li> <li>(b.) The currency, denomination, par value, the number of securities issued and the terms of the securities</li> <li>(c.) The rights attached to the securities</li> <li>(d.) Information on where the securities are traded or will be traded</li> <li>(e.) Where there is a guarantee attached to the securities, a brief description of the nature and scope of the guarantee</li> </ul> <p><b>Key information on the offer</b></p> <ul style="list-style-type: none"> <li>(a.) The amount/number of securities on offer</li> <li>(b.) The method of offering</li> <li>(c.) The offer price</li> <li>(d.) The period during which the offer will be open, and where and to whom</li> <li>(e.) Method and time limits for paying up securities</li> <li>(f.) Method and time limits for delivery of securities</li> <li>(g.) Minimum application and multiples thereafter</li> <li>(h.) The general terms, conditions and expected timetable of the offer</li> <li>(i.) The plan for distribution and paying agents</li> <li>(j.) The amount and percentage of immediate dilution resulting from the offer</li> <li>(k.) An estimate of the total expenses of the issue</li> </ul>

**DRAFT PUBLIC OFFERING AND TRADING OF SECURITIES DIRECTIVE**

<b>Section</b>	<b>Details</b>
	<p>(l.) A brief description of the reasons or purpose for the offer</p> <p>(m.) Estimated net amount of the proceeds and the use including expected periods to complete the project(s)</p> <p>(n.) An indication of whether the offer is subject to an underwriting agreement on a firm commitment basis, stating any portion not covered</p> <p>(o.) The procedures for allotment</p>
	<b>Information on the Issuer</b>
6	The legal and commercial name of the issuer.
6.1	The country of incorporation of the issuer, the date of incorporation
6.2	A description of the expected financing of the issuer's activities
	<b>Business Overview</b>
7	A description of the nature of the issuer's operations and principal activities stating the main categories of products sold and/or services performed
7.1	Information on any significant new products and/or services that have been introduced and, to the extent the development of new products or services has been publicly disclosed, the status of their development
7.2	The important events and development in the issuer's business
7.3	<p>A description of the issuer's business strategy and objectives, both financial and non-financial (if any). This description shall take into account the issuer's future challenges and prospects.</p> <p>Where relevant the description shall take into account the regulatory environment in which the issuer operates</p>
7.4	A description of the principal markets in which the issuer operates
	<b>Organizational Structure</b>
8	Where the issuer is part of a group, a brief description of the group including a description of the group structure and the issuer's position within the group. This may be in the form of, or accompanied by, a diagram illustration



## DRAFT PUBLIC OFFERING AND TRADING OF SECURITIES DIRECTIVE

<b>Section</b>	<b>Details</b>
8.1	A list of the issuer's significant subsidiaries, including name, country of incorporation or residence, the proportion of ownership interest held and, if different, the proportion of voting power held
	<b>Investments</b>
9	A description, (including the amount) of the issuer's material investments from the end of the period covered by the historical financial information included in the prospectus up to the date of the registration document
9.1	A description of any material investments of the issuer's that are in progress or for which firm commitments have already been made, including, if material to the issuer's business, the method of financing (internal or external)
	<b>Management Discussion and Analysis on Operation and financial results</b>
10	A comprehensive analysis of the development and performance of the issuer's business and of its position for each year and interim period for which historical financial information is required, including the causes of material changes.
10.1	An indication of: (a.) the issuer's likely future development (b.) activities in the field of research and development
10.2	To the extent necessary for an understanding of the issuer's development, performance or position, the analysis shall include both financial and, where appropriate, non-financial Key Performance Indicators relevant to the particular business, including information relating to environmental and employee matters. This analysis shall, where appropriate, include references to, and additional explanations of, amounts reported in the annual financial statements
	<b>Trend Information</b>
11	A description of the most significant recent trends in production, sales, inventory, costs and selling prices since the end of the last financial year to the date of the prospectus
	<b>Corporate Governance</b>

**DRAFT PUBLIC OFFERING AND TRADING OF SECURITIES DIRECTIVE**

Section	Details
12	<p>Brief profile of each of the following persons including their full names, address, nationality, function in the issuer or group, educational qualifications, skills and experience, relevant business interest and activities and any other information the Authority may require from time to time</p> <ul style="list-style-type: none"> <li>(a.) directors, alternate and proposed directors of the issuer</li> <li>(b.) the senior management of the issuer including the chief executive, board secretary and finance director, with details of professional qualifications and period of employment with the issuer for each such person</li> <li>(c.) founders or promoters where the business has been in existence for less than five years</li> </ul> <p>Details of the nature of any family relationship between any of the persons referred to in points a -d</p>
12.1	<p>Detailed disclosure of chief executive or other senior management changes planned or expected for twenty-four months following the issue and listing of the security or appropriate negative statement</p>
12.2	<p>Information on whether or not any director or key management personnel and, where applicable, its key technical personnel, are or have been involved in any of the following (whether in or outside Ethiopia)</p> <ul style="list-style-type: none"> <li>(d.) a petition under any bankruptcy or insolvency laws filed (and not struck-out) against such person or any partnership in which he was a partner or any company of which he was a director or key personnel</li> <li>(e.) a conviction in a criminal proceeding or is named subject of pending criminal proceedings relating to fraud or dishonesty</li> <li>(f.) the subject of any order, judgment or ruling of any court of competent jurisdiction or regulatory body relating to fraud or dishonesty, restraining him from acting as an investment adviser, dealer in securities, director or employee of a financial institution and engaging in any type of business practice or activity</li> </ul> <p>If there is no such information required to be disclosed, a statement to that effect is to be made</p>

**DRAFT PUBLIC OFFERING AND TRADING OF SECURITIES DIRECTIVE**

<b>Section</b>	<b>Details</b>
12.3	All relevant information regarding the nature and extent of any interests of directors of the issuer in transactions which are or were unusual in their nature or conditions or significant to the business of the group, and which were effected by the issuer during the current or immediately preceding financial year; or an earlier financial year and remain in any respect outstanding or unperformed; or an appropriate negative statement
	<b>Board Committees and Practices</b>
12.4	Information about the issuer's audit committee, remuneration committee and other board committees including the names of committee members and a summary of the terms of reference under which the committee operates
12.5	Date of appointment and expiration of the current term of office of members of the Board of Directors and the period during which the person has served in that office
12.6	Details of existing or proposed directors' service contracts with the issuer or any of its subsidiaries providing for benefits upon termination of employment, or an appropriate statement to the effect that no such benefits exist
12.7	Date of expiration of the current term of office, if applicable, and the period during which the person has served in that office
	<b>Remuneration</b>
12.8	The total amount of remuneration paid (including any contingent or deferred compensation), and benefits in kind granted to the directors of the issuer and its subsidiaries for services in all capacities to the issuer and its subsidiaries by any person
12.9	An estimate of the amounts payable to directors of the issuer, including proposed directors, by any member of the group for the current financial year under the arrangements in force at the date of the prospectus
12.10	The total amounts set aside or accrued by the issuer or its subsidiaries to provide pension, retirement or similar benefits
	<b>Directors Interest</b>

## DRAFT PUBLIC OFFERING AND TRADING OF SECURITIES DIRECTIVE

Section	Details
12.11	A statement showing the aggregate of the direct and indirect interests of the directors in, and the direct and indirect interests of each director holding in excess of 5% of the share capital of the issuer, distinguishing between beneficial and non-beneficial interests as of the most recent date, or an appropriate negative statement.
12.12	The total of any outstanding loans granted by any member of the group to the directors and also of any guarantees provided by any member of the group for their benefit
	<b>Major Shareholder/Interested Persons</b>
13	The name of any person other than a member of board of directors who, directly or indirectly, has an interest in the issuer's capital or voting rights of 5% and above together with the amount of each such person's interest, as of the date of the prospectus or, if there are no such persons, an appropriate statement to that effect that no such person exists
13.1	Whether the issuer's major shareholders have different voting rights, or an appropriate statement to the effect that no such voting rights exist
13.2	A description of any arrangements, known to the issuer, the operation of which may at a subsequent date result in a change in control of the issuer
	<b>Financial Information</b>
14	<p>Audited historical financials for the preceding three years, or such number of years for which the company has been in operation, which shall include</p> <ul style="list-style-type: none"> <li>(a.) statement of financial position</li> <li>(b.) the income statement</li> <li>(c.) a statement of changes in equity</li> <li>(d.) the cash flow statement</li> <li>(e.) the accounting policies and explanatory notes</li> </ul> <p>If the issuer prepares both stand alone and consolidated annual accounts, it must include both sets of accounts in the prospectus.</p>
14.1	Audit report on the financial statement of the issuer for each of the years presented shall indicate whether or not the financial statements give a true and fair view of the affairs of

