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Ethiopian Securities
Exchange

Rules and Procedures of Over-The-Counter (OTC) Market

JULY 2024

RULES AND PROCEDURES OF THE OVER-THE-COUNTER (OTC) MARKET

2024

Preamble

WHEREAS the Capital Market Proclamation No. 1248/2021 (“**the Proclamation**”), mandates the establishment of the Ethiopian Securities Exchange (“**ESX**” or “**The Exchange**”)

WHEREAS ESX is licensed by the Ethiopian Capital Market Authority (“**ECMA**” or “**the Authority**”) as a securities exchange and over-the-counter market in line with Articles 30 and 31 of the Capital Market Proclamation and Directive on Licensing, Operation, and Supervision of Securities Exchanges, Derivatives Exchanges, and the Over-The-Counter Market No.1009/2024;

WHEREAS ESX aims to provide platform for trading of unlisted securities;

WHEREAS, as part of its mandate of organizing an orderly, transparent, and efficient market, it is required to have in place rules and procedures necessary for the proper and efficient regulation, operation, management and control of The OTC Market;

Now, therefore, ESX hereby issues the Rules and Procedures of The ESX OTC Market.

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Chapter 1 – Title, Scope and Definitions

1.1. Short Title

These Rules may be cited as the “Rulebook of the Unlisted Securities Platform of the Ethiopian Securities Exchange, 2024 (Unlisted Securities Rules)”.

1.2. Objectives

- (1) These rules govern the operations and activities of the ESX Over-the-Counter (OTC) Market, hereinafter referred to as the "OTC Market".
- (2) The OTC Market operates as a platform for the trading of securities not listed on ESX Main and Growth Markets, providing investors with opportunities for liquidity and efficient price discovery. Participants in the OTC Market, including issuers, brokers, dealers, and investors, are subject to these rules to ensure fair, transparent, and orderly trading.

1.3. Definitions

- (3) In these Rules, any expression in the masculine gender includes the feminine.
- (4) Unless the context otherwise requires, any term used herein but not defined, and defined in the following, shall have the meanings respectively assigned to them herein:
 - (a) The Capital Market Proclamation No.1248/2021
 - (b) The Public Offering and Trading of Securities Directive No. 1030/2024
 - (c) The Capital Market Service Providers Licensing and Supervision Directive No.980/2024
 - (d) Directive on Licensing, Operation, and Supervision of Securities Exchanges, Derivatives Exchanges, and the Over-The-Counter Market No.1009/2024
 - (e) ESX Rulebook
- (5) Unless the context otherwise requires:
 - (a) “Authority”, “ECMA”, means the Ethiopian Capital Market Authority.
 - (b) “Beneficial Owner” shall have the meaning provided for in the Prevention and Suppression of Money Laundering and Financing of Terrorism Proclamation No. 780/2013.
 - (c) “Block of Securities” means any number of units of shares in any company or other security up to an amount to be determined from time to time by the Board of Directors of The Exchange.
 - (d) “Board of Directors” mean the Board of Directors of the Ethiopian Securities Exchange and/or its designated entity, organ or Committee

charged with the responsibility to approve listing applications or such other person or entity charged with such responsibility.

- (e) “Brokerage Fee and Commission” means charges Trading Participants levy on clients to provide advisory and/or transaction services on ESX.
- (f) “Business Days” means Calendar Days excluding Saturdays, Sundays, public holidays as required by law and communicated by The Exchange.
- (g) “Calendar Days” means consecutive days including Saturdays, Sundays and public holidays in Ethiopia.
- (h) “Commercial Code” means the Commercial Code of Ethiopia Proclamation No. 1243/2021 as may be amended from time to time.
- (i) “Dealing Participant Bank” means a commercial bank Participant of ESX that is certified to trade in unlisted securities.
- (j) “EAT” means Eastern African Time.
- (k) “ESX” or “Exchange” means the Ethiopian Securities Exchange.
- (l) “ETP” means Electronic Trading Platform.
- (m) “ETP system” means the means the computer system or systems and associated network or networks operated or used by the ESX for the purpose of providing a market for the trading of securities.
- (n) “External Auditor” shall have the meaning provided for in the Proclamation.
- (o) “Financial Assistance” means lending or borrowing of money, guaranteeing or providing security for a debt incurred or indemnifying of a guarantor for guaranteeing or providing security or the forgiving of a debt, the releasing of or neglect in enforcing a financial obligation of another, or assumption of the financial obligations of another.
- (p) “Financial Year” means the period of one year beginning from the 8th day of July every year or as determined in the Memorandum of Association of an entity.
- (q) “Firm Order” means an order placed on the market that shows both the quantity and the price. A firm order is in effect until it has been explicitly cancelled or has met some preconditions that invalidate it.
- (r) “Immediate Family Participants” means spouse, children, siblings, parents, grandparents, daughter-in-law, son-in-law, brother-in-law, sister-in-law, father-in-law, and mother-in-law, including step and adoptive relationships.
- (s) “Incorporation Documents” means a set of legal documents that contains information on the formation and structure of a company

including, but not limited to, Memorandum of Association and amendments thereof.

