

Ethiopia Commodity Exchange Rules Amendment No. 5/2010

1. Preamble

- 1.1 It is found necessary to amend the Revised Rules of the Ethiopia Commodity Exchange No.4/2010.
- 1.2 These Amendments of the Rules are issued by the Ethiopia Commodity Exchange (the “Exchange”) pursuant to Article 12(10) of the Ethiopia Commodity Exchange Proclamation No.550/2007.
- 1.3 These Rules shall come into force after the approval by the Ethiopia Commodity Exchange Authority as per its powers under Article 6(3) of the Ethiopia Commodity Exchange Authority Proclamation No.551/2007.
- 1.4 These Rules may be cited as the “Ethiopia Commodity Exchange Rules Amendment No.5/2010.”

2. Amendment

The Revised Rules of the Ethiopia Commodity Exchange No.4/2010 (the “Rules”) are hereby amended as follows:-

- (1) The following new Sub-Article 2.1.14 is added under Sub-Article 2.1 of the Rules. Sub-Articles 2.1.14 to 2.1.47 of the Rules are renumbered as Sub-Articles 2.1.15 to 2.1.48.

“2.1.14 Corner a Commodity: buy up a large percentage of the available commodity offered for sale at the Exchange to manipulate the availability of the commodity and/or to sell it at a profit after inappropriately inflating the price.”

- (2) The first sentence of Sub-Article 4.2.5 of the Rules is amended as follows:

“4.2.5 Notwithstanding the provisions of Sub-Article 4.2.2, 4.2.3 and 4.2.4 above, any Limited Member engaged in trading of commodity decided by law to be exclusively traded in the Exchange and who has an ownership interest in a private limited company, a shareholder serving as Board member or having a controlling interest of more than

50% of shares in a share company or any form of partnership, or vice versa, or business organizations or public enterprises that are established in the form of a holding and/or subsidiary structure or are legally or factually related may acquire separate membership, provided that:"

(3) Provision (iv) under Sub-Article 4.2.5 of the Rules is amended as follows:

"iv. they affirm that their membership shall be terminated if they are found trading between each other for their own or their clients' accounts; and"

(4) Sub-Article 4.7.1.5 is moved to Sub-Article 4.7.1.8 and amended as follows. Sub-Article 4.7.1.6 of the Rules is switched to Sub-Article 4.7.1.5.

"4.7.1.8 Unless treated otherwise under specific provisions of these Rules, the Member fails to comply with any other obligation under these Rules, after the expiry of any grace period granted by the Exchange, if any, unless the Exchange waives such breach in accordance with its powers under these or any other relevant Rules;

(5) The following new Sub-Article 4.7.1.6, 4.7.1.7, 4.7.1.9, 4.7.1.10 and 4.7.1.11 are added under Sub-Article 4.7.1 of the Rules.

"4.7.1.6 Accepting or executing an order for any commodity traded or listed on the Exchange for the account of an official or an employee of the Exchange; an employee or a director of a settlement bank; an employee or a director of a warehouse operator; another Member or an employee of another Member; an employee or Board member of the Authority; or a Board member of the Exchange, except that an Exchange member that is also a Board member may accept and execute an order for its account and its clients' accounts;

4.7.1.7 When misrepresentation of a member's qualification has been found by the Exchange;

4.7.1.9 Where a Member is suspended under Sub-Article 4.7.1.1 to Sub-Article 4.7.1.8 of these Rules, the Member may be liable to pay a fine of such amount as is determined in accordance with these Rules;

4.7.1.10 Failure to pay a fine imposed under Sub-Article 4.7.1.9 of these Rules within ten (10) working days of the Member being notified of the imposition of the fine shall result in continuation of suspension until the fine is paid in full; and

4.7.1.11 Engage in corrupt practices, such as bribery, forgery of documents and misrepresentation of information.

(6) The following new provisions (c), (d), (e) and (f) are added under Sub-Article 4.7.2.1 of the Rules. Provisions (c) and (d) of the same Sub-Article are renumbered as (g) and (h) respectively.