## DRAFT PUBLIC OFFERING AND TRADING OF SECURITIES DIRECTIVE

Section	Details
	<p>the company in accordance with the prevailing accounting standard for the reporting period as set by the Accounting Board of Ethiopia or any relevant Ethiopian Authority.</p> <p>If audit reports on the annual financial statements contain qualifications, modifications of opinion, or disclaimers or an emphasis of matter, such qualifications, modifications, disclaimers or emphasis of matter must be reproduced in full and the reasons given.</p>
14.2	Indication of other information in the prospectus which has been audited by the auditor
14.3	Where financial information in the prospectus is not extracted from the issuer's audited financial statements state the source of the data and state that the data is not audited
	<b>Key Performance Indicators</b>
14.4	A description of the issuer's key performance indicators ("KPI") for each financial year for the period covered by the historical financial information shall be included in the prospectus. KPIs must be calculated on a comparable basis. Where the KPIs have been audited by the auditors, that fact must be stated.
	Legal and arbitration proceedings
14.5	Information on any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the issuer is aware), which may have, or have had in the recent past significant effects on the issuer and/or group's financial position or profitability, or provide an appropriate negative statement
	Significant change in the issuer's financial position
14.6	A description of any significant change in the financial position of the group which has occurred since the end of the last financial period for which either audited financial statements or interim financial information have been published, or provide an appropriate negative statement
14.7	Where six months have elapsed since the end of the financial year to which the last audited financial statement relates, an interim financial statement, which may be unaudited covering at least the first six months following the end of that financial year must be included in or appended to the prospectus
	<b>Profit Forecast</b>

**DRAFT PUBLIC OFFERING AND TRADING OF SECURITIES DIRECTIVE**

Section	Details
18	<p>Where a profit forecast or a profit estimate included in the prospectus, the profit forecast or estimate shall be clear and unambiguous and contain a statement setting out the principal assumptions upon which the issuer has based its forecast, or estimate.</p> <p>The forecast or estimate shall comply with the following principles:</p> <ul style="list-style-type: none"> <li>(a.) there must be a clear distinction between assumptions about factors which the members of the board of directors can influence and assumptions about factors which are exclusively outside the influence of the board of directors</li> <li>(b.) the assumptions must be reasonable, readily understandable by investors, specific and precise and not relate to the general accuracy of the estimates underlying the forecast</li> </ul> <p>in the case of a forecast, the assumptions shall draw the investor's attention to those uncertain factors which could materially change the outcome of the forecast.</p>
18.1	<p>The prospectus shall include a statement that the profit forecast or estimate has been compiled and prepared on a basis which is both:</p> <ul style="list-style-type: none"> <li>(e.) comparable with the historical financial information</li> <li>(f.) consistent with the issuer's accounting policies</li> </ul> <p>The forecast shall be accompanied by an independent accountants review on the report</p>
	<p><b>Pro Forma Financial Information</b></p>
19	<p>Where any part of the proceeds of the issue are to be used directly or indirectly in any manner resulting in the acquisition by the issuer of shares in another body corporate which by reason of that acquisition or anything to be done in consequence of or in connection with it, that body corporate will become a subsidiary of the company, a description of how the transaction might have affected the assets, liabilities and earnings of the issuer, had the transaction been undertaken at the commencement of the period being reported on or at the date reported.</p> <p>This requirement will normally be satisfied by the inclusion of pro forma financial information.</p>
	<p><b>Dividend Policy</b></p>

**DRAFT PUBLIC OFFERING AND TRADING OF SECURITIES DIRECTIVE**

<b>Section</b>	<b>Details</b>
19	A description of the issuer's policy on dividend distributions and any restrictions thereon.
19.1	The amount of the dividend per share for the last financial year adjusted, where the number of shares in the issuer has changed, to make it comparable.
	<b>Share Capital</b>
20	<p>As of the date of the most recent balance sheet, the amount of issued capital, and for each class of share capital:</p> <ul style="list-style-type: none"> <li>(a.) the total of the issuer's issued share capital</li> <li>(b.) the number of shares fully paid and issued but not fully paid</li> <li>(c.) the par value per share; and</li> <li>(d.) a reconciliation of the number of shares outstanding at the beginning and end of the year.</li> </ul> <p>If the capital has been paid for with assets other than cash within the period covered by the historical financial information, a statement to this fact</p>
20.1	If there are shares not representing capital, state the number and main characteristics of such shares
20.2	The number, book value and face value of shares in the issuer held by or on behalf of the issuer itself or by subsidiaries of the issuer
20.3	The amount of any convertible securities and/or exchangeable securities with an indication of the conditions governing and the procedures for conversion, exchange or subscription
20.4	Information about and terms of any acquisition rights and or obligations over authorized but unissued capital or an undertaking to increase the capital
20.5	A history of share capital, highlighting information about any changes, for the period covered by the historical financial information
	<b>Memorandum of Association</b>
21	A brief description of any provision of the issuer's articles of association, that would have an effect of delaying, deferring or preventing a change in control of the issuer

**DRAFT PUBLIC OFFERING AND TRADING OF SECURITIES DIRECTIVE**

<b>Section</b>	<b>Details</b>
	<b>Material Contracts</b>
22	A summary of each material contract, other than contracts entered into in the ordinary course of business, to which the issuer or any member of the group is a party, for the two years immediately preceding publication of the prospectus
22.1	Details of the name of any promoter of any member of the issuer and the amount of any cash, securities or benefits paid, issued or given within the three years immediately preceding the date of publication of the prospectus, or proposed to be paid, issued or given to any such promoter in his capacity as a promoter and the consideration for such payment, issue or benefit. Where the interest of such promoter consists in being a member of a partnership, company, syndicate or other association of persons, the nature and extent of the interest of such partnership, company, syndicate or other association, and the nature and extent of such promoter's interest in the partnership, company, syndicate or other association
22.2	A statement of all sums paid or agreed to be paid within the three years immediately preceding the date of publication of the prospectus, to any director or to any company in which he is beneficially interested, directly or indirectly, or of which he is director, or to any partnership, syndicate or other association of which he is a member, in cash or securities or otherwise, by any person either to induce him to become or to qualify him as a director, or otherwise for services rendered by him or by the company, partnership, syndicate or other association in connection with the promotion or formation of the issuer
	<b>Risk Factors</b>
23	In a section headed 'Risk Factors', a description of the material risks that are specific to the issuer and the securities. In each category, the most material risks, in the assessment undertaken by the issuer or offeror, taking into account the negative impact on the issuer and the probability of their occurrence shall be set out first
	<b>Working Capital Statement</b>
24	A Statement by the issuer as to the sufficiency of its working capital for the issuer's present requirements or, if not, how it proposes to provide the additional working capital needed



## DRAFT PUBLIC OFFERING AND TRADING OF SECURITIES DIRECTIVE

Section	Details
	<b>Capitalisation and Indebtedness</b>
25	<p>A statement of capitalization and indebtedness (distinguishing between guaranteed and unguaranteed, secured and unsecured indebtedness) as of a date no earlier than 90 days prior to the date of the document. The term 'indebtedness' also includes indirect and contingent indebtedness.</p> <p>In the case of material changes in the capitalization and indebtedness position of the issuer within the 90-day period, additional information shall be given through the presentation of a narrative description of such changes or through the updating of those figures</p>
	<b>Interest of natural and legal persons involved in the issue/offer</b>
26	A description of any interest, including a conflict of interest that is material to the issue/offer, detailing the persons involved and the nature of the interest
	<b>Reasons for the Offer and Use of Proceeds</b>
27	Reasons for the offer and, and the estimated net amount of the proceeds broken into each principal intended use and presented in order of priority of such uses. The minimum amount which, in the opinion of the directors, must be raised by the offer of the securities in order to provide the required totals must be stated. Where the anticipated proceeds will not be sufficient to fund all the proposed uses, then the issuer must state the amount and sources of other funds needed. Details must be also given about the use of the proceeds, in particular when they are being used to acquire assets, other than in the ordinary course of business, to finance announced acquisitions of other business, or to discharge, reduce or retire indebtedness. If the assets will be acquired from affiliates of the issuer or associates, the person from whom they will be acquired and how the cost to the issuer will be determined must be disclosed.
27.1	An explanation about how the proceeds from this offer align with the business strategy and strategic objectives described in the registration document.
	<b>Information Concerning the Securities Being Offered</b>
28	A description of the type and the class of the securities being offered