- (t) “Indemnified Persons” means the Exchange, its related companies, any person or entity or organ to which the Board of Directors of the Exchange delegates all or part of its powers for the purposes of carrying out regulatory functions or such other functions as may be required, and their respective directors, officers, employees or agents.
- (u) “Information Memorandum” shall have the same meaning as provided for in the Public Offering and Trading of Securities Directive No. 1030/2024.
- (v) “Initial Public Offering” shall have the meaning provided for in the Proclamation.
- (w) “Institutional Investors” shall have the same meaning as provided for under the Public Offering and Trading of Securities Directive No. 1030/2024, as may be amended from time to time
- (x) “Interested Persons” shall have the same meaning as provided for in the Proclamation.
- (y) “Investor” shall have the meaning provided for in the Proclamation.
- (z) “ISIN” means the International Securities Identification Number issued for a security.
- (aa) “Issuer” means any entity that issues any class of securities that has been admitted or proposed to be admitted on The OTC Market and shall include government, company or other legal entity that offers securities to the public.
- (bb) “KYC” means “Know Your Customer”.
- (cc) “LDM” refers to Licensed Dealing Participant of the ESX.
- (dd) “Listed Securities” shall have the meaning provided for in the Proclamation.
- (ee) “Market Corner” means a situation where enough holdings of a security are acquired or a significant position is held to be able to manipulate the price of the security.
- (ff) “Market Maker” shall have the meaning provided for under the Proclamation.
- (gg) “Mark-to-Market” means the revaluation of a position in a debt security to its current market value.
- (hh) “Maturity Date” means the scheduled date on which a debt security becomes redeemable as may be extended or otherwise revised, as the case may be.

- (ii) “Minority shareholders” means all shareholders of an Issuer, that are too small to confer any power to exert control or influence over corporate action, and in particular excluding shareholders that have controlling or influential shareholders, promoters of the Issuer and Directors of the Issuer.
- (jj) “Minority Shares” means all shares held by minority shareholders.
- (kk) “NBE” means National Bank of Ethiopia.
- (ll) “Net Tangible Assets” means total assets minus intangible assets minus total liabilities minus non-controlling interest. Assets, intangible assets, liabilities, and non-controlling interest are as defined under the International Financial Reporting Standards (IFRS).
- (mm) “Par value” is the value of a share as stated in the Memorandum of Association, as applicable or its equivalent by the Issuer.
- (nn) “Pay Date” means the date on which entitlements will be paid by the Central Securities Depository (CSD) to the holder of a debt security. This date can coincide with the redemption date or occur after the redemption date.
- (oo) “Person” means any natural or juridical person.
- (pp) “Placement” means a process of selling a certain amount of securities to specific investors or any other definition as may be provided for in the Proclamation or the Directives of the ECMA.
- (qq) “Price” in the Fixed Income Market means price, rate or yield as the context may require.
- (rr) “Primary Market” shall have the meaning provided for in the Proclamation.
- (ss) “Primary Regulator” shall have the meaning provided for in the Proclamation.
- (tt) “Principal Officers” shall include Directors, Chief Executive Officer, Company Secretary, Internal Auditor, Chief Finance Officer, Chief Compliance Officer and Chief Risk Officer.
- (uu) “Proclamation” means the Capital Market Proclamation No. 1248/2021 as may be amended from time to time.
- (vv) “Promoter” shall have the meaning provided for under Article 248 (1) of the Commercial Code.
- (ww) “Prospectus” shall have the meaning provided for in the Proclamation.
- (xx) “Public Company” shall have the meaning provided in the Proclamation.
- (yy) “Public offer” shall have the meaning provided for in the Proclamation.

- (zz) "Public" shall in relation to a share company or public enterprise means all persons or Participants of the public excluding:
- (i) Directors of an Issuer and its subsidiaries.
 - (ii) Substantial shareholders, controlling shareholders, or related parties of the Issuer or its subsidiary companies except where such a shareholder fulfils all the following requirements in which case such shareholder may be included as a "public" shareholder. Such shareholder is either:
 - 1. a statutory institution that is managing funds belonging to contributors or investors who are Participants of the public; or
 - 2. an entity established as a collective investment scheme, such as closed-end funds, or investment funds (but excluding investment holding companies);
- (aaa) Associates of directors or substantial shareholders, controlling shareholders, or related party of an Issuer.
- (bbb) "Qualification date" means the date specified by an Issuer on which shareholders whose names appear in its Register of the Shareholders shall be entitled to benefit from a corporate action of the Issuer.
- (ccc) "Registered Individual" means all Directors and Senior Executive Officer such as the Chief Executive Officer, Chief Financial Officer, Chief Compliance Officer, Chief Risk Officer, Securities Traders of a Trading Participant and such other person as may be stipulated by The OTC Market from time to time.
- (ddd) "Retail Investor" means any investor that is not considered an institutional or qualified investor in accordance with ECMA Directive on Public Offering and Trading of Securities No. 1030/2024.
- (eee) "RFQ" means a request for quote.
- (fff) "Secondary Market" shall have the meaning provided for in the Proclamation.
- (ggg) "Securities" shall have the meaning provided for in the Proclamation.
- (hhh) "Securities Trader" means an individual that is responsible for executing clients' instructions/mandates, and/or executing transactions for its sponsoring CMSP's proprietary account, as may be applicable.
- (iii) "Senior Executive Officer" shall have the meaning provided for in the Directives for the Licensing and Supervision of Capital Market

Service Providers No. 980/2024 as may be amended or replaced from time to time.

- (jii) “Services License” shall have the meaning provided for under the Capital Market Service Providers Licensing and Supervision Directive No. 980/2024 issued by the ECMA.
- (kkk) “Share” shall have the meaning provided for in the Proclamation.
- (lll) “Significant Influence” shall have the meaning provided for under the Capital Market Service Providers Licensing and Supervision Directive No. 980/2024.
- (mmm) “Substantial Shareholder” shall have the meaning provided for under the Proclamation.
- (nnn) “Trading Participant” means an entity that has been issued a Participants Certificate by The OTC Market to trade in one or more securities admitted on the OTC Market.
- (ooo) "Transaction" includes the: provision or receipt of financial assistance; or acquisition, disposal or leasing of assets; or provision or receipt of services; or issuance or subscription of securities or granting of or being granted options; and establishment of joint ventures or joint investments, whether or not in the ordinary course of business, and whether or not entered into directly or indirectly (for example, through one or more interposed entities).

1.4. Scope of Application

(1.) These Rules shall be binding upon Issuers and Registered Participants in their relationship with The Exchange, as between themselves, and as relates to the business which they conduct as Issuers and Trading Participants of the OTC Market with other entities and the public.

