

Capital Market Service Providers Licensing and Supervision

Description

By Dagnachew Tesfaye, Managing Partner at DMLF



Introduction

The Ethiopian Capital Market Authority (ECMA) has been authorized by Capital Market Proclamation Number 1248/2021 to regulate the capital market in Ethiopia. Accordingly ECMA issued a directive namely Capital Market Service Providers Licencing and Supervision Directive No 980/2024(hereafter the Directive). The Directive became effective in January 2024, as the Directive is registered by the Ministry of Justice and posted on the website of ECMA. The Directive contains 21 Parts with 183 Articles and three schedules. This article shall provide a general view of each Part of the Directive and the schedules attached to the Directive. A brief conclusion shall follow.

The 1st Part of the Directive is about definition of words and terms as well as scope of the Directive. Part 2 covers Licencing of Capital Market Service Providers. There are 15 designated capital market service licenses. These include **Service Brokers; Securities Dealers; Security Digital Sub-brokers; Investment Banks; Securities Investment Advisers; Securities Shariah Advisors; Securities Robo Advisers; Collective Investment Scheme Operators; Crowdfunding Intermediaries; Securities Market Makers; Security Custodians; Securities Portfolio Managers; Credit Rating Agencies; Securities Appraisal Firms and Appointed Representatives**. When the applicant is a share company or private limited company, such companies need to have a Board of Directors that will be responsible for its governance. There is a fee to be paid to acquire the license as determined by the Fee Directive of ECMA.

Part 3 deals with **General Obligations and Responsibilities** of the capital market service providers. Among the several obligations and responsibilities, one obligation is to maintain minimum net liquid capital to meet its base and risk requirements.

To deal with contravention of the provisions of the Directive, Part 4 outlined **Enforcement and Administrative Measures**. Part 5 covers **Voluntary Exit** from the Market by relinquishing the service license.

Part 6-16 lists **eligibility** requirements for each type of capital market service licenses. Some licenses are open for individuals, limited liability partnerships, limited partnerships, general partnerships, private limited companies or share companies and few others are restricted for only share companies and private limited companies.

Part 17 deals with **Minimum Capital Requirements** for capital market service providers. To obtain the license to operate as a capital market service provider, the minimum capital in cash has to be deposited in a licensed commercial bank in Ethiopia. The **net shareholders' fund or partners' fund or net worth** has to comply with Schedule 1 of the Directive.

Corporate Governance for Capital Market Service Providers, Competency Framework for Capital Market Service Providers and **Code of Conduct** are covered in Part 18-120 respectively.

Finally Part 21 namely **Miscellaneous Provisions** contain principles about circulars and notices, inapplicable laws and effective date of the Directive. Schedule 1 is about *Minimum Capital Requirements*. Schedule 2 deals with *Capital Market Service Providers Functions and Competency Requirements* and Schedule 3 covers *Penalties, Fines and other Enforcement Actions*.

Conclusion

The Directive identifies 15 different types of capital market services licenses. The Directive has stipulated the functions, authorized activities, related governance and ethical principles in regulating capital market service providers. The Directive embodies detailed rules on how to obtain a license and responsibilities and obligations of licensed service providers. As the Director General of ECMA said 'this Directive is a significant milestone in the development of the capital market in Ethiopia'.

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RESPONDING TO CHILD ABUSE AND NEGLECT

By Dagnachew Tesfaye, Partner at DMLF The Alternative Child Care and Support Directive Number 976/2023 by Ministry of Women and Social Affairs, October 2023, incorporates a section namely Responding to Child Abuse and Neglect. The State is given the responsibility to respond to child abuse and neglect. The procedure of reporting, assessment, court approval, emergency...

June 30, 2024

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Gold Purchase Price Adjustment

By DMLF The National Bank of Ethiopia has introduced an amendment Directive namely NBE Amendment Procedure on Price of Gold Purchase No 1/2024, effective as of June 17/2024. This Directive is an amendment to a similar Directive number 3/2023. The amendment Directive encompasses price adjustment for provision of gold in terms of its weight and...

June 23, 2024

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The New Public Holidays Proclamation

By DMLF The House of Peoples' Representative in its session on June 11/2024 enacted the Proclamation to Determine Public Holidays and Celebration of Public Holiday Proclamation Number 1334/2024. The Proclamation identifies 12 celebrated public holidays that governmental and non-governmental institutions shall be closed for public services. These public holidays and rest days are salaried days....

June 16, 2024

Membership to American Bar Association (ABA)

Partners to DMLF namely Mr.Dagnachew Tesfaye Abetew and Mrs.Mahlet Mesganaw Getu are proud to announce the membership to the American Bar Association (ABA). We hope the ABA membership will provide us with professional advantages in building networks for rendering life changing legal services for our communities.

June 9, 2024

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The Madrid System for the International Registration of Marks

By DMLF The Madrid System for the International Registration of Marks is a centralized system that simplifies the process of registering trademarks in multiple countries. It's administered by the World Intellectual Property Organization (WIPO). Under this system, trademark owners can file a single application with WIPO to protect their mark in multiple member countries. This...

June 9, 2024

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Ethiopian National Dialogue

By DMLF The Ethiopian National Dialogue Commission (hereafter the Commission) was established by Proclamation 1265 /2021(hereafter the Proclamation). The Proclamation was done as of 13th of January 2022. The term of office of the Commission is three (3) years.The term of the Commission shall begin from the time Commissioners have been appointed in accordance...

June 2, 2024

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