“(c) Corner a commodity or attempt to corner a commodity in connection with a transaction on the Exchange;

(d) Manipulate or attempt to manipulate the quality or quantity of commodity at deposit or delivery;

(e) Engage in acts that in any way compromise the integrity of the Exchange’s information technology system, software applications, data or equipments; and

(f) Obtain or attempt to obtain without authorization or consent of the Exchange non-public Exchange information related, but not limited, to the Exchange trading, members, clearing and settlement, warehouse deposits, surveillance, client information and finance.”

(7) Sub-Article 4.7.2.2 of the Rules is amended as follows:

“4.7.2.2 Where a Member is suspended under Sub-Article 4.7.2.1 of these Rules, the Member may be liable to pay a fine of such amount as is determined in accordance with these Rules.”

(8) Sub-Article 4.9.1 of the Rules is amended as follows:

“4.9.1 Upon an act, omission or violation that gives rise to suspension under Articles 4.7.1 and 4.7.2 of these Rules, the Board may at its discretion terminate the membership status of a Member.”

(9) Sub-Article 5.5.11.4 of the Rules is amended as follows:

“5.5.11.4 Members must keep their copy of all Order Tickets, including those for trades not executed, for five (5) years.”

(10) Sub-Article 6.4.1(f) of the Rules is amended as follows:

“f. Not Manipulate. Manipulate or attempt to manipulate the prices of commodities.”

(11) The following new provision (g) is added under Sub-Article 6.4.1.

“g. Not Corner. Corner a commodity or attempt to corner a commodity.”

(12) Sub-Article 8.9.1 of the Rules is amended as follows:

“8.9.1 Unless withdrawal is prohibited by applicable law, stored commodities may be withdrawn without sale on the Exchange.”

(13) The following new Sub-Articles 9.5, 9.6 and 9.7 are added under Article 9 of the Rules. Sub-Articles 9.5 and 9.6 of the same Article of the Rules are renumbered as Sub-Article 9.8 and 9.9 respectively.

“9.5 Pledge of Electronic Warehouse Receipt

9.5.1 Pertinent provisions of the Proclamation to provide for a Warehouse Receipts System No.372/2003, Property Mortgaged or Pledged with Banks Proclamation No. 97/1998 and other relevant laws of the country are applicable to pledge of electronic Warehouse Receipts issued by the Exchange.

9.5.2 Without limiting the generality of the provisions of Sub-Article 9.5.1 of this Article, the following provisions are applicable to pledge of electronic Warehouse Receipts issued by the Exchange.

9.5.2.1 Loan Application and Lending

- a) An owner of a commodity deposited in the Exchange Warehouse may apply for a Warehouse Receipt loan with an Exchange settlement bank based on his Goods Received Note or Member/Client Daily Position Report after completing a Loan Application according to applicable bank procedures.
- b) Before processing the loan application the bank may request the Exchange to check the electronic Warehouse Receipt is valid, that it is owned by the potential borrower and it is not already pledged. If successful the Exchange will return the relevant details of the electronic Warehouse Receipt.

- c) After processing the loan application the bank shall complete and sign an Exchange electronic Pledge Request Form and deliver it to the Exchange to confirm the information included in the Loan Application upon which the Exchange will issue a pledge on the electronic Warehouse Receipt in favor of the bank.
- d) Once a pledge is issued, the electronic Warehouse Receipt shall receive a mark of pledge and shall no longer be available for trade or withdrawal until the request from the bank to lift the No-sale status arrives or the electronic Warehouse Receipt is later un-pledged.
- e) If a pledge is issued, the Exchange Central Depository shall immediately provide to the relevant bank an electronic Pledge Confirmation Report with the confirmation of electronic Warehouse Receipt validation and pledge. If there is an error on the electronic Warehouse Receipt or it is already pledged, the Exchange shall provide the bank a 'stop signal' explaining the reason for the rejection. A loan action shall not continue with such electronic Warehouse Receipt until the errors are removed or new electronic Warehouse Receipt information is applied.
- f) As soon as the electronic Warehouse Receipt is pledged, the Exchange shall mark the electronic Warehouse Receipt as a No-Sale electronic Warehouse Receipt in the Member/Client Daily Position Report and in the Pledge Register and Movement List.
- g) The Pledge Register and Movement List, which is issued electronically, shall include all the Warehouse Receipt details and be grouped as follows:
 - i. Electronic Warehouse Receipts pledged with no-sale condition,
 - ii. Electronic Warehouse Receipts pledged with for-sale condition,
 - iii. Electronic Warehouse Receipts pledged and foreclosed,
 - iv. Electronic Warehouse Receipts pledged and sold in last seven days (partial or whole),
 - v. Electronic Warehouse Receipts pledged and withdrawn in last seven days, and
 - vi. Electronic Warehouse Receipts unpledged in last seven days.