(2.) The rules set out requirements for obtaining admission of securities onto the OTC market; and the requirements for maintaining admission onto the OTC market.

Chapter 2 –Trading Participants

2.1. Categories of Trading Participants

- (1) The following Capital Market Service Providers, that are licensed by ECMA, may be admitted as trading participants into ESX OTC Platform:
 - (a) Securities Broker;
 - (b) Securities Dealer;
 - (c.) Investment Bank (permitted to operate as Securities Broker and/or Securities Dealer);

- (c) Dealing Participant Bank that is registered as a bank with the NBE and approved by ECMA;
- (d) Any other category as may be specified by The OTC Market from time to time and approved by the ECMA.
- (2) Active ESX Trading Members shall be, by default, admitted as participants in the OTC platform without undergoing additional admission process.
- (3) Every Trading Participant shall meet the minimum operating requirements and standards as prescribed by the OTC platform from time to time.

2.2. Application to Trade on the OTC Platform

- (1) Participants shall submit an application in such manner as may be prescribed by The Exchange;
- (2) For eligibility to commence operations as a Trading Participant, an applicant must provide the following documents:
 - (a) A valid Capital Market Services License issued by the ECMA; or in case of a Dealing Participant Bank, the appropriate License from NBE and approval by ECMA;
 - (b) Copy of the letter of registration/approval of the requisite personnel as Appointed Representatives from the ECMA;
 - (c) Undertaking by the applicant and its proposed Registered Individuals as at the date of filing the application;
 - (d) Sample of client account opening forms, where applicable, which shall include, but not be limited to, applicable KYC requirements;
 - (e) Status of compliance with technology, internal control and risk management requirements specified by The Exchange;
 - (f) Evidence of registration with a Central Securities Depository, or its equivalent; and
- (3) The applicant shall provide proof of opening of the following bank accounts:
 - (a) A clients' bank account, clearly delineated as such, with respect to funds to be received from or on account of clients, and funds to be paid to or on account of clients, where the applicant is a Securities Broker or Securities Dealer.
 - (b) A proprietary bank account, clearly delineated as such, with respect to securities transactions from or on account of the applicant, where the applicant is to be Securities Dealer; and
 - (c) An operational bank account, clearly delineated as such, with respect to funds to be received from or on account of the applicant, and funds to be paid to or on account of the applicant.

2.3. Registration of Securities Traders

(1) Registration Requirement:

A Trading Participant shall register with ESX OTC Platform, persons who deal in securities on ESX as Securities Traders.

(2) Categories of Securities Traders:

The categories of Securities Traders which a Trading Participant shall employ, subject to the category of Services License issued by the ECMA to such Trading Participants, are:

- (a) Securities Traders managing client trade(s)
- (b) Securities Traders managing the Trading Participant's proprietary trade(s); and
- (c) Authorized Market Maker Trader(s).

(3) To be eligible for registration as a Securities Traders, an applicant shall:

- (a) Obtain the applicable Securities Trader License issued by the ECMA;
- (b) Undergo and successfully complete a specified program of The ESX OTC Platform on The Platform's applicable trading system and procedures;
- (c) Be a fit and proper person, in accordance with ECMA's requirements regarding fitness and propriety;
- (d) Not be a person who has previously been disqualified by an OTC Market or a regulatory body in any jurisdiction from acting as a representative in respect of the relevant regulated activities.

(4) Register of Securities Traders:

- (a) A Register of Securities Traders and the names of their employers shall be kept by The Exchange and be available to all Registered Participants upon application.
- (b) Only Securities Traders who have been registered by the OTC Platform and entered into the Register of Securities Traders may deal in securities admitted or traded on the Platform.
- (c) Where the approval granted for the registration of a Securities Trader is withdrawn or revoked, such Securities Trader shall be deemed de-registered and her/his name shall be deleted from the Register upon the date of deemed de-registration.
- (d) The OTC Market shall give reasons to the applicable individual and his/her Trading Participant for its decision to revoke or withdraw an approval granted for the registration of a Trader.

- (e) No Trading Participant shall employ or retain in its employment any person whose name has been deleted from the Register or who has been blacklisted by The Exchange.
- (5) Authority to Act:

At any point in time, a Securities Trader shall be employed by and act for only one (1) Registered Participant, unless exempted by The Exchange. Any exemption shall not be implied but shall be explicitly communicated in writing by The Exchange.
- (6) Notification Requirements in the Event of, or Prior to Exit/Resignation:

In the event of exit/resignation of a Securities Trader, a Trading Participant shall notify the ESX within the following timelines:

 - (a) Not later than five (5) business days prior to the effective date of the exit of a Securities Trader. However, a Trading Participant shall notify The OTC Platform within twenty-four (24) hours of receipt of a notice of exit of a Securities Trader or of becoming aware thereof where;
 - (i) the Securities Trader did not provide sufficient notice of resignation to enable the Trading Participant to comply with the five (5) business days requirement; or
 - (ii) in any other compelling circumstances that would warrant such notification.
 - (b) Failure of a Securities Trader to provide sufficient notice of resignation to its sponsoring Trading Participant shall be deemed a violation on the part of the Securities Trader, except where the Securities Trader is able to provide adequate justification to The OTC Market as to his reason for the non-provision of sufficient notice.
 - (c) Notwithstanding the foregoing provisions of this sub-rule, a Trading Participant shall notify the Exchange immediately upon becoming aware of an action or inaction of a Securities Trader which is not in the overall interest of the market, and related participants.
 - (d) An exit shall include, but not be limited to, the resignation, disengagement, redeployment, dismissal, removal or death of a Securities Trader.

2.4. Responsibility of Trading Participants

- (1) Without prejudice to any applicable laws, rules, directives or regulation, every Trading Participant shall be responsible for all the actions of its Registered Individuals, employees, and other personnel.
- (2) A Trading Participant must ensure that each of its Registered Individuals undergoes adequate education and training, including such continuing education and training, as may be necessary for the Registered Individual to discharge his duties and obligations.

