

clear chain of accountability between the individual and the sponsoring firm.

According to Article 120(3) of the Directive, the Ethiopian Capital Market Authority may order an individual associated with a Capital Market Service Provider, interacts with clients, controls, manages, or trades client assets, manages or participates in the resolution of complaints, or is involved in risk management and compliance, but who is not contemplated under the Directive, to be licensed as an Appointed Representative.

3. Criteria to Become an Appointed Representative

On part sixteen of the Directive, the Appointed Representative licensing process serves as a stringent screening mechanism, ensuring that only qualified and ethically responsible individuals participate in the exchange.

A) Competence and Sponsorship (Articles 120 and 121): To be eligible, an individual must fulfill the following:

- Applicants for an Appointed Representative license must meet the minimum relevant criteria for competence, experience, and skills as set out in table two of the Directive's competence framework. These criteria may vary depending on the sponsoring Capital Market Service Provider. The applicant must possess the necessary educational background, work experience, and relevant training or certification in the capital market.
- To meet all the "fit and proper" requirements under Article 16 of the Directive. These are specifically related to good reputation. The applicant for Appointed Representative must not have been convicted of crimes related to breach of trust, theft, or financial crimes, must not have been declared bankrupt, and must be known for a good reputation.
- Be supported/sponsored by a Capital Market Service Provider.

The application shall be submitted with the support of the sponsoring Capital Market Service Provider and must include a comprehensive set of documents, including the following:

- Letter of appointment or employment;
- The candidate's curriculum vitae;
- Educational credentials and professional qualification certificate;
- Criminal records clearance certificate
- Evidence that the candidate has committed to abide by the code of ethics;
- A guarantee from the sponsoring Capital Market Service Provider to clients to indemnify liabilities arising from the actions of the Appointed Representative;
- Proof of payment of the required license fee.

B) Passing the Licensing Exam (Article 121(2)):

The process includes three basic tests that assess knowledge and ethics:

- **Professional Qualification:** A candidate for an Appointed Representative license must provide

a certificate demonstrating successful completion of level three or equivalent training from the UK's Chartered Institute for Securities and Investments, or any alternative qualification specified periodically by the ECMA.

- **Licensing Exam:** The candidate must take and pass a special licensing exam given by the Authority.
- **Interview:** The candidate must undergo an interview conducted by the Ethiopian Capital Market Authority or a designated body.

This multi-stage licensing and evaluation process ensures that prospective Appointed Representatives demonstrate not only academic competence but also the practical experience and professionalism necessary to fulfill their duties.

4. Competence Framework

The competence framework for Appointed Representatives is set on table two of the Directive. This framework encompasses the precise requirements for knowledge, experience, and skill required for each key role

within Capital Market Service Providers, beyond general competencies.

5. Key Roles and Responsibilities of Appointed Representatives

The Directive provides certain essential capital market operations to be performed only by a licensed Appointed Representative.

A) Mandatory Appointed Representatives for Capital Market Service Providers:

Article 15 of the Directive sets the minimum number of Appointed Representatives required for each category of Capital Market Service Provider. Except some types of partnerships and single-person private limited companies the Directive mandates the Capital Market Service Providers to have at least three Appointed Representatives with the role of Chief Compliance Officer, General Manager or Chief Executive Officer, and other positions as determined by the Ethiopian Capital Market Authority.

B) Appointed Representatives with Specific Role:

In addition to the above mentioned core roles, the directive requires Capital Market Service Providers to have Appointed Representatives for certain specialized operation:

- A Securities Broker and Securities Dealer must have Licensed Trader an Appointed Representative operates as a (Article 41).
- A Securities Investment Advisor must have a Research Officer licensed as Appointed Representative (Article 57).
- A Collective Investment Scheme Operator must have an Investment Manager licensed as Appointed Representative (Article 63).
- A Securities Rating Agency must have a Rating Officer licensed as Appointed Representative (Article 114).
- Securities Robo-Advisors must have a Research Officer and a Chief Digital Officer, including the General Manager and the Chief Compliance Officer licensed as Appointed Representative (Article 58).

This framework ensures that each critical operation within the capital market value chain is overseen by a pre-vetted, competent, and accountable professional.