## DRAFT PUBLIC OFFERING AND TRADING OF SECURITIES DIRECTIVE

Section	Details
28.1	The legislation under which the securities have been created
28.2	Currency of the securities issue
28.3	The name and address of the persons in charge of keeping the records of the firm shares
28.4	<p>A description of the rights attached to the securities, including any limitations of those rights and procedure for the exercise of those rights including;</p> <ul style="list-style-type: none"> <li>(a.) dividend rights:</li> <li>(b.) voting rights</li> <li>(c.) pre-emption rights in offers for subscription of securities of the same class</li> <li>(d.) right to share in the issuer's profits</li> <li>(e.) rights to share in any surplus in the event of liquidation</li> <li>(f.) redemption provisions</li> <li>(g.) conversion provisions</li> </ul>
28.5	A statement of the resolutions, authorizations and approvals by virtue of which the securities have been or will be created and/or issued and the expected issue date of the securities
28.6	A description of any restrictions on the transferability of the securities
28.7	An indication of public takeover bids by third parties in respect of the issuer's equity, which have occurred during the last financial year and the current financial year. The price or exchange terms attaching to such offers and the outcome thereof must be stated
28.8	Information on the taxation treatment of the securities where the proposed investment attracts a tax regime specific to that type of investment
	<b>Terms and Conditions of the Offer of Securities to the Public</b>
29	Conditions, offer statistics, expected timetable and action required to apply for the offer
29.1	Total amount of the offer, distinguishing the securities offered for sale and those offered for subscription (where applicable)
29.2	The time period, during which the offer will be open and description of the application process

## DRAFT PUBLIC OFFERING AND TRADING OF SECURITIES DIRECTIVE

<b>Section</b>	<b>Details</b>
29.3	A description of any possibility to reduce subscriptions and the manner for refunding amounts paid in excess by applicants
29.4	Details of the minimum and/or maximum amount of application (whether in number of securities or aggregate amount to invest) including whether or not multiple subscriptions are admitted, and where they are not, how any multiple subscriptions will be handled
29.5	An indication of the period during which an application may be withdrawn, provided that investors are allowed to withdraw their subscription
29.6	Method and time limits for paying up the securities and for delivery of the securities
29.7	A description of the manner and date in which results of the offer are to be made public
29.8	The plan of distribution and allotment
29.9	The various categories of potential investors to which the securities are offered
29.10	To the extent known to the issuer, an indication of whether major shareholders/interested persons or members of the issuer's board of directors' management, intend to subscribe in the offer, or whether any person intends to subscribe for more than five per cent of the offer
29.11	Process for notifying applicants of the amount allotted
	<b>Pricing</b>
30	The price at which the securities are being offered and the basis for the issue price. Where the price is not known, <ul style="list-style-type: none"> <li>(a.) the price range or minimum bid price</li> <li>(b.) the valuation methods and criteria, and/or conditions, in accordance with which the final offer price will be determined and an explanation of any valuation methods used</li> <li>(c.) the Process for the disclosure of the offer price</li> </ul>
	<b>Distribution and Underwriting</b>
31	Name and address of any paying agents and depository

**DRAFT PUBLIC OFFERING AND TRADING OF SECURITIES DIRECTIVE**

Section	Details
31.1	Name and address of the entities agreeing to underwrite the issue on a firm commitment basis, and name and address of the entities agreeing to place the issue without a firm commitment or under best 'efforts' arrangements. Indication of the material features of the agreements, including the quotas. Where not all of the issue is underwritten, a statement of the portion not covered. Indication of the overall amount of the underwriting commission
31.2	When the underwriting agreement has been or will be reached
<b>Listing/ Quotation and Trading Arrangements</b>	
32	An information as to the securities exchange or OTC market where the securities will be listed or quoted and if known, the earliest dates on which the securities will be admitted to trading
<b>Expense of the Offer</b>	
33	<p>The following information on expenses shall be provided:</p> <p>(a.) the total amount of the discounts or commissions agreed upon by the underwriters or other placement or selling agents and the issuer shall be disclosed, as well as the percentage such commissions represent of the total amount of the offering and the amount of discounts or commissions per share</p> <p>(b.) An itemized state of the major categories of expenses incurred in connection with the issuance and distribution of the securities to be listed or offered and by whom the expenses are payable, if other than the issuer. The following expenses shall be disclosed separately:</p> <ul style="list-style-type: none"> <li>i. advertisement</li> <li>ii. printing of prospectus</li> <li>iii. approval and listing fees</li> <li>iv. brokerage commission</li> <li>v. financial advisory fees</li> <li>vi. legal fees; and</li> <li>vii. underwriting fees.</li> </ul> <p>If any of the securities are to be offered for the account of a selling shareholder, indicate the portion of such expenses to be borne by such shareholder. If the amounts of any items are not known, estimates (identified as such) shall be given</p>

Section	Details
	<b>Documents Available</b>
34	<p>A statement that for the term of the prospectus the following documents, where applicable, may be inspected:</p> <ul style="list-style-type: none"> <li>(a.) the up-to-date memorandum of association of the issuer;</li> <li>(b.) all reports, letters, and other documents, historical financial information, valuations, material contracts and agreements and statements prepared by any expert at the issuer's request any part of which is included or referred to in the prospectus</li> </ul> <p>An indication of the website on which the documents may be inspected.</p>

DRAFT

**SCHEDULE II-C**

**CONTENT OF PROSPECTUS FOR OFFER OF DEBT SECURITIES BY  
CORPORATE BODIES**

## DRAFT PUBLIC OFFERING AND TRADING OF SECURITIES DIRECTIVE

Section	Details
	<b>Front Page</b>
1	The front cover shall state the name of the issuer, the financial adviser(s), the type of offer, amount/number of securities being offered, the price and amount payable in full on application
1.2	<p>The prospectus shall contain on the front page a statement that</p> <ul style="list-style-type: none"><li data-bbox="354 499 1503 688">(a.) The prospectus is issued under the provisions of the Capital Market Proclamation, and in compliance with the Public Offering and Trading Directives of the Ethiopian Capital Market Authority for the purpose of giving information to the public regarding the securities of the company</li><li data-bbox="354 699 1503 783">(b.) The prospectus and the securities, which it offers, have been registered by the Ethiopian Capital Market Authority</li><li data-bbox="354 793 1503 1035">(c.) The registration of the prospectus and the securities which it offers by the Ethiopian Capital Market Authority should not be construed as an endorsement of the issuer or of the securities that is the subject of this prospectus or assumes responsibility for the correctness of any statements made or opinions or reports included herein</li><li data-bbox="354 1045 1503 1339">(d.) The directors of the issuer, accept full responsibility for the information contained in the prospectus and that to the best of their knowledge and belief having taken all reasonable care to ensure that such is the case, the information in the prospectus is in accordance with facts and does not omit anything likely to affect the import of such information or make the expression of such information or opinion misleading or untrue</li><li data-bbox="354 1350 1503 1434">(e.) Investing in this offer involves risks with reference to the relevant pages on risk factors which should be considered by prospective investors</li></ul>
	<b>Table of Content</b>
2	A detailed table of contents prospectus showing the subject matter of the various sections or subsections of the prospectus and the page number on which each such section or subsection begins
	<b>Person Responsible for the information Disclosed</b>

**DRAFT PUBLIC OFFERING AND TRADING OF SECURITIES DIRECTIVE**

<b>Section</b>	<b>Details</b>
3	The name, address and function of the persons responsible for the information or any parts of it, given in the prospectus; in the case of legal persons indicate the name and registered office
3.1	<p>A declaration by the persons responsible for the prospectus that to the best of their knowledge, the information contained in the prospectus is in accordance with the facts and that the prospectus makes no omission likely to affect its import.</p> <p>Where a statement or report attributed to a person as an expert is included in the prospectus, provide the following details for that person's:</p> <p>(e.) Name;</p> <p>(f.) Business Address;</p> <p>(g.) Qualifications;</p> <p>(h.) Material interest if any in the issuer.</p> <p>If the statement or report has been produced at the issuer's request, state that such statement or report has been included in the prospectus with the consent of the person who has authorized the contents of that part for the purpose of the prospectus</p>
	<b>Third party Information</b>
3.2	Where information has been sourced from a third party, a confirmation that such information has been accurately reproduced and that as far as the issuer is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. In addition, the source(s) of the information shall be disclosed
	<b>Statutory Auditors</b>
3.3	Names and addresses of the issuer's auditors for the period covered by the historical financial information together with their membership in a professional body.
	<b>Definitions and Corporate Directory</b>
4	A glossary of abbreviations and technical terms to guide investors on definitions and explanations of abbreviations and terms, especially for companies engaged in technical activities
4.1	The corporate addresses and telephone numbers of the issuers 'branch/regional office, head/office, e-mail, website and registrar's office