2.5. Minimum Continuing Obligations

A Trading Participant shall at all times;

- (1) Maintain the minimum capital adequacy requirement as prescribed by ECMA from time to time;
- (2) Comply with relevant ECMA Directives and these Rules;
- (3) Maintain its arrangement with the Central Securities Depository;
- (4) Pay all fees and charges that may be prescribed by the Exchange from time to time.

2.6. Brokerage Fees and Commissions Charged by Trading Participants

- (1) The approved maximum brokerage fees and commissions on any transaction (buy or sell) shall be as prescribed by The Exchange from time to time.
- (2) Notwithstanding the provisions of sub-rule (1.) of this rule, where an ancillary service relating to any security traded on the OTC Platform are offered, a Registered Participant shall only be entitled to charge additional fees for such services as may be approved by The Exchange from time to time.
- (3) All brokerage fees and commissions shall be charged separately to clients.

Chapter 3 – Admission of Securities for Trading

3.1. General Principles

- (1) The General Principles which are set out below shall be observed in all submissions pertaining to securities sought to be traded on the OTC Platform.
- (2) The OTC Platform may, in its discretion and in consideration of circumstances not expressly covered by these Rules, apply the General Principles and/ or the Main Body of these Rules.
- (3) The OTC Platform has discretion to waive the application of a requirement contained in the Main Body of these Rules.
- (4) The General Principles on which these Rules are made are to ensure:
 - (a) The existence of an orderly market for raising of capital in the primary market, an efficient mechanism for the trading of securities in the secondary market, and to protect investors;
 - (b) That accurate, full, equal, and timely public disclosure of information is made to all holders of securities and the general public regarding the activities of an Issuer;
 - (c) To ensure that all parties involved in the dissemination of information into the marketplace, whether directly to holders of securities or to the public, observe the highest standards of care in doing so;
 - (d) That the business of The OTC Platform is carried on with due regard to the public interest.

3.2. Condition for Admission of Securities to the OTC Market

- (1) The following Securities may be admitted to the OTC Market:
 - (a) Equity securities
 - (b) Fixed income securities
- (2) The OTC Market may designate market tiers based on pre-identified criteria.
- (3) Securities may be admitted to trading on The OTC Market by:
 - (a) Application by a company for admission
 - (b) Submission for trading by a Trading Participant, on its own account or on behalf of an investor.
- (4) Only securities that are not traded on ESX Main Markets can be traded on the OTC Market.
- (5) A company or investor that submits its securities for trading on the OTC market shall fulfil the following:
 - (a) be a public company that is registered by ECMA;
 - (b) the securities are admitted into the Central Securities Depository (CSD);
 - (c) be a freely transferable;
 - (d) not have any regulatory restrictions that prevents it from being traded on the OTC Market.

3.3. Admission Process

- (1) A company whose securities are to be admitted onto the OTC market or The Trading Participant, shall submit the following documents to the OTC market;
 - (a) A dully completed application form, in case of application by a company.
 - (b) Copy of the prospectus or relevant information memorandum on the subject securit, approved by the Authority in accordance with the relevant directive;
 - (c) Copy of the most recent periodic and current reports that have been filed to the Authority; and
 - (d) copy of the most recent annual report that has been filed with the Authority.
 - (e) Any other document as may be determined by the OTC Market from time to time.

(2.) The OTC Market may grant admission to trade a security subject to conditions or restrictions.

(3.) This Article shall not apply to Government securities.

3.4. Continuous Reporting Requirements

(1.) A company whose securities are admitted in the OTC market shall submit the following documents to the OTC market:

- (a) Audited financial statements not later than 6 months after the financial year end; and
- (b) Half-year financial statements not later than one month after the end of the half-year;
- (c) Material facts, changes or decisions relating to the issuer that may influence decisions taken by investors;
- (d) Proposed dividends payable on its securities and any decisions regarding the payment of dividends and the time of payment;
- (e) Application filed with a court to wind up the issuer or any of its subsidiaries.

3.5. Fees

3.5.1. An Issuer shall pay such fees as may be prescribed by the Exchange from time to time.

3.5.2. The Exchange may waive any fee on a case-by-case basis as it deems fit.

3.6. Facilities and Data of The Exchange

- 1. No Trading Participant shall, by itself or through any other persons on its behalf, publish, supply, show or make available to any other person or reprocess, retransmit, store or use the facilities of the Trading System or the information provided by the Trading System or Content of the Trading System, except with the written approval of The OTC Market and in the ordinary course of business.
- 2. The OTC Market shall publish a list of closing prices daily and each Trading Participant shall subscribe for at least one (1) copy of each daily publication. No list or related list of any kind shall be published and sold by a Trading Participant or Registered Participant without the prior approval of The Exchange.

Chapter 4 – Conduct of Trading Operations

4.1. Trading Operation

- (1) All securities admitted to trading onto the OTC Market shall be traded through the ESX Automated Trading System.
- (2) ESX shall provide a separate market for OTC Securities.

4.2. Official Days and Hours

- (1) The OTC Market shall be open for trading on all business days in Ethiopia.

- (2) Trading shall be conducted at specified times as may be determined by The OTC Market. The OTC Market may extend, advance or reduce trading hours by notifying Trading Participants as may be necessary.
- (3) Unless otherwise specified, the OTC Market shall be open for trading business from 9:00 a.m. to 3:00 p.m. EAT.
- (4) In extraordinary circumstances, The OTC Market may authorize an extension of the trading hours past 3:00 p.m. EAT on a particular trading day.
- (5) The OTC Markets shall provide public notice of any extension of the trading hours as promptly as practicable.

