

## 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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## **Immigration and Citizenship Services: Ethiopian Origin ID**

By DMLF The Immigration and Citizenship Services(ICS) is established based on the restructuring made on Definition of Powers and Duties of the Executive Organs Proclamation No. 1263/2021. This Proclamation entered into force on the 6th day of October, 2021. Hence ICS is established as an autonomous federal government body having its own legal personality. ICS shall...

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By DMLF in collaboration with Geda Yosef Introduction A retirement visa is a special type of visa issued by some nations that allows people with adequate financial resources to live in a specific foreign country for an extended period of time. Retirement visas bring several advantages for developing countries like Ethiopia in terms of socio-economic...

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By Geda Yoseph, Associate at DMLF Introduction In recent years, Ethiopia has undergone several reforms in different sectors; among these, transport and logistics. The State has taken several reforms for the effective utilization of its resources, mainly by focusing on renewable energy and the introduction of electric vehicles. In order to achieve this plan, the...

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## **Ethiopia's Liberalization of Export, Import, Wholesale and Retail Trade for Foreign Investors**

By Mahlet Mesganaw, Partner at DMLF Introduction The Ethiopian Investment Board by Directive Number 1001/2024, issued the "Directive to Regulate Foreign Investors' Participation in Restricted Export, Import, Wholesale and Retail Trade Investments"(the Directive). The Directive shall come into force as of the date when it is posted on the web pages of the Ministry of...

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## **Income Generating Business Activities for Civil Society Organizations**

By Dagnachew Tesfaye, Managing Partner at DMLF The Ethiopian Civil Society Organization Proclamation Number 1113/2019(the Proclamation), done as of March 12,2019, is enacted to regulate civil society organization. This Proclamation has allowed civil society organizations to engage in income generating business activities. To regulate in detail the business engagement of civil society organizations, the Authority...

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## Cassation Decision on Requirements of an Agreement made in an Irregular Union

By Geda Yoseph, Associate at DMLF Introduction The Federal Supreme Court Cassation Division on Cassation on File No. 185895 dated 24/02/2021, passed a binding decision as to whether an agreement on property of the man and woman made during an irregular union that lasted more than three years is required to be presented to court...

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