Section	Details
	<p><b>Summary of the Offer</b></p>
5	<p>The summary shall contain an introductory cautionary statement indicating that it is to be read together with the other parts of the prospectus and any decision to invest in the securities should be based on a consideration of the prospectus as a whole. The content of the summary shall be accurate, fair and clear and shall not be misleading. It is to be read as an introduction to the prospectus and it shall be consistent with the other parts of the prospectus and shall include:</p> <p><b>Key information on the issuer</b></p> <ul style="list-style-type: none"> <li>(a.) The name of the issuer</li> <li>(b.) A brief description of the issuer of the securities including its domicile and legal form</li> <li>(c.) A summary of its principal activities</li> <li>(d.) The share capital of the company showing the authorized share capital, issued and fully paid share capital</li> <li>(e.) A summary of historical key financial information</li> </ul> <p><b>Key information on the Securities</b></p> <ul style="list-style-type: none"> <li>(a.) A brief description of the securities being offered to the public</li> <li>(b.) The currency, denomination, par value, the number of securities issued and the terms of the securities</li> <li>(c.) The rights attached to the securities</li> <li>(d.) Information on where the securities are traded or will be traded</li> <li>(e.) Where there is a guarantee attached to the securities, a brief description of the nature and scope of the guarantee</li> <li>(f.) Credit rating and name of credit rating agency that assigned the rating</li> </ul> <p><b>Key information on the offer</b></p> <ul style="list-style-type: none"> <li>(a.) the amount/number of securities on offer</li> <li>(b.) the method of offering</li> <li>(c.) tenor, coupon redemption and other terms</li> <li>(d.) the offer price</li> <li>(e.) the period during which the offer will be open, and where and to whom</li> <li>(f.) method and time limits for paying up securities</li> </ul>



## DRAFT PUBLIC OFFERING AND TRADING OF SECURITIES DIRECTIVE

Section	Details
	<ul style="list-style-type: none"> <li>(g.) method and time limits for delivery of securities</li> <li>(h.) minimum application and multiples thereafter</li> <li>(i.) the general terms, conditions and expected timetable of the offer</li> <li>(j.) the plan for distribution and paying agents</li> <li>(k.) an estimate of the total expenses of the issue</li> <li>(l.) a brief description of the reasons or purpose for the offer</li> <li>(m.) estimated net amount of the proceeds and the use including expected periods to complete the project(s)</li> <li>(n.) an indication of whether the offer is subject to an underwriting agreement on a firm commitment basis, stating any portion not covered</li> <li>(o.) the procedures for allotment</li> </ul>
	<b>Information on the Issuer</b>
6	The legal and commercial name of the issuer.
6.1	The country of incorporation of the issuer, the date of incorporation and the length of life of the issuer, except where indefinite
6.2	The history and development of the issuer
6.3	Details of any recent events particular to the issuer and which are to a material extent relevant to an evaluation of the issuer's solvency.
6.4	Credit ratings assigned to an issuer at the request or with the cooperation of the issuer in the rating process
6.5	Information on the material changes in the issuer's borrowing and funding structure since the last financial year
6.6	Description of the expected financing of the issuer's activities
	<b>Business Overview</b>
7	<p>A description of the issuer's principal activities, including:</p> <ul style="list-style-type: none"> <li>(a.) the main categories of products sold and/or services performed</li> <li>(b.) an indication of any significant new products or activities</li> <li>(c.) the principal markets in which the issuer competes</li> </ul>

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<b>Section</b>	<b>Details</b>
7.1	The basis for any statements made by the issuer regarding its competitive position
	<b>Organizational Structure</b>
8	Where the issuer is part of a group, a brief description of the group including a description of the group structure and the issuer's position within the group. This may be in the form of, or accompanied by, an illustration
8.1	A list of the issuer's significant subsidiaries, including name, country of incorporation or residence, the proportion of ownership interest held and, if different, the proportion of voting power held
	<b>Trend Information</b>
9	<p>A description of:</p> <ul style="list-style-type: none"> <li>(a.) any material adverse change in the prospects of the issuer since the date of its last published audited financial statements</li> <li>(b.) any significant change in the financial performance of the issuer since the end of the last financial period for which financial information has been published to the date of the prospectus</li> </ul> <p>If neither of the above are applicable, then the issuer shall include an appropriate statement to the effect that no such changes exist</p>
9.1	Information on any known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the issuer's prospects for at least the current financial year
	<b>Profit Forecasts or Estimates</b>
10	<p>Where a profit forecast or a profit estimate is included in the prospectus, the profit forecast or estimate shall be clear and unambiguous and contain a statement setting out the principal assumptions upon which the issuer has based its forecast, or estimate.</p> <p>The forecast or estimate shall comply with the following principles:</p> <ul style="list-style-type: none"> <li>(a.) there must be a clear distinction between assumptions about factors which the members of the board of directors can influence and assumptions about factors which are exclusively outside the influence of the board of directors</li> </ul>

**DRAFT PUBLIC OFFERING AND TRADING OF SECURITIES DIRECTIVE**

Section	Details
	<p>(b.) the assumptions must be reasonable, readily understandable by investors, specific and precise and not relate to the general accuracy of the estimates underlying the forecast</p> <p>(c.) in the case of a forecast, the assumptions shall draw the investor's attention to those uncertain factors which could materially change the outcome of the forecast.</p>
	<p>The prospectus shall include a statement that the profit forecast or estimate has been compiled and prepared on a basis which is both:</p> <p>(a.) comparable with the historical financial information</p> <p>(b.) consistent with the issuer's accounting policies</p> <p>The forecast shall be accompanied by an independent accountants review on the report</p>
	<p><b>Corporate Governance</b></p>
11	<p>Brief profile of each of the following persons including their full names, address, nationality, function in the issuer, educational qualifications, skills and experience, relevant business interest and activities and any other information the Authority may require from time to time</p> <p>(a.) directors, alternate and proposed directors of the issuer</p> <p>(b.) the senior management of the issuer including the chief executive, board secretary and finance director, with details of professional qualifications and period of employment with the issuer for each such person</p>
11.1	<p>Information about the issuer's audit committee, remuneration committee and other board committees including the names of committee members and a summary of the terms of reference under which the committee operates</p>
11.2	<p>Date of appointment and expiration of the current term of office of members of the Board of Directors and the period during which the person has served in that office</p>
11.3	<p>Details of existing or proposed directors' service contracts with the issuer or any of its subsidiaries providing for benefits upon termination of employment, or an appropriate statement to the effect that no such benefits exist</p>

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<b>Section</b>	<b>Details</b>
11.4	Date of expiration of the current term of office, if applicable, and the period during which the person has served in that office
11.5	A statement as to whether or not the issuer complies with the corporate governance regime(s) applicable to the issuer.
11.6	Potential material impacts on the corporate governance, including future changes in the board and committees' composition (in so far as this has been already decided by the board and/or shareholders meeting)
	<b>Major Shareholder/Interested Persons</b>
12	The name of any person other than a member of board of directors who, directly or indirectly, has an interest in the issuer's capital or voting rights of 5% and above together with the amount of each such person's interest, as of the date of the prospectus or, if there are no such persons, an appropriate statement to that effect that no such person exists
13.1	A description of any arrangements, known to the issuer, the operation of which may at a subsequent date result in a change in control of the issuer
	<b>Financial Information</b>
14	<p>Audited historical financials for the preceding three(3) years which shall include</p> <ul style="list-style-type: none"> <li>(a.) statement of financial position</li> <li>(b.) the income statement</li> <li>(c.) a statement of changes in equity</li> <li>(d.) the cash flow statement</li> <li>(e.) the accounting policies and explanatory notes</li> </ul> <p>If the issuer prepares both stand alone and consolidated annual accounts, it must include both sets of accounts in the prospectus.</p>
14.1	The audit report on the financial statement of the issuer for each of the years presented shall indicate whether or not the financial statements give a true and fair view of the affairs of the company in accordance with the prevailing accounting standard for the reporting period as set by the Accounting Board of Ethiopia or any relevant Ethiopian Authority.