4.3. Trading Requirements

- (1) Unless otherwise stipulated at the time of a transaction, all securities dealt in by a Trading Participant shall be deemed to be fully paid and funded.
- (2) All transactions entered into by Trading Participant shall be for net prices as between the buyer and seller.
- (3) The OTC Market shall not recognize in its dealings any parties other than its own Trading Participant and every interactions thereof, whether for the Trading Participant or on behalf of a client, must be according to the Rules, regulations and usages of The OTC Market.
- (4) The OTC Market may amend or modify the mode of trading, platforms and systems from time to time.
- (5) The OTC Market may from time to time specify various trading parameters and attributes relating to the Trading System, including but not limited to the following:
 - (a) Lot Sizes: The size of a lot shall be one share; and
 - (b) Display of Quotes and Orders: The OTC Market shall display as publicly available such details of Orders in tradable securities submitted to the trading system in a format it shall determine from time to time.

4.4. Orders and Principles of Matching Orders

- (1) Both Request for Quote (RFQ) and Anonymous Orders may be entered and executed on the Automated Trading System.
- (2) In case of Anonymous Orders, order priority shall first be determined by price followed by time.
- (3) A Trading Participant may condition execution of an order based on various parameters including volume, time, and price constraints.
- (4) Orders entered and executed on the ATS shall be binding on the respective Trading Participant.
- (5) An order entered on the ATS shall contain such particulars of information as required by The OTC Market.

- (6) Within a particular Trading Participant's Office, a client order shall have priority over a proprietary order of the Trading Participant.
- (7) The closing price shall be calculated by using volume weighted average price formula for each trading day.
- (8) The Opening price shall be the previous day's closing price.
- (9) The OTC Marke shall prescribe from time to time different trade types, market types that will be permitted to Trading Participants for dealings in securities. This shall include order entry parameters, price protection methodologies, classifications of securities, time-in-force restrictions, and special fill terms, among others.

4.5. Maintenance of Trading Systems

- (1) Trading Participants are encouraged to maintain the appropriate order management systems and technology to aid receipt, processing and execution of clients' orders, receive reports and trading data electronically from The Exchange's trading systems.
- (2) Prior to deploying or updating an order management system, the Trading Participant shall make use of clearly defined development and testing methodologies which ensure at least that:
 - (a) The system does not operate in an unintended manner;
 - (b) The compliance and risk management controls embedded in the systems work as intended; and
 - (c) The trading system can continue to work effectively in case of a significant increase of the number of messages managed by the system.
- (3) The Trading Participant shall be able to demonstrate at all times that they have taken all reasonable steps to ensure that the trading systems they operate do not contribute to disorderly trading conditions and do not in any way expose the clients to fraud or abuse.

4.6. Approved Trading Platforms or Systems

- (1) Trading shall only be permitted through the systems approved by The OTC Market.
- (2) Access to the order management system shall be by the use of Trader Identification Code and the assigned login details for each Trader.

4.7. Liability of a Trading Participant

A Trading Participant shall be fully responsible for all matters arising from access to the trading engine through its Trader Identification Code and Password.

4.8. Use of Order Management System Access Codes

- (1) The OTC Market shall issue to every Trading Participant trading codes for access to order management system and no Trading Participant or user

thereof shall share its log-in details and password with another Trading Participant or user.

- (2) Any Trading Participant or user that breaches the provisions of sub-rule (1.) above, shall at any time of such breach be sanctioned in line with the sanctions schedule to be determined by The OTC Market.
- (3) Where a Trading Participant requests to change its login details for reasons approved by The OTC Market, the Trading Participant shall immediately act in accordance with The OTC Market's instructions.

4.9. Restrictions and Limitations

- (1) A Trading Participant shall not permit itself or any other person(s) to:
 - (a) Use the system provided by The OTC Market for any purpose other than the purpose as approved and specified by The OTC Market.
 - (b) Use the system provided by The OTC Market on any equipment other than the system approved by The OTC Market.
 - (c) Copy, alter, modify, or make available to any other person the software provided by The OTC Market.
- (2) Only securities that are included on the list of eligible securities may be traded on or through The OTC Market's systems and facilities. Trading Participants shall not misrepresent non-eligible securities as being eligible for trading through The OTC Market's systems and platforms.

4.10. Dealing in Blocks of Shares

- (1) The OTC Market shall prescribe from time to time the volume and value of blocks of securities for sale through a Trading Participant to be done with the prior approval of The OTC Market.
- (2) A Trading Participant who wishes to trade block of shares, shall notify The OTC Market before executing such trades. The notification and requirements shall be in the form and manner determined by The OTC Market from time to time.
- (3) A Trading Participant that receives a mandate to deal in a block of shares shall apply to The OTC Market for approval, in a format to be specified by The Exchange, to effect the mandate and shall not execute such a mandate without the said approval.
- (4) Where a Trading Participant is in doubt as to whether a transaction will be treated as a block of shares, the Trader Participant shall consult with The OTC Market in order to address the doubt.
- (5) The application from the Trading Participant to The OTC Market shall be in writing in the format as may be specified by The OTC Market. The application shall be accompanied by a copy of the mandate which shall be in the form of a duly executed letter from the shareholder to the Trading Participant and such other information reflected on the applicable checklist as The OTC Market may from time to time require to be submitted for approval.

- (6) The fees due to The OTC Market to deal in a block of securities shall be an amount determined by applying the rate that shall be prescribed by The OTC Market from time to time to the sum of the number of Securities to be divested multiplied by the agreed transaction price or the market price, whichever is higher.
- (7) Where the trade of a block of shares is to be executed outside the prevailing market price, the Trading Participant shall also include a document explaining the basis upon which the price of the transaction has been calculated with the application.
- (8) The OTC Market shall not commence processing of applications to execute a trade of a block of Securities without receiving such evidence of payment of the non-refundable processing fee.
- (9) The OTC Market may from time to time in its sole discretion prescribe new parameters or thresholds for categorization of trades in blocks of shares.
- (10) Any breach of this rule shall result in sanctions as determined by The OTC Market from time to time.