- h) The Exchange Pledge Register and Movement List shall be sent by the Exchange Central Depository to the bank on a daily basis until the credit repayment is settled.
- i) Once the Exchange Pledge Confirmation Report is provided to the lending bank, the loan may be approved and provided to the owner of the electronic Warehouse Receipt with a certain duration and specification as specified in the Loan and Pledge Agreements.
- j) The repayment date of the bank's electronic Warehouse Receipt loan shall allow for enough period for a loan repayment before the expiration day of the pledged electronic Warehouse Receipt.
- k) A borrower may have multiple Loan Accounts in different branches of one bank or in different banks. Multiple Warehouse Receipts can be pledged to one Loan Account. However, partial pledge and partial un-pledge of remaining quantity on an electronic Warehouse Receipt is prohibited.
- l) All communication with the banks shall be via a secure, electronic interface with back-up manual processes used if required.
- m) Only electronic Warehouse Receipts of at least one lot or more can be pledged.

9.5.2.2 Un-pledging

The bank can initiate the electronic un-pledging procedure with the Exchange Central Depository in the following situations:

- a. When the borrower has paid the loan in cash without the sale of the pledged commodity (electronic Warehouse Receipt).
- b. When the bank no longer requires the electronic Warehouse Receipt as collateral.

9.5.2.3 Sale and Repayment

- a. After the Borrower and the Bank agree to sell the Warehouse Receipt, the bank shall electronically instruct the Exchange's Central Depository to lift the No-Sale condition and give the Loan account details to the Exchange Clearing House.
- b. The bank shall inform the borrower on the lift of the No-Sale condition on the pledged electronic Warehouse Receipt which is reflected on the Exchange Member/Client Position Report and the Exchange Pledge Register and Movement Report.
- c. The borrower can then sell the pledged electronic Warehouse Receipt at the Exchange. Following the sale, the Exchange Clearing House shall deduct the Exchange fees and all relevant taxes and directly pay out the balance to the bank's Loan Account and the Exchange Central Depository shall transfers the title to the commodity to the buyer.
- d. To effect an immediate pay-out transfer to the bank of a pledged electronic Warehouse Receipt sold at the Exchange, the bank shall provide the Exchange Clearing House the borrower's Loan Account details including name, ECX-Client ID and loan account number at the moment of the lift of the No-Sale request.
- e. Upon receipt of a pay-out transfer from the Exchange for the sale of a single pledged Warehouse Receipt, the bank shall settle any outstanding balance pertaining to that pledged electronic Warehouse Receipt to the borrower within two working days.

9.5.2.4 Execution of Security

- a. If the borrower fails to sell the electronic Warehouse Receipt at the Exchange and pay the loan at the repayment date, the bank may initiate foreclosure pursuant to the relevant provisions of the Proclamation to Provide for a Warehouse Receipts System No.372/2003, Property Mortgaged or Pledged with Banks Proclamation No. 97/1998 and other relevant laws of the country which may include the following process:

- i. One day after the repayment date, the bank gives the borrower a five day Legal Notice of intention to foreclose and sell the Pledged commodity;
 - ii. If the borrower does not effect payment within the notice period mentioned under provision (i) of this Sub-Article, the bank may sell the electronic Warehouse Receipt fifteen days after the expiry date of payment specified in the notice;
 - iii. Once the bank informs the Exchange of the foreclosure and if the Legal Notice of Foreclosure sent to the Exchange is in order (correctness of the instruction), then the Central Depository shall allow the bank to sell or withdraw the commodity;
 - iv. Upon foreclosure by a bank, the Exchange shall extend the electronic Warehouse Receipt expiry period by forty days. The Exchange's standard quality guarantee shall still apply for this grace period;
 - v. Upon the expiration of the forty days extension period provided under provision (iv) of this Sub-Article, the bank shall pay the standard electronic Warehouse Receipt expiry penalty before the electronic Warehouse Receipt can be extended and sold or withdrawn.
- b. When the bank informs the Exchange that it has foreclosed on the electronic Warehouse Receipt, the Exchange shall immediately suspend the pledged electronic Warehouse Receipt and confirm or reject the foreclosure request the same day. If the request is rejected because it is not in order (correctness of the instruction), the electronic Warehouse Receipt will again be reactivated for trading by the borrower but will remain pledged. If the request is accepted, the Central Depository shall set Foreclosed status on the electronic Warehouse Receipt without transferring Title and thereby giving the Bank the right to sell or withdraw the electronic Warehouse Receipt.
 - c. The bank may sell the pledged electronic Warehouse Receipt partially or wholly through the Exchange, as a client, via an Intermediary Member. If

there is no sale, the bank has the option of withdrawing the commodity from the Exchange warehouse after paying applicable warehouse fees and penalties.

- d. Notwithstanding provision (c) of the same Sub-Article, the bank shall not be allowed to withdraw commodities exclusively traded on the Exchange by law.
- e. The Exchange shall not participate in the valuation and monitoring of credit levels against market value and any associated corrective measures, which is solely a matter between the bank and the borrower.

9.6 Performance Guarantee

9.6.1 The legal owner of a Warehouse Receipt, or its representative Exchange Member, may submit a claim against the Exchange for any quantity or quality deviations at delivery or withdrawal (the "Performance Guarantee").

9.6.1.1 Under the Performance Guarantee, the Exchange guarantees delivery or withdrawal of commodity according to the weight and quality stated on the Electronic Warehouse Receipt.

9.6.1.2 If the Exchange cannot deliver the quantity or quality specified on the Electronic Warehouse Receipt subject to any moisture loss adjustment, the Exchange shall compensate the owner of the Warehouse Receipt. Compensation shall be at the trade execution price in the case of delivery or at the prevailing market price on the date of the withdrawal request in the case of withdrawal, less applicable charges, fees, taxes and other adjustments.

9.6.1.3 The quantity guaranteed by the Exchange is subject to the Exchange's moisture loss adjustment.

9.6.2 Performance Guarantee claim shall be processed as follows:

9.6.2.1 The claimant shall file a written claim with the Membership Unit of the Exchange specifying the nature of the claim.

9.6.2.2 The Exchange shall investigate the accuracy of the claim and accept or reject each claim.

9.6.2.3 If the claim is accepted, the Exchange shall compensate the claimant within 10 working days of the written claim.

9.6.2.4 The Exchange shall report delivery shortfalls to the Authority monthly.

9.6.3 The Exchange may maintain different instruments to meet its obligations under the Performance Guarantee of Warehouse Receipts, including but not limited to:

9.6.3.1 Damage and property insurance;

9.6.3.2 Fidelity insurance bond; or

9.6.3.3 Warehouse Receipts Indemnity fund.

9.7 Warehouse Receipts Indemnity Fund

9.7.1 The Exchange shall maintain an Indemnity Fund to meet liabilities that may arise under its Performance Guarantee of Warehouse Receipts.

9.7.2 The Board of Directors may prescribe from time to time the norms, procedures, terms and conditions governing the Indemnity Fund, including but not limited to, the amount of contribution to be made by the Exchange and terms of withdrawal of contribution from the Indemnity Fund.