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<b>Section</b>	<b>Details</b>
	If audit reports on the annual financial statements contain qualifications, modifications of opinion, or disclaimers or an emphasis of matter, such qualifications, modifications, disclaimers or emphasis of matter must be reproduced in full and the reasons given
14.2	Indication of other information in the prospectus which has been audited by the auditor
14.3	Where financial information in the prospectus is not extracted from the issuer's audited financial statements state the source of the data and state that the data is not audited
	<b>Legal and arbitration proceedings</b>
14.4	Information on any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the issuer is aware), which may have, or have had in the recent past significant effects on the issuer and/or group's financial position or profitability or provide an appropriate negative statement.
	<b>Significant change in the issuer's financial position</b>
14.5	A description of any significant change in the financial position of the group which has occurred since the end of the last financial period for which either audited financial statements or interim financial information have been published, or provide an appropriate negative statement
14.6	All off-balance sheet financing by the issuer and any of its subsidiaries including all known contingent liabilities shall be quantified (where practicable) and disclosed  by way of note to the accounts
14.7	Where six months have elapsed since the end of the financial year to which the last audited financial statement relate, an interim financial statement, which maybe unaudited covering at least the first six months following the end of that financial year must be included in or appended to the prospectus
	<b>Share Capital</b>
15	As of the date of the most recent balance sheet, the amount of issued capital, and for each class of share capital:  (a.) the total of the issuer's share capital

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<b>Section</b>	<b>Details</b>
	<p>(b.) the number of shares issued and fully paid and issued but not fully paid</p> <p>(c.) the par value per share, or that the shares have no par value; and</p> <p>(d.) a reconciliation of the number of shares outstanding at the beginning and end of the year.</p> <p>If the capital has been paid for with assets other than cash within the period covered by the historical financial information, a statement to this fact</p>
15.1	A history of share capital, highlighting information about any changes, for the period covered by the historical financial information
	<b>Memorandum of Association</b>
16	An extract of the issuer's memorandum of association briefly describing of the issuer's objects and purposes and where they can be found in the up to date memorandum and articles of association
	<b>Material Contracts</b>
17	A summary of each material contract, other than contracts entered into in the ordinary course of business, which could result in any group member being under an obligation or an entitlement that is material to the issuer's ability to meet its obligations to security holders in respect of the securities being issued
	<b>Risk Factors</b>
18	<p>In a section headed 'Risk Factors',</p> <p>a description of the material risks that are specific to the issuer and the securities. In each category, the most material risks, in the assessment undertaken by the issuer or offeror, taking into account the negative impact on the issuer and the probability of their occurrence shall be set out first</p> <p>The risk to be disclosed shall include</p> <p>(a.) those resulting from the level of subordination of a security and the impact on the expected size or timing of payments to holders of the securities under bankruptcy, or any other similar procedure</p>

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<b>Section</b>	<b>Details</b>
	(b.) in cases where the securities are guaranteed, the specific and material risks related to the guarantor to the extent they are relevant to its ability to fulfil its commitment under the guarantee
	<b>Working Capital Statement</b>
19	A Statement by the issuer as to the sufficiency of its in working capital for the issuer's present requirements or, if not, how it proposes to provide the additional working capital needed
	<b>Interest of natural and legal persons involved in the issue/offer</b>
20	A description of any interest, including a conflict of interest that is material to the issue/offer, detailing the persons involved and the nature of the interest
	<b>Reasons for the Offer and Use of Proceeds</b>
21	Reasons for the offer and, and the estimated net amount of the proceeds broken into each principal intended use and presented in order of priority of such uses. The minimum amount which, in the opinion of the directors, must be raised by the offer of the securities in order to provide the required totals must be stated. Where the anticipated proceeds will not be sufficient to fund all the proposed uses, then the issuer must state the amount and sources of other funds needed. Details must be also given about the use of the proceeds, in particular when they are being used to acquire assets, other than in the ordinary course of business, to finance announced acquisitions of other business, or to discharge, reduce or retire indebtedness. If the assets will be acquired from affiliates of the issuer or associates, the person from whom they will be acquired and how the cost to the issuer will be determined must be disclosed.
	<b>Information Concerning the Securities Being Offered</b>
22	A description of the type and the class of the securities being offered
22.1	The legislation under which the securities have been created
22.2	The name and address of the persons in charge of keeping the records of the firm shares
22.3	Total amount of the securities offered to the public
22.4	Currency of the securities issue

**DRAFT PUBLIC OFFERING AND TRADING OF SECURITIES DIRECTIVE**

<b>Section</b>	<b>Details</b>
22.5	The relative seniority of the securities in the issuer's capital structure in the event of insolvency, including, where applicable, information on the level of subordination of the securities and the potential impact on the investment in the event of a resolution
22.6	A description of the rights attached to the securities, including any limitations of those rights and procedure for the exercise of those rights
22.7	<ul style="list-style-type: none"> <li>(a.) the nominal interest rate</li> <li>(b.) the provisions relating to interest payable</li> <li>(c.) the date from which interest becomes payable</li> <li>(d.) the due dates for interest</li> <li>(e.) the time limit on the validity of claims to interest and repayment of principal</li> <li>(f.) maturity date or if the issue matures severally, brief information on the serial maturities</li> <li>(g.) Details of the arrangements for the amortization of the loan, including the repayment procedures. Where advance amortization is contemplated, on the initiative of the issuer or of the holder, it shall be described, stipulating the amortization terms and conditions</li> <li>(a.) An indication of yield</li> <li>(b.) description of the method whereby the yield in point (j) is to be calculated in summary form</li> </ul>
22.8	A statement of the resolutions, authorisations and approvals by virtue of which the securities have been or will be created and/or issued and the expected issue date of the securities
22.9	A description of any restrictions on the transferability of the securities
22.10	The expected issue date of the securities.
22.11	Representation of debt security holders including an identification of the organisation representing the investors and provisions applying to such representation. Indication of the website where the public may have free access to the contracts relating to these forms of representation



## DRAFT PUBLIC OFFERING AND TRADING OF SECURITIES DIRECTIVE

Section	Details
22.12	Information on the taxation treatment of the securities where the proposed investment attracts a tax regime specific to that type of investment
	<b>Terms and Conditions of the Offer of Securities to the Public</b>
23	Conditions, offer statistics, expected timetable and action required to apply for the offer
23.1	The time period, during which the offer will be open and description of the application process
23.2	A description of any possibility to reduce subscriptions and the manner for refunding amounts paid in excess by applicants
23.3	Details of the minimum and/or maximum amount of application (whether in number of securities or aggregate amount to invest) including whether or not multiple subscriptions are admitted, and where they are not, how any multiple subscriptions will be handled
23.4	An indication of the period during which an application may be withdrawn, provided that investors are allowed to withdraw their subscription
23.5	Method and time limits for paying up the securities and for delivery of the securities
23.6	A description of the manner and date in which results of the offer are to be made public
23.7	The plan of distribution and allotment
23.8	The various categories of potential investors to which the securities are offered
23.9	Process for notifying applicants of the amount allotted
	<b>Pricing</b>
24	<p>The price at which the securities are being offered and the basis for the issue price. Where the price is not known,</p> <ul style="list-style-type: none"> <li>(a.) the price range or minimum bid price</li> <li>(b.) the valuation methods and criteria, and/or conditions, in accordance with which the final offer price will be determined and an explanation of any valuation methods used</li> </ul>