4.11. Trading Halts

- (1) Where necessary or appropriate to the maintenance of a fair and orderly market or for the protection of investors, or otherwise in the public interest, such as in the case of actual or threatened physical danger, civil unrest, terrorism, acts of war, or the loss or interruption of facilities The OTC Market may:
 - (a) Halt or suspend trading in one, some or all securities traded on The OTC Market;
 - (b) Close some or all OTC Market facilities; and/or
 - (c) Determine the duration of any such halt, suspension or closing.
- (2) The OTC Market may close its facilities upon the direction of a governmental agency in a force majeure situation.
- (3) The OTC Market shall set forth conditions and procedures to halt and re-open trading in all securities from time to time. Halting trading activities may be necessitated by significant market movement in securities prices.
- (4) Nothing in this Rule shall be construed to limit the ability of The OTC Market to otherwise halt, suspend, or pause the trading in any security or securities traded on The Market pursuant to any other rule or policy.

4.12. Discretion to Act in Time of Emergency

If in the opinion of The OTC Market, the functioning of the Trading System is threatened or likely to be severely and adversely affected by an emergency, including but not limited to fire or other casualty or accident, power failures, communications breakdown, computer malfunction and other similar events, The OTC Market shall have full authority to take such actions as it deems appropriate.

4.13. Other Miscellaneous Provisions

- (1) Cross Deals: When a Trading Participant or Trader has an order to buy and an order to sell the same security at the same price, the Trading Participant or Trader may “cross” those orders at a price at or within The OTC Market’s best bid or offer for the security on the trading day.
- (2) Minimum Price Value and Variations: The minimum price variation (MPV) for bids or offers in securities admitted to trading on The OTC Market may be made in such variations as The OTC Market shall from time to time determine and make known to the market.
- (3) Negotiated Large Volume Deals: The OTC Market may, from time to time, designate and approve an order for a Negotiated Large Volume Deal. Such orders shall comply with the minimum volume thresholds, related notification requirements and such other procedures as prescribed by The OTC Market from time to time.
- (4) Order Prices: All orders entered on the Trading System shall be at prices exclusive of regulatory and brokerage fees.
- (5) Par Value of a Security: Notwithstanding its par value, the price of every security traded on the OTC Market shall be determined by the market.
- (6) Per Trade Unit: The unit of trading in securities on The OTC Market is one (1).
- (7) Trade Sessions: The OTC Market may prescribe from time-to-time different trade Sessions and their designated period of time, permissible order entry types and Traders actions, queue priority for orders, price discovery methodologies and order matching/execution conditions (Auctions).

Chapter 5 – Clearing and Settlement

5.1. Delivery and Settlement of Securities and Proceeds

- (1) Delivery and settlement shall be done on a time frame and basis prescribed by The OTC Market.
- (2) Settlement of each trade’s proceed carried out on the trading system of The OTC Market to the investor shall be done by direct payment into the account of the client or as provided by the Central Securities Depository, or its equivalent.
- (3) Notwithstanding the foregoing:
 - (a) Settlement of transactions carried out on behalf of any client whose account details are not provided to the Central Securities Depository, or its equivalent, shall be done by payment into the account of the client’s Trading Participant.
 - (b) Where a client provides its Trading Participant with a written mandate to purchase Securities with proceeds from the sale of other Securities any payment attributable to the sale shall be

made into the account of the Trading Participant provided the client gives its consent in that regard.

- (4) Within three (3) business days or, any of such periods approved by The OTC Market, of receiving instructions from a client that settlement should be done by direct payment into such client's account, a Trading Participant shall:
 - (a) Notify the Central Securities Depository, or its equivalent, of The OTC Market of the client's instructions; and
 - (b) Provide the client's account details.
- (5) Every Trading Participant shall take all reasonable steps to ensure that all details of trade settlement originates from the actual client and that the Know Your Client provisions in these Rules are duly complied with.
- (6) The seller shall be responsible for such benefits as may be due to the buyer if delivery is delayed.

5.2. Genuineness and Regularity of Documents

- (1) The seller of Securities is responsible for the genuineness and regularity of documents delivered.
- (2) The OTC Market shall set forth from time to time, the requirements and procedures for returning to the seller any security, which is by or pursuant to the law of any country, placed under any inability of being delivered.

5.3. Verification of Transfer

- (1) It is the duty of the selling Trading Participant to ascertain that the instrument of verification is correctly acknowledged.
- (2) The Trading Participant may on behalf of the client provide the Central Securities depository, or its equivalent, with details of the client, holdings in a security and such other details that may be required by the central securities depository, or its equivalent, for the purposes of verification of the securities certificates/scrips/instruments.

5.4. Duty to Report Failed Transaction

- (1) Should the buying Trading Participant fail to make payment or the selling Trading Participant fail to deliver on the due date, the party not in default shall report the default to The OTC Market as soon as it becomes aware of the matter.
- (2) Any Trading Participant, who fails, in relation to a transaction in a tradable security, to comply with these Rules where applicable, shall be liable to disciplinary action by The OTC Market.

Chapter 6 – Conduct of Trading Participants

6.1. General Conduct

- (1) Every Trading Participant shall transact its business in a just and equitable manner, whether for its own or the account of a client, must be fulfilled according to applicable laws, rules and regulations.
- (2) A Trading Participant shall always act or ensure that its Traders, other Registered Individuals, employees and personnel act in the best interest of its clients.
- (3) No Trading Participant shall do or cause to be done any act, matter or thing which would adversely affect the goodwill or public image of The OTC Market.
- (4) The Code of Conduct and list of prohibited practices included under the Capital Market Proclamation, Directives Issued by ECMA and The Rulebook of the Exchange shall be applicable to the OTC market as well.
- (5) Any Trading Participant that violates the provisions in these Rules shall be liable to any sanctions that The OTC Market may impose and not limited to monetary sanctions.