6. Code of Ethics for Appointed Representatives

Part Twenty of the Directive sets out a general code of ethics applicable to all Capital Market Service Providers, including Appointed Representatives. This code forms the ethical foundation of the profession, and violations are subject to proportionate and stringent penalties. Article 161 of the Directive obliges Appointed Representatives and other employees of Capital Market Service Providers to comply the following ethical principles:

- Comply with all relevant laws governing the Capital Market
- Be honest and avoid any conduct that will bring its profession in to disrepute
- Be unbiased in the services they provide to all clients

- Exercise utmost integrity, competence, diligence and confidentiality in their dealings with the regulatory authorities and their officers, their clients and prospective clients, their employees, sponsoring Capital Market Service Provider and colleagues
- Comply with the requirements, regulation and standards of their profession and
- Communicate and cooperate with relevant officials to identify and address wrongdoing and incompetence in their respective professions.
- **Due Diligence:** Appointed Representatives must continuously update their professional competence and have appropriate skill, care, and diligence.
- **Objectivity and Impartiality:** Appointed Representatives must act independently and must not accept any gift or benefit that could compromise their objectivity.
- **Integrity and Fairness:** Appointed Representatives must act honestly for the

benefit of their clients and must not provide misleading information to their clients.

- **Prohibition of Misconduct:** Appointed Representatives must not engage in acts related to fraud or deception.

These general principles also specify the codes of conduct that Appointed Representatives of different Capital Market Service Providers must follow, such as those for Securities Brokers under Article 170 and Securities Investment Advisors under Article 172.

7. Ongoing Obligations and Continuing Professional Education

The supervision of Appointed Representatives does not end with licensing; rather, it is a continuous process throughout their operation.

A. Continuing Professional Education (CPE):

In accordance with Articles 127-130 of the Directive, Appointed Representatives must maintain their professional competency by taking a robust Continuing Professional

Education. All Appointed Representatives are required to implement the following:

- Appointed Representatives shall be required to complete minimum of one CPE program with in one financial year.
- They must ensure that the CPE programs are relevant and contribute to their skills, knowledge, and ethical standards.
- They must only take CPE from CPE providers accredited by ECMA.
- The sponsoring Capital Market Service Provider shall establish policies and procedures on CPE and maintain records to ensure the compliance of Appointed Representatives.
- According to table three of the Directive, failure to meet the CPE requirements will result in sanctions.

B. Change in Employment by Appointed Representative.

As per Article 125 of the Directive, an appointed representative must notify the Ethiopian Capital Market Authority upon any change of employer or sponsor. Additionally,

when changing sponsors, Appointed Representatives are required to register under the new sponsor.

The Directive prohibits the position of Appointed Representative from remaining vacant. Accordingly, when an Appointed Representative resigns, the capital market service provider must promptly notify the Authority and appoint a temporary or permanent replacement without delay.

C. Annual renewal of license

Article 123 of the Directive shows that the sponsoring Capital Market Service Provider must renew the license of an Appointed Representative annually in conjunction with its own license renewal. This requirement serves as an annual review to verify their competence.

8. Suspension and Revocation of Appointed Representatives Licenses

The Directive establishes an enforcement mechanism under Article 124 to ensure ongoing compliance by appointed representatives. The

Ethiopian Capital Market Authority is empowered to suspend or revoke the licenses of appointed representatives for the following reasons:

Reasons for license suspension or revocation include the following (Articles 124 and 34):

- Failure to comply with the code of ethics or other directives;
- If the license of the sponsoring Capital Market Service Provider is suspended or revoked;
- If deemed not to be a fit and proper person by the Ethiopian Capital Market Authority
- If determined to be non-performing on his obligations due to his personal standing by the securities exchange.
- If declared bankrupt;
- Conviction for a crime related to ethical misconduct;
- Involvement in insider trading or fraudulent activities;
- Failure to cooperate with the Ethiopian Capital Market Authority during examinations or investigations; and

- Committing other acts specified in the Directive.

According to Article 124(3) of the Directive, an Appointed Representative whose license is suspended is prohibited from engaging in any capital market activities and shall not be eligible for any new service license, unless the suspension or revocation decision is overturned by appeal submitted to the Ethiopian Capital Market Administrative Tribunal.