9.7.3 Contribution to and Deposits with the Indemnity Fund

9.7.3.1 The Exchange shall contribute a percentage of its gross Warehouse storage and handling charges to the Indemnity Fund on the last day of each month. The percentage of contribution shall be approved by the Board.

9.7.3.2 The Government may make a periodic contribution towards the Indemnity Fund.

9.7.3.3 The Exchange may specify the amount and method of additional contribution it makes to the Indemnity Fund.

9.7.4 Form of Contribution and Accounts

The Exchange may contribute to the Indemnity Fund in the form of cash or in such other form or method. The Exchange's contribution shall be made into an Indemnity Fund Account maintained by the Exchange's Clearing House that shall be audited annually.

9.7.5 Investment of Indemnity Fund

The Indemnity Fund may be deposited in an interest bearing account or may be invested in such investments, as may be provided for by the Board of Directors. The interest earned from the investment of the Fund shall be re-deposited into the Fund.

9.7.6 The Indemnity Fund may be utilized for such purposes, as may be prescribed from time to time by the Board of Directors to meet its obligations under the Performance Guarantee, which may include:

9.7.6.1 Defraying the expenses of creation and maintenance of Indemnity Fund;

9.7.6.2 To temporarily meet the liability of the Exchange arising out of its Performance Guarantee related to Warehouse Receipts; and

9.7.6.3 Any other purpose specified by the Exchange from time to time related to provisions of services associated with Warehouse Receipts.

9.7.7 The Exchange may pledge, re-pledge, hypothecate, transfer, create a security interest in, or assign any or all of the cash or any other instrument deposited in the Indemnity Fund.”

(14) The following new Sub-Article (d) is added under Sub-Article 10.4.2.2 of the Rules.

“d. Clearing Pay-out Accounts

Intermediary Members who clear on behalf of a Non-Clearing Buy-only Limited Trading Member shall open a Clearing Pay-out Account in to which the former transfers unused buy funds from a Clearing Pay-in Account that complies with the following conditions:

- i. The Intermediary Member must be the legal owner of the Clearing Pay-Out Account.
- ii. The Exchange shall be authorized to send electronic credit instructions to this account.

- iii. The Intermediary Member shall have the sole right to request debits.
- iv. Cheque book can be issued if required.
- v. The Intermediary Member must distribute all funds in the Clearing Pay-Out Account to Clients.”

(15) Sub-Article 10.4.3.1 (b) (ii) of the Rules is amended as follows:

“ii. Networked branch for Trading Members, Intermediary Members and Clearing Buy-only Limited Trading Members or any branch of the Settlement Bank for Limited Intermediary Member and Sell-only Limited Members.”

(16) Sub-Article 10.6.2.2 of the Rules is amended as follows:

“10.6.2.2 The Exchange shall credit Members’ Net Sell Payments/Obligations to the Trading Member’s and the Intermediary Member’s Pay-Out Account or Client Pay-Out Account or to the Limited Intermediary Member’s Pay-Out Account or Sell-only Limited Trading Member’s Pay-out Account where applicable, between 11:00 and 12:00 A.M. on the next trading day after the trading day.”

(17) The following new Sub-Articles g, h and i are added under Sub-Article 10.6.3 of the Rules.

- “g. All applicable tax debits and credits;
- h. Warehouse Receipt Finance Fee (sellers debit); and
- i. Sport Contributions (volunteered sellers debit-Coffee Trade only).”

(18) The following new Sub-Articles 10.6.5 and 10.6.6 are added under Sub-Article 10.6 of the Rules.