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<b>Section</b>	<b>Details</b>
	(c.) the Process for the disclosure of the offer price
	<b>Distribution and Underwriting</b>
25	Name and address of any paying agents and depository
26.1	Name and address of the entities agreeing to underwrite the issue on a firm commitment basis, and name and address of the entities agreeing to place the issue without a firm commitment or under best 'efforts' arrangements. Indication of the material features of the agreements, including the quotas. Where not all of the issue is underwritten, a statement of the portion not covered. Indication of the overall amount of the underwriting commission
26.2	When the underwriting agreement has been or will be reached
	<b>Listing/ Quotation and and Trading Arrangements</b>
26.3	An information as to the securities exchange or OTC market where the securities will be listed or quoted and If known, the earliest dates on which the securities will be admitted to trading
	<b>Expense of the Offer</b>
27	<p>The following information on expenses shall be provided:</p> <p>(a.) the total amount of the discounts or commissions agreed upon by the underwriters or other placement or selling agents and the issuer shall be disclosed, as well as the percentage such commissions represent of the total amount of the offering and the amount of discounts or commissions per share</p> <p>(b.) An itemized state of the major categories of expenses incurred in connection with the issuance and distribution of the securities to be listed or offered and by whom the expenses are payable, if other than the issuer. The following expenses shall be disclosed separately:</p> <ul style="list-style-type: none"> <li>viii. advertisement</li> <li>ix. printing of prospectus</li> <li>x. approval and listing fees</li> <li>xi. brokerage commission</li> <li>xii. financial advisory fees</li> <li>xiii. legal fees; and</li> </ul>

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Section	Details
	<p>xiv. underwriting fees.</p> <p>If any of the securities are to be offered for the account of a selling shareholder, indicate the portion of such expenses to be borne by such shareholder. If the amounts of any items are not known, estimates (identified as such) shall be given</p>
	<p><b>Documents Available</b></p>
28	<p>A statement that for the term of the prospectus the following documents, where applicable, may be inspected:</p> <ul style="list-style-type: none"> <li>(a.) the up to date memorandum of association of the issuer;</li> <li>(b.) all reports, letters, and other documents, historical financial information, valuations, material contracts and agreements and statements prepared by any expert at the issuer's request any part of which is included or referred to in the prospectus</li> </ul> <p>An indication of the website on which the documents may be inspected.</p>
	<p><b>Additional information</b></p>
29	<p>Credit ratings assigned to the securities at the request or with the co-operation of the issuer in the rating process</p>

**SCHEDULE III – CONTENTS OF OFFERING MEMORANDUM  
(PREFERRED RIGHTS OF SUBSCRIPTION)**

DRAFT

**SCHEDULE III**

**CONTENT OF AN OFFERING MEMORANDUM FOR PREFERRED RIGHTS OF  
SUBSCRIPTION**

<b>Section</b>	<b>Details</b>
	<b>Front Page</b>
1	The front cover shall state the name of the issuer, the financial adviser(s), the type of offer, amount/number of securities being offered, the basis for the rights issue, the price, the amount payable in full on application, and a notice advising existing shareholders of such

**DRAFT PUBLIC OFFERING AND TRADING OF SECURITIES DIRECTIVE**

Section	Details
	rights, that the whole or part of the rights are tradable during the period of the offer on the specified Securities Exchange
1.2	<p>The offering memorandum shall contain on the front page a statement that</p> <ul style="list-style-type: none"> <li>(a.) The offering memorandum is issued under the provisions of the Capital market Proclamation, and in compliance with the public offer and trading Directives of the Ethiopian Capital Market Authority for the purpose of giving information to the public regarding the securities of the company</li> <li>(b.) The offering memorandum and the securities, which it offers, have been registered by the Ethiopian Capital Market Authority</li> <li>(c.) The registration of the offering memorandum and the securities which it offers by the Ethiopian Capital Market Authority should not be construed as an endorsement of the issuer or of the securities that is the subject of this offering memorandum or assumes responsibility for the correctness of any statements made or opinions or reports included herein.</li> <li>(d.) The directors of the issuer, accept full responsibility for the information contained in the offering memorandum and to the best of their knowledge and belief having taken all reasonable care to ensure that such is the case, the information in the offering memorandum is in accordance with facts and does not omit anything likely to affect the import of such information or make the expression of such information or opinion misleading or untrue</li> <li>(e.) Investing in this offer involves risks with reference to the relevant pages on risk factors which should be considered by prospective investors.</li> </ul>
	<b>Table of Content</b>
2	A detailed table of contents offering memorandum showing the subject matter of the various sections or subsections offering memorandum and the page number on which each such section or subsection begins.
	<b>Person Responsible for the Information Disclosed</b>
3	The name, address, and function of the persons responsible for the information in the offering memorandum or any parts of it, in the case of legal persons indicate the name and registered office.
3.1	A declaration by the persons responsible for the offering memorandum that to the best of their knowledge, the information contained in the offering memorandum is in accordance

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Section	Details
	<p>with the facts and that the offering memorandum makes no omission likely to affect its import.</p> <p>Where a statement or report attributed to a person as an expert is included in the offering memorandum, provide the following details for that person's:</p> <ul style="list-style-type: none"> <li>(e.) Name;</li> <li>(f.) Business Address;</li> <li>(g.) Qualifications;</li> <li>(h.) Material interest if any in the issuer.</li> </ul> <p>If the statement or report has been produced at the issuer's request, state that such statement or report has been included in the offering memorandum with the consent of the person who has authorized the contents of that part for the purpose of the offering memorandum.</p>
	<p><b>Third-Party Information</b></p>
3.2	<p>Where information has been sourced from a third party, a confirmation that such information has been accurately reproduced and that as far as the issuer is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. In addition, the source(s) of the information shall be disclosed.</p>
	<p><b>Statutory Auditors</b></p>
3.3	<p>Names and addresses of the issuer's auditors for the period covered by the historical financial information together with their membership in a professional body.</p>
	<p><b>Definitions and Corporate Directory</b></p>
4	<p>A glossary of abbreviations and technical terms to guide investors on definitions and explanations of abbreviations and terms, especially for companies engaged in technical activities.</p>
4.1	<p>The corporate addresses and telephone numbers of the issuers 'branch/regional office, head/office, e-mail, website and registrar's office</p>
	<p><b>Summary of the Offer</b></p>
5	<p>The summary shall contain an introductory cautionary statement indicating that it is to be read together with the other parts of the offering memorandum and any decision to invest</p>

Section	Details
	<p>in the securities should be based on a consideration of the offering memorandum as a whole. The content of the summary shall be accurate, fair, and clear and shall not be misleading. It is to be read as an introduction to the offering memorandum and it shall be consistent with the other parts of the offering memorandum and shall include:</p> <p><b>Key information on the issuer</b></p> <ul style="list-style-type: none"> <li>(a.) the name of the issuer</li> <li>(b.) the name of the offeror (where applicable)</li> <li>(c.) a brief description of the issuer of the securities including its domicile and legal form</li> <li>(d.) A summary of Its principal activities</li> <li>(e.) the share capital of the company showing the share capital, issued and fully paid share capital</li> <li>(f.) shareholding structure</li> <li>(g.) a summary of historical key financial information highlighting any indebtedness</li> </ul> <p><b>Key information on the Securities</b></p> <ul style="list-style-type: none"> <li>(a.) a brief description of the securities being offered to the public including their type and class</li> <li>(b.) the currency, denomination, par value, the number of securities issued and the terms of the securities</li> <li>(c.) the rights attached to the securities</li> <li>(d.) Information on where the securities are traded or will be traded</li> </ul> <p><b>Key information on the offer</b></p> <ul style="list-style-type: none"> <li>a. the amount/number of securities on offer</li> <li>b. the offer price</li> <li>c. the period during which the offer will be open, and where and to whom</li> <li>d. the basis for the rights</li> <li>e. information on trading in rights</li> <li>f. method and time limits for paying up securities</li> <li>g. method and time limits for delivery of securities</li> <li>h. minimum application and multiples thereafter</li> <li>i. the general terms, conditions and expected timetable of the offer</li> <li>j. the plan for distribution and paying agents</li> <li>k. the amount and percentage of immediate dilution resulting from the offer</li> </ul>

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Section	Details
	<ul style="list-style-type: none"> <li>l. An estimate of the total expenses of the issue</li> <li>m. a brief description of the reasons or purpose for the offer</li> <li>n. estimated net amount of the proceeds and the use including expected periods to complete the project(s)</li> <li>o. an indication of whether the offer is subject to an underwriting agreement on a firm commitment basis, stating any portion not covered</li> <li>p. the procedures for allotment</li> </ul>
	<b>Information on the Issuer</b>
6	The legal and commercial name of the issuer.
6.1	The country of incorporation of the issuer, and the date of incorporation.
	<b>Business Overview</b>
7	<p>A brief description of:</p> <ul style="list-style-type: none"> <li>a. the key principal activities of the issuer;</li> <li>b. of any significant changes impacting the issuer's operations and principal activities since the end of the period covered by the latest published audited financial statements, including the following: <ul style="list-style-type: none"> <li>i. an indication of any significant new products and services that have been introduced</li> <li>ii. the status of the development of new products or services to the extent that they have been publicly disclosed</li> <li>iii. any material changes in the issuer's regulatory environment since the period covered by the latest published audited financial statements.</li> </ul> </li> </ul>
	<b>Investments</b>
8	A description of the issuer's material investments made since the date of the last published financial statements and which are in progress and/or for which firm commitments have already been made, including the geographical distribution of these investments; and the method of financing such investments.
	<b>Trend Information</b>