6.2. Duty of Reporting to The Exchange

- (1) Trading Participants shall comply with such reporting and/or other requirements pertaining to specific transactions as may be prescribed by The OTC Market from time to time.
- (2) A Trading Participant shall inform The OTC Market, in writing immediately if the Trading Participant, or any of its Appointed Representatives Individuals or other personnel, as the case may be:
 - (a) Breaches any provisions of the Proclamation, this Rules, or any applicable laws (foreign or local) governing the Trading Participant's activities;
 - (b) Breaches any provision or a subject of a written complaint or investigation involving fraud or dishonesty, whether in or out of Ethiopia;
 - (c) The subject of any disciplinary action taken by the Trading Participant involving suspension, termination, withholding of benefits, fines or any other significant limitation of activities;
 - (d) Engages in conduct that has the effect of circumventing the Proclamation, other relevant applicable laws and regulatory requirements and which is inconsistent with the principles of good business practice;
 - (e) Engages in conduct which is detrimental to the integrity, reputation or interests of The OTC Market; and
 - (f) Is insolvent or is the subject of bankruptcy or winding up proceedings.

- (3) The reporting obligations under this Rule apply whenever any of the above mentioned or related events occurs or threatens to occur.

6.3. Care in the Use of Trading Terminals and Equipment

- (1) It is the duty of every Trading Participant to exercise due care in operating the trading terminals.
- (2) Where any damage is caused negligently, The OTC Market may impose whatever disciplinary action it thinks fit.
- (3) Trading Participants shall make adequate provisions for secure and controlled access to their trading terminals and other trading system support technology; and documentation such as letterhead and other confidential and valuable documentation.
- (4) Where two (2) or more Trading Participants share space or where a Trading Participant firm is part of another entity, the procedures and the physical layout of the office should clearly indicate the responsibilities of the firms or entities within the office.

Chapter 7 – Defaults and Insolvency

7.1. Prohibition of Defaults

- (1) No Trading Participant shall default on a transaction with another Trading Participant, client, settlement bank and any other capital market operator or service provider.
- (2) A Trading Participant shall be deemed to be in default if it is unable to meet its financial or other commitments to another Trading Participant, client, settlement bank and any other capital market operator or service provider, arising out of a legitimate transaction.
- (3) Any Trading Participant that contravenes this rule shall be suspended immediately and shall be liable to any other sanctions that The OTC Market may impose.
- (4) Any suspension imposed shall be lifted when the defaulting Trading Participant furnishes The OTC Market with proof that any outstanding payment, charges, fees, or interest arising therefrom have been fully settled, or parties to the transaction have reached an agreement to settle, and the Trading Participant has complied or is complying with the settlement terms.

7.2. Notification of Insolvency or Event of Default

- (1) When a Trading Participant is unable to fulfil its obligation, it shall notify The OTC Market in writing to that effect.
- (2) The Trading Participant shall notify the OTC market in the event that:
 - (a.) it fails duly to perform or is, in the opinion of The Exchange, in breach of any provision of this Rules or of any agreement, understanding or arrangement which the Trading Participant has from time to time with

another Trading Participant, client, settlement bank and any other capital market operator or service provider;

(b.) a Trading Participant, not exempted, ceases to hold a valid Capital Markets Services License under the Proclamation or ceases to be authorized to conduct business as a Securities Dealer and/or Securities Broker in Ethiopia pursuant to relevant sections of the Proclamation and applicable directives;

(c.) it is insolvent or is deemed insolvent pursuant to the Rules of Exchange;

(d.) In view of the Trading Participant's financial or operating conditions, Exchange, in its absolute discretion, considers it necessary or desirable to protect the interests of the Clients of the Trading Participant, the interests of other Trading Participants and or the interest of the investing public; or

(e.) Conversion, theft, breach of trust, embezzlement, or any other similar cause, caused or suffered by or in connection with a Trading Participant;

- (3) The OTC Market shall be entitled, at its absolute discretion, then or at any time thereafter, whether or not such event is, in the opinion of The Exchange, continuing, to declare that an event of default has occurred and to give notice thereof to Trading Participants and the Authority.
- (4) Any Trading Participant that has a transaction with another Trading Participant in which such other Trading Participant is in default, shall forthwith notify The OTC Market in writing of such default.
- (5) After receipt by The OTC Market of a Trading Participant's notification of a defaulting transaction or notification of insolvency, no arrangement shall be entered into by the defaulting Trading Participant in respect of its liabilities arising from its activities as a Trading Participant without the approval of The Exchange.

7.3. Claims not to be Sold, Assigned or Pledged

No Trading Participant, being a creditor of a defaulter, shall sell, assign or pledge his claim against such a defaulter to any non- Trading Participant without the prior consent of The Exchange.

7.4. Powers of The OTC Market in the Event of Default

- (1) In all cases of default, The OTC Markets shall set-up an appropriate Committee which shall have the following powers:
 - (a) To engage technical and professional assistance that may necessarily be required;
 - (b) To call from the defaulter its original Books of Account and such records relating to, and a statement of sums owing to, and by it in connection with stockbroking transactions;