“10.6.5 Reporting and Transfer of Various payments collected by the Clearing House

At the end of every month, the Exchange Settlement Account balances shall be reconciled with the Clearing House Records. Accordingly, the following types of reports and transfers shall be executed by the Clearing House:

- a. Value Added Tax and Turn Over Tax collected by sellers from buyers shall be included in the sellers' Net Obligations;
- b. The Clearing House shall transfer Withholding Taxes collected from the Exchange Settlement accounts to the Exchange Corporate accounts on a monthly basis;
- c. The Clearing House shall transfer the total Trading Fees, Warehouse Handling Charges, Warehouse Storage Charges, Other Charges of the Warehouse, Value Added Tax on the Exchange Fees and Charges and Sport Contributions collected from the Exchange Settlement accounts to the Exchange Corporate accounts on a monthly basis; and
- d. The Clearing House shall submit, on a monthly basis, the Electronic copy of relevant data on "Value Added Tax not collected on Export Coffee" and on the total "Withholding Taxes" collected to the Exchange Finance Department for final submission to Ethiopian Revenues and Customs Authority.

10.6.6 Post Settlement Adjustments by the Clearing House

Contracts executed by Members and matched and settled by the Clearing House, shall be subject to post settlement adjustment due to the following reasons:

- i. Claims related to the Performance Guarantee;
- ii. Over delivery; or
- iii. Other settlement adjustments, including but not limited to clearing errors.

In the aforementioned cases, the Clearing House shall conduct a Post Settlement Adjustment by creating Debit and/or Credit Notes as necessary within 10 business days."

(19) The following new Sub-Article 11.1.4 is added under Article 11.1 of the Rules. Sub- Articles 11.1.4 and 11.1.5 of the same Article of the Rules are renumbered as Sub-Article 11.1.5 and 11.1.6 respectively.

"11.1.4 In the exceptional case where a Member is not able to pick-up the commodity he bought from the Exchange due to the unavailability of the commodity in the specified Exchange

warehouse, the Central Depository can change the delivery notice once to effect pick-up of the same commodity from another Exchange warehouse, within the same delivery center area or at the expense of the Exchange in another delivery center area.”

(20) Sub-Article 15.2.1.6 of the Rules is as amended as follows:

“15.2.1.6 Unless the commodity is required by law to be exclusively traded on the Exchange, owner of a commodity or his agent shall not be obliged to store the commodity in question with the Exchange warehouse after the appeal. However, if an owner chooses to store any commodity with the warehouse then the commodity shall be accepted in accordance with the grade that is finally determined on appeal.”

(21) The following new Article 15 is added following Article 14 of the Rules. Articles 15 to 23 of the Rules are renumbered as Articles 16 to 24 respectively.

“15. Discipline and Enforcement

15.1 Establishment of a Business Conduct Committee

15.1.1 A Business Conduct Committee (hereinafter “the Business Conduct Committee”) is hereby established to review and discipline violations of the Rules.

15.1.2 The Business Conduct Committee shall be accountable to the CEO.

15.1.3 The Business Conduct Committee shall be composed of the following five members:

15.1.3.1 the CCO;

15.1.3.2 two revolving officer seats appointed by the CEO; and

15.1.3.3 two Exchange Members in good standing and with no disciplinary action in the last two years that are appointed by the Exchange Members Association.

- 15.1.4 The CCO shall serve as the chairperson of the Business Conduct Committee.
- 15.1.5 The Compliance Division of the Exchange shall serve as a non-voting secretariat for the Business Conduct Committee.
- 15.1.6 Quorum shall be constituted by three members of the Business Conduct Committee which shall include at least one Exchange Member.
- 15.1.7 Decisions of the Business Conduct Committee require a majority vote of the members present at a meeting. Where there is a tie, the Chairperson shall have a casting vote.
- 15.1.8 In the event of vacancy, the CEO shall arrange a replacement in the same manner of appointment as outlined under section 15.1.3.
- 15.1.9 The Business Conduct Committee may issue its rules of procedure as it deems necessary.

15.2 Types of Disciplinary Violations

For the purpose of these Rules, there shall be four categories of disciplinary violations classified based on the level of gravity of the violation.

15.2.1 Category one disciplinary violations shall refer to violations that contravene the provisions of Article 4.7.1 of the Rules.

15.2.2 Category two disciplinary violations shall refer to violations that contravene the provisions of Article 4.7.2 of the Rules.