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Section	Details
9	<p>A description of:</p> <ol style="list-style-type: none"> <li data-bbox="367 317 1521 453">a. the most significant recent trends in production, sales and inventory, and costs and selling prices since the end of the last financial year to the date of the offering memorandum</li> <li data-bbox="367 470 1521 606">b. any significant change in the financial performance of the group since the end of the last financial period for which financial information has been published to the date of the registration document, or provide an appropriate negative statement.</li> <li data-bbox="367 623 1521 760">c. information on any known trends, uncertainties, demands, commitments, or events that are reasonably likely to have a material effect on the issuer’s prospects for at least the current financial year.</li> </ol>
	<b>Profit Forecast or Estimates</b>
10	<p>Where an issuer has published a profit forecast or a profit estimate (which is still outstanding and valid), that forecast or estimate shall be included in the registration document. If a profit forecast or profit estimate has been published and is still outstanding, but no longer valid, then provide a statement to that effect and an explanation of why such forecast or estimate is no longer valid.</p>
10.1	<p>Where an issuer chooses to include a new profit forecast or a new profit estimate, or where the issuer includes a previously published profit forecast or a previously published profit estimate pursuant to item the profit forecast or estimate shall be clear and unambiguous and shall contain a statement setting out the principal assumptions upon which the issuer has based its forecast, or estimate.</p> <p>The forecast or estimate shall comply with the following principles:</p> <ol style="list-style-type: none"> <li data-bbox="367 1465 1521 1602">(a.) there must be a clear distinction between assumptions about factors which the members of the board of directors can influence and assumptions about factors which are exclusively outside the influence of the board of directors;</li> <li data-bbox="367 1619 1521 1755">(b.) the assumptions must be reasonable, readily understandable by investors, specific and precise and not relate to the general accuracy of the estimates underlying the forecast;</li> <li data-bbox="367 1772 1521 1845">(c.) in the case of a forecast, the assumptions shall draw the investor’s attention to those uncertain factors which could materially change the outcome of the forecast</li> </ol>

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Section	Details
10.2	<p>The offering memorandum shall include a statement that the profit forecast or estimate has been compiled and prepared on a basis which is both:</p> <ul style="list-style-type: none"> <li>d. comparable with the historical financial information;</li> <li>e. consistent with the issuer’s accounting policies.</li> </ul> <p>The profit forecast/estimate shall be accompanied by an independent accountant’s report</p>
	<p><b>Corporate Governance</b></p>
11	<p>Brief profile of each of the following persons including their full names, address, nationality, function in the issuer, educational qualifications, skills and experience, relevant business interest and activities, and any other information the Authority may require from time to time</p> <ul style="list-style-type: none"> <li>(a.) directors, alternate and proposed directors of the issuer</li> <li>(b.) the senior management of the issuer including the chief executive, board secretary and finance director, with details of professional qualifications and period of employment with the issuer for each such person</li> <li>(c.) founders or promoters where the business has been in existence for less than five years</li> </ul> <p>Details of the nature of any family relationship between any of the persons referred to in points a -c</p> <p>To the extent not already disclosed, and in the case of new members of the board of directors of the issuer (since the date of the latest audited annual financial statements) and of each person referred to in points (a) and (b) of the first subparagraph the following information:</p> <ul style="list-style-type: none"> <li>(a.) the names of all companies and partnerships where those persons have been a member of the board of directors or partner at any time in the previous five years, indicating whether or not the individual is still a member of the board of directors or partner. It is not necessary to list all the subsidiaries of an issuer</li> <li>(b.) details of any convictions in relation to fraudulent offences for at least the previous five years;</li> </ul>

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Section	Details
	<p>(c.) details of any bankruptcies, receiverships, liquidations or companies put into administration in respect of those persons of the first subparagraph who acted in one or more of those capacities for at least the previous five years.</p> <p>(d.) details of any official public incrimination and/or sanctions involving such persons by statutory or regulatory authorities (including designated professional bodies) and whether they have ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer for at least the previous five years.</p> <p>If there is no such information required to be disclosed, a statement to that effect is to be made.</p>
11.1	<p>All relevant information regarding the nature and extent of any interests of directors of the issuer in transactions which are or were unusual in their nature or conditions or significant to the business of the group, and which were effected by the issuer during the current or immediately preceding financial year; or an earlier financial year and remain in any respect outstanding or unperformed; or an appropriate negative statement</p>
	<p><b>Major Shareholder/Interested Persons</b></p>
12	<p>The name of any person other than a member of board of directors who, directly or indirectly, has an interest in the issuer's capital or voting rights of 5% and above together with the amount of each such person's interest, as of the date of the offering memorandum or, if there are no such persons, an appropriate statement to that effect that no such person exists.</p>
12.1	<p>Whether the issuer's major shareholders have different voting rights, or an appropriate statement to the effect that no such voting rights exist.</p>
12.2	<p>A description of any arrangements, known to the issuer, the operation of which may at a subsequent date result in a change in control of the issuer</p>
	<p><b>Related Party Transactions</b></p>
13	<p>Information on any existing and potential related-party transactions that the issuer has entered into since the date of the last financial statement.</p>

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<b>Section</b>	<b>Details</b>
13.1	The amount or the percentage to which related party transactions form part of the turnover of the issuer
	<b>Financial information</b>
14	<p>Audited historical financials for the preceding three years which shall include</p> <ul style="list-style-type: none"> <li>(a.) statement of financial position;</li> <li>(b.) the income statement;</li> <li>(c.) a statement of changes in equity</li> <li>(d.) the cash flow statement;</li> <li>(e.) the accounting policies and explanatory notes</li> </ul> <p>If the issuer prepares both stand alone and consolidated annual accounts, it must include both sets of accounts in the offering memorandum</p>
14.1	<p>Audit report on the financial statement of the issuer for each of the years presented indicating whether or not they give a true and fair view of the affairs of the company in accordance with the prevailing accounting standard for the as set by the Accounting Board of Ethiopia or any relevant Ethiopian Authority</p> <p>if audit reports on the annual financial statements contain qualifications, modifications of opinion, or disclaimers or an emphasis of matter, such qualifications, modifications, disclaimers or emphasis of matter must be reproduced in full and the reasons given</p>
14.2	Indication of other information in the offering memorandum which has been audited by the auditor
14.3	where financial information in the offering memorandum is not extracted from the issuer's audited financial statements state the source of the data and state that the data is not audited
	Legal and Arbitration Proceedings

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Section	Details
14.4	Information on any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the issuer is aware), which may have, or have had in the recent past significant effects on the issuer and/or group's financial position or profitability, or provide an appropriate negative statement.
	<b>Significant Change in the Issuer's Financial Position</b>
14.5	A description of any significant change in the financial position of the group which has occurred since the end of the last financial period for which either audited financial statements or interim financial information have been published, or provide an appropriate negative statement
14.6	All off-balance sheet financing by the issuer and any of its subsidiaries including all known contingent liabilities shall be quantified (where practicable) and disclosed  by way of note to the accounts
14.7	Where nine months have elapsed since the end of the financial year to which the last audited financial statement relate, an interim financial statement, which maybe unaudited covering at least the first six months following the end of that financial year must be included in or appended to the offering memorandum
	<b>Pro Forma Financial Information</b>
15	Where any part of the proceeds of the issue are to be used directly or indirectly in any manner resulting in the acquisition by the issuer of shares in another body corporate which by reason of that acquisition or anything to be done in consequence of or in connection with it, that body corporate will become a subsidiary of the company, a description of how the transaction might have affected the assets, liabilities, and earnings of the issuer, had the transaction been undertaken at the commencement of the period being reported on or at the date reported.  This requirement will normally be satisfied by the inclusion of pro forma financial information.
	<b>Dividend Policy</b>
16	A description of the issuer's policy on dividend distributions and any restrictions thereon.

