

WHO ARE TRADING MEMBERS

Trading members are firms with memberships on security exchanges, granting them the authority to trade directly in these markets. This membership enables them to actively buy and sell securities, providing critical liquidity and market depth.

They play a pivotal role in the financial ecosystem by executing trades on behalf of themselves or their clients. Their operations are fundamental to market efficiency and stability. Trading members are expected to adhere to the highest standards of integrity, competence, and financial soundness, ensuring reliable and transparent trading practices.

CATEGORIES OF TRADING MEMBERS

Trading members can vary based on regulatory frameworks and exchanges but generally include:

- **Broker:** A firm that buys and sells securities on behalf of clients, earning a commission for its services.
- **Dealer:** A firm that buys and sells securities on behalf of clients account or for their own account.
- **Investment Bank:** is a non-deposit taking financial institution that facilitates companies and governments to raise capital through underwriting, facilitates mergers and acquisitions, and acts as a financial adviser or broker for institutional clients.
- **Market-Maker:** A firm that ensures the availability of supply and demand for one or more securities by continuously quoting buy and sell prices for those securities, committing to buy or sell at those prices, thus providing liquidity.

SERVICES PROVIDED BY TRADING MEMBERS

1. Execution of Trades

- Members facilitate the buying and selling of securities on behalf of clients or for their own accounts and report these trades to the clearing and settlement system.
- Efficiently manage and execute trade orders to ensure timely and accurate transactions.

2. Investment Advisory and Research

- Provide tailored investment advice based on market conditions, financial goals, and risk tolerance.
- Offer detailed research and analysis on market trends, securities, and investment opportunities.

3. Underwriting and Issuance

- Assist in the issuance of new securities by underwriting and distributing shares or bonds for companies raising capital.
- Facilitate Initial Public Offerings (IPOs) by managing the process of listing new companies on stock exchanges.

4. Market Making

- Offer to buy and sell securities at specified prices to provide liquidity, ensuring a continuous market for these securities.
- Maintain the bid-ask spread to facilitate trading and price discovery.

5. Client Services and Support

- Offer support to clients regarding account management, trade execution, and other trading-related inquiries.
- Provide resources and training to help clients understand market dynamics and trading strategies.

Becoming a Trading Member of ESX: A Quick Guide

To trade on the electronic trading platform of the Ethiopian Securities Exchange (“ESX” or “the Exchange”), capital market service providers (Brokers, Dealers, Investment Banks and other authorized intermediaries) must be members of the ESX in accordance with ESX Rule book.

Becoming a member

1.1. Qualification/Eligibility

- Only a share company or private limited company can apply to become a member of the Exchange.
- To be eligible, the company must either be licensed by the Ethiopian Capital Market Authority (ECMA) or be in the process of obtaining a license as a Securities Broker, Securities Dealer, Investment Bank, Market Maker.

An application for a membership license shall be made in such a manner as prescribed by the Exchange’s Membership Rules.

1.2. Application Requirement

The applicant shall provide the following documents to obtain **Approval In Principle (AIP)**:

- Completed ESX membership application form
- Proof of payment of applicable ESX fees
- Certificate of commercial registration or investment permit from the relevant government body
- Relevant incorporation documents, such as the Memorandum of Association and amendments thereof
- If there is a legal entity as a shareholder of the applicant, incorporation documents showing the beneficial owners and/or directors of the legal entity.
- List of key individuals and entities with significant influence in the organization
- Board resolution approving the application for a Membership
- Corporate profile, including the Board of Directors and proposed Registered Individuals
- Business Plan outlining strategy, objectives, and services

- Board Charter
- Organizational chart showing reporting lines
- Confirmation that Senior Executive Officers and Registered Individuals meet the required qualifications and criteria
- Attestation of ethics and conduct from the applicant and registered individuals,
- Audited Financial Statements, if applicable
- Addresses for the registered office
- Attestation of compliance with relevant laws, directives, and regulations
- Technology framework

Once an applicant meets the membership admission requirements and ESX has conducted interviews with the board of directors, and top management, as applicable, ESX will grant an AIP. The AIP is valid for six months, during which the applicant must complete all operational requirements.

An AIP shall be converted to a full **membership certificate** only when ESX has conducted a Certification Inspection. To obtain a membership certificate an applicant must fulfill the requirements illustrated below.

Documents Required:

- Valid capital market services provider license from ECMA for trading/dealing in securities
- Copy of the letter of registration for Appointed Representatives from ECMA
- Undertaking by the applicant and Registered Individuals
- Sample client account opening forms, including KYC requirements
- Internal control, and risk management
- Details of operating systems in place
- Evidence of registration with a licensed or authorized Central Securities Depository (CSD)
- Proof of payment of the membership admission fee
- Operational manual and procedures



Bank Accounts Required:

- Client bank account for receiving and paying client funds (for Securities Brokers or Dealers)
- Proprietary bank account for securities transactions (for Securities Dealers)
- Operational bank account for the applicant's funds

Compliance Requirements:

- The Registered Individual(s) meet(s) the ECMA's 's fit and proper criteria and competency requirements
- Proof of compliance with regulatory and supervisory requirements specified by The Exchange
- Adherence to any additional requirements set by ESX.