- (c) To call meetings of Trading Participants who are creditors or defaulters;
 - (d) To summon the defaulters to appear before such meetings of the Committee and to afford the defaulter full right to defend himself before the Committee throughout the investigation;
 - (e) To make detailed examinations of all relevant accounts;
 - (f) To report to The OTC Market any entry, transaction or matter which have been or appear to be irregular;
 - (g) To recommend to The OTC Market the appointment of an interim management to manage and deal with the stockbroking business of the defaulter and the assets subject to the approval of the ECMA;
 - (h) Any other matter incidental to the investigation.
- (2) To facilitate a smooth and efficient resolution of the default and insolvency by the Committee, the defaulting Participant shall, when called upon to do so in accordance with these Rules:
- (a) Render all assistance as the Committee requires, including without limitation, making available its premises, systems and officers;
 - (b) Provide the Committee with information, books, records and statement of all sums owing to and by it in connection with such business at the time of the default and any other relevant documents and information which the Committee may require; and
 - (c) Comply with all other requirements that the Committee may specify.
- (3) The Committee set up under this Rule shall cause a notice to be sent to all Trading Participants and the ECMA advising them of the name of the defaulting Trading Participant and requiring all those having claims against such defaulter to file such claims with the Committee by a date to be stated in the notice.
- (4) The Trading Participant and their Registered Individuals, as required by The OTC Market shall appear before the Committee when called upon to do so and shall give such information and produce such books, accounts and documents as may be in their possession or under their control and relevant to the matter under investigation.
- (5) When required by the Committee a Trading Participant and/or its Registered Individuals, Directors or Traders shall supply to it, a sworn declaration (in such form as The OTC Market may prescribe) of its private financial position.

7.5. Disclaimer

Without prejudice to the generality of these Rules, The OTC Market shall not be liable to any Trading Participant or any Third Party in respect of any damage, loss or cost of whatsoever nature (whether direct, indirect, special or consequential, including without limitation any loss of business, revenue, goodwill, bargain or profit), suffered or incurred by such Trading Participant or

Third Party, arising out of or in connection with the declaration or non-declaration of an event of default by The Exchange.

7.6. Limitation of Liabilities

- (1) Neither ESX, its related companies, any person nor entity nor organ to which the Board of Directors of The Exchange delegates all or part of its powers, or their respective directors, officers, employees or agents shall be liable to any person for any loss or damage (including consequential or indirect loss or damage even if advised of the possibility of such loss or damage), however caused or arising, including but not limited to any loss or damage arising directly or indirectly from or in connection with the following or anything done or not done as a direct or indirect consequence of the following:
 - (a) anything done (including any statement made) or omitted to be done in the course of, or in connection with, the discharge or purported discharge of The Exchange's obligations or rights under the Proclamation, any other applicable law, or under these Rules;
 - (b) any failure, error, delay or malfunction of the Trading System howsoever caused;
 - (c) the access to, use of or inability to use the Trading System;
 - (d) the trading on markets under ESX or the suspension, interruption, cancellation, restriction or closure of trading on those organised markets howsoever caused;
 - (e) any failure, security breach, inoperability or malfunction of equipment, software or any other product supplied to a Trading Member howsoever caused, or in respect of its installation, maintenance or removal;
 - (f) the exercise of a decision-making or regulatory power or discretion under these Rules;
 - (g) any decision whether or not to cancel an Error Trade pursuant to these Rules;
 - (h) the acceptance of a Trading Participant's Certificate relinquishment or any decision or ruling of the applicable disciplinary or adjudication organ exercising their powers;
 - (i) any virus or other destructive, malicious, or corrupting program, code, agent, script or macro;
 - (j) any errors, inaccuracy, omissions or delay in the calculation, determination or dissemination of prices for any security contract;
 - (k) the originality, accuracy, adequacy, timeliness or completeness of the Trading System or any of its Content. Content in this context means any information, materials, images, sounds, graphics, video and other

materials displayed or any functionalities or applications, programs or services provided;

- (l) any reliance on the Content of the Trading System or any part thereof;
 - (m) any information transmitted or received by or on behalf of ESX or a Trading Member, including through the Trading System, or the interception of or access to such information by unauthorised persons; or
 - (n) any person participating in The Exchange's market, except for The Exchange's compensation obligations through its Compensation Fund pursuant to the Proclamation and Compensation Fund Regulations and Directives of the ECMA.
- (2) Without prejudice to the provisions of sub-rule (1.) of this Rule, a failure shall not reduce, alter or affect the liability of a Trading Participant in respect of any trades to which it is a party.
- (3) Without prejudice to the generality of sub-rule (1.) of this rule, neither ESX, its related companies, any person nor entity referred to under Rule 2.1. (2.), or their respective directors, officers, employees or agents:
- (a) makes any warranty, express or implied; or
 - (b) shall be liable to any person in respect of, or in connection with, any of the following:
 - (i) the originality, accuracy, adequacy, timeliness or completeness of an index or price;
 - (ii) results to be obtained from the use of an index or price, in respect of any product linked or related to the index or price whether in the form of contracts or options;
 - (iii) the merchantability and fitness for a particular purpose of, or use of, an index or price;
 - (iv) any direct, special, punitive, indirect or consequential damages (including lost profits), even when notified of the possibility of such damages;
 - (v) any errors, omissions or delays in calculating or disseminating an index or price; and
 - (vi) trading of any product linked or related to the index or price, whether in the form of contracts or options.

- (4) For the purposes of sub-rule (3.) of this Rule, a reference to an index includes administering, making, calculating, disseminating or compiling the index, or any intra-day proxies related or referable thereto, or any information or data included in or referable thereto.
- (5) Each Trading Member shall ensure that its customers agree to and are bound by the limitation of liabilities under this Rule, either by way of inclusion in the contracts granting access to The Exchange's markets or such other similar manner.

7.7. Indemnification to The Exchange

- (1) Every Trading Member and Registered Participant shall indemnify The Exchange, its related companies, any person or entity referred to under Rule 2.1. (2.), and their respective directors, officers, employees or agents against any losses the Indemnified Persons suffer and/or any liability the Indemnified Persons incur as a result of the Trading Member's or Registered Participant's activities.
- (2) Every Trading Member and Registered Participant shall indemnify each of the Indemnified Persons against the following:
 - (a) Legal proceedings arising from such Trading Member's or Registered Participant's professional misconduct;
 - (b) The resultant effect of any breach by the Trading Member or Registered Participant of its/his obligations under the Rules; or
 - (c) Any wilful, unlawful, reckless or negligent act or omission by the Trading Member or Registered Participant.