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<b>Section</b>	<b>Details</b>
16.1	The amount of the dividend per share for the last financial year adjusted, where the number of shares in the issuer has changed, to make it comparable.
	<b>Share Capital</b>
17	<p>as of the date of the most recent statement of financial position</p> <p>(a.) The amount of any convertible securities, exchangeable securities with an indication of the conditions governing and the procedures for conversion, exchange or subscription</p> <p>(b.) Information about and terms of any acquisition rights and or obligations over authorized but unissued capital or an undertaking to increase the capital</p>
18	A history of share capital, highlighting information about any changes, for the period covered by the historical financial information
	<b>Material Contracts</b>
19	<p>A brief summary of each material contract, other than contracts entered into in the ordinary course of business, to which the issuer or any member of the group is a party, for the two years immediately preceding publication of the registration document.</p> <p>A brief summary of any other contract (not being a contract entered into in the ordinary course of business) entered into by any member of the group which contains any provision under which any member of the group has any obligation or entitlement which is material to the group as at the date of the registration document.</p>
	<b>Risk Factors</b>
20	<p>in a section headed 'Risk Factors',</p> <p>a description of the material risks that are specific to the issuer and the securities. In each category, the most material risks, in the assessment undertaken by the issuer or offeror, taking into account the negative impact on the issuer and the probability of their occurrence shall be set out first.</p>
	<b>Interest of Natural and Legal Persons Involved in the Issue/Offer</b>

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<b>Section</b>	<b>Details</b>
21	A description of any interest, including a conflict of interest that is material to the issue/offer, detailing the persons involved and the nature of the interest
	<b>Reasons for the Offer and Use of Proceeds</b>
22	Reasons for the offer and the estimated net amount of the proceeds broken into each principal intended use and presented in order of priority of such uses. If the issuer is aware that the anticipated proceeds will not be sufficient to fund all the proposed uses, then state the amount and sources of other funds needed. Details must be also given with regard to the use of the proceeds, in particular when they are being used to acquire assets, other than in the ordinary course of business, to finance announced acquisitions of other business, or to discharge, reduce or retire indebtedness.
	<b>Working Capital Statement</b>
23	A statement by the issuer that, in its opinion, the working capital is sufficient for the issuer's present requirements or, if not, how it proposes to provide the additional working capital needed
	<b>Capitalization and Indebtedness</b>
24	<p>A statement of capitalization and indebtedness (distinguishing between guaranteed and unguaranteed, secured and unsecured indebtedness) as of a date no earlier than 90 days prior to the date of the document. The term 'indebtedness' also includes indirect and contingent indebtedness.</p> <p>In the case of material changes in the capitalization and indebtedness position of the issuer within the 90 day period additional information shall be given through the presentation of a narrative description of such changes or through the updating of those figures.</p>
	<b>Information Concerning the Securities Being Offered</b>
25	A description of the type and the class of the securities being offered
25.1	Legislation under which the securities have been created
25.2	The name and address of the persons in charge of keeping the records of the firm shares
25.3	A description of the rights attached to the securities, including any limitations of those rights and procedure for the exercise of those rights including;

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<b>Section</b>	<b>Details</b>
	<ul style="list-style-type: none"> <li>(a.) dividend rights;</li> <li>(b.) voting rights;</li> <li>(c.) pre-emption rights in offers for subscription of securities of the same class;</li> <li>(d.) right to share in the issuer's profits;</li> <li>(e.) rights to share in any surplus in the event of liquidation;</li> <li>(f.) redemption provisions;</li> <li>(g.) conversion provisions</li> </ul>
25.4	A statement of the resolutions, authorizations and approvals by virtue of which the securities have been or will be created and/or issued and the expected issue date of the securities.
25.5	An indication of public takeover bids by third parties in respect of the issuer's equity, which have occurred during the last financial year and the current financial year. The price or exchange terms attaching to such offers and the outcome thereof must be stated
25.6	Information on the taxation treatment of the securities where the proposed investment attracts a tax regime specific to that type of investment
	<b>Terms and Conditions of the Offer of Securities to the Public</b>
26	Conditions, offer statistics, expected timetable and action required to apply for the offer
26.1	Total amount of the offer
26.2	The time period, during which the offer will be open and description of the application process
26.3	A description of any possibility to reduce subscriptions and the manner for refunding amounts paid in excess by applicants.
26.4	Details of the minimum and/or maximum amount of application (whether in number of securities or aggregate amount to invest) and whether or not multiple subscriptions are admitted, and where they are not, how any multiple subscriptions will be handled.
26.5	An indication of the period during which an application may be withdrawn, provided that investors are allowed to withdraw their subscription.
26.6	Method and time limits for paying up the securities and for delivery of the securities.



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Section	Details
26.7	A full description of the manner and date in which results of the offer are to be made public.
26.8	The procedure for the exercise of any right of pre-emption, the negotiability of subscription rights and the treatment of subscription rights not exercised.
26.9	Plan of distribution and allotment.
26.10	The various categories of potential investors to which the securities are offered.
26.11	To the extent known to the issuer, an indication of whether major shareholders/interested persons or members of the issuer's board of directors or management, intend to subscribe in the offer, or whether any person intends to subscribe for more than five per cent of the offer.
26.12	Process for notifying applicants of the amount allotted and an indication whether dealing may begin before notification is made
	<b>Pricing</b>
27	The price at which the securities will be offered and the basis for valuation. Where the price is not known, <ul style="list-style-type: none"> <li>(a.) the maximum price as far as it is available;</li> <li>(b.) the valuation methods and criteria, and/or conditions, in accordance with which the final offer price has been or will be determined and an explanation of any valuation methods used</li> <li>(c.) process for the disclosure of the offer price</li> </ul>
	<b>Distribution and Underwriting</b>
28	Name and address of any paying agents and depository
	Name and address of the entities agreeing to underwrite the issue on a firm commitment basis, and name and address of the entities agreeing to place the issue without a firm commitment or under best 'efforts' arrangements. Indication of the material features of the agreements, including the quotas. Where not all of the issue is underwritten, a statement of the portion not covered. Indication of the overall amount of the underwriting commission and of the placing commission
29	When the underwriting agreement has been or will be reached

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Section	Details
	<b>Listing/ Quotation and Trading Arrangements</b>
30	An information as to the securities exchange or OTC market where the securities will be listed or quoted and if known, the earliest dates on which the securities will be admitted to trading
	<b>Expense of the Offer</b>
31	<p>The following information on expenses shall be provided:</p> <p>(c.) the total amount of the discounts or commissions agreed upon by the underwriters or other placement or selling agents and the issuer shall be disclosed, as well as the percentage such commissions represent of the total amount of the offering and the amount of discounts or commissions per share</p> <p>(d.) An itemized state of the major categories of expenses incurred in connection with the issuance and distribution of the securities to be listed or offered and by whom the expenses are payable, if other than the issuer. The following expenses shall be disclosed separately:</p> <ul style="list-style-type: none"> <li>xv. advertisement</li> <li>xvi. printing of prospectus</li> <li>xvii. approval and listing fees</li> <li>xviii. brokerage commission</li> <li>xix. financial advisory fees</li> <li>xx. legal fees; and</li> <li>xxi. underwriting fees.</li> </ul> <p>If any of the securities are to be offered for the account of a selling shareholder, indicate the portion of such expenses to be borne by such shareholder. If the amounts of any items are not known, estimates (identified as such) shall be given</p>
	<b>Dilution</b>
32	<p>A comparison of</p> <p>(a.) participation in share capital and voting rights for existing shareholders before and after the capital increase resulting from the public offer; the net asset value per share as of the date of the latest balance sheet before the rights issue and the offering price per share within that offer</p>

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<b>Section</b>	<b>Details</b>
32.1	Where existing shareholders will be diluted regardless of whether they subscribe for their entitlement, an indication of the dilution existing shareholders will experience should also be presented on the basis that they do take up their entitlement (in addition to the situation where they do not)
	<b>Documents Available</b>
33	<p>A statement that for the term of the offering memorandum the following documents, where applicable, may be inspected:</p> <ul style="list-style-type: none"><li>(b.) the up to date memorandum of association of the issuer</li><li>(c.) all reports, letters, and other documents, historical financial information, valuations, material contracts and agreements and statements prepared by any expert at the issuer's request any part of which is included or referred to in the offering memorandum</li></ul> <p>An indication of the website on which the documents may be inspected.</p>