15.2.3 Category three disciplinary violations include the following acts and/or omissions:

15.2.3.1 Acts or omissions which violate Sub-Articles 4.5.5, 4.5.6, 4.5.11, 4.5.14, 4.11, 4.12.1, 4.12.5, 5.4.4.1, 5.4.6.1, 5.5.1.4, 5.5.4.1, 5.5.7.5, 5.5.7.6, 5.5.11, 6.2, 6.3, 6.4.1, 8.2.2, 10.5, 14.1, 14.2, 14.3, 14.4, 14.5, 14.6, 14.7, 14.8 or 16.2.3; or

15.2.3.2 Misconduct or aggressions on Exchange premises or towards Exchange staff or property.

15.2.4 Category four disciplinary violations include the following acts and/or omissions:

15.2.4.1 acts or omissions which violate Sub-Articles 5.3.1.2, 5.3.1.3, 5.5.1.1, 5.5.1.6, 5.5.3, 5.5.6.3, 5.5.6.4 or 5.5.7; or

15.2.4.2 behaving in a manner that disrupts the proper running of transactions on Exchange premises.

15.2.5 The Exchange may from time to time classify additional violations of its Rules under the above four categories of disciplinary violations.

15.3 Disciplinary Measures

15.3.1 A Member who commits category one disciplinary violation shall, subject to the approval of the Board:

15.3.1.1 be immediately suspended by the Exchange from membership of the Exchange as is provided for in Article 4.7.1 of the Rules of the Exchange; and/or

15.3.1.2 pay a fine not to exceed 10 percent of the value of transaction related to a transactional violation or pay a fine not to exceed Birr 50,000 (fifty thousand Birr) for non transactional violations; and/or

15.3.1.3 be terminated from Membership of the Exchange upon a recommendation of the Exchange.

15.3.2 A Member who commits category two disciplinary violations may, subject to the approval of the Board:

15.3.2.1 be suspended from membership of the Exchange as is provided for in Article 4.7.2 of the Rules of the Exchange; and/or

- 15.3.2.2 pay a fine not to exceed 10 percent of the value of transaction related to a transactional violation or pay a fine not to exceed Birr 50,000 (fifty thousand Birr) for non transactional violations; and/or
 - 15.3.2.3 be terminated from Membership of the Exchange upon a recommendation by the Exchange.
- 15.3.3 Where a Member commits category three disciplinary violations, he may:
- 15.3.3.1 be issued a written warning; and/or
 - 15.3.3.2 pay a fine not to exceed 6 percent of the value of transaction related to a transactional violation; and/or
 - 15.3.3.3 pay a fine not to exceed Birr 20,000 (twenty thousand Birr) for non transactional violations; and/or
 - 15.3.3.4 be required to attend training on the Rules of the Exchange at his own expense.
- 15.3.4 Where a Member commits category four disciplinary violations, he may be:
- 15.3.4.1 issued a written reprimand; and/or
 - 15.3.4.2 ordered to pay a fine not to exceed Birr 5000 (five thousand Birr).
- 15.3.5 For purposes of this Sub Article, the Exchange will use its discretion to classify violations as transactional or non-transactional.
- 15.3.6 The Board in accordance with Sub-Articles 4.6.5.5 and 4.9.1 of the Rules may without consulting the Business Conduct Committee, terminate a Member who contravenes category one disciplinary violations.
- 15.3.7 Where the Board rejects the recommendation of the Business Conduct Committee for the termination of membership under Sub-Articles 15.3.1.3 or 15.3.2.3, it may refer the case back to the Business Conduct Committee for reconsideration. The Business Conduct Committee, upon receiving the case,

may impose a fine it deems appropriate for the violation.

15.3.8 If a Member violates category three disciplinary violations more than twice within a period of three months, the Business Conduct Committee may impose penalties intended for category two disciplinary violations after considering the nature of the violations and any aggravating circumstances.

15.3.9 If a Member violates category four disciplinary violations more than twice within a period of three months, the Business Conduct Committee may impose penalties intended for category three disciplinary violations after considering the nature of the violations and any aggravating circumstances.

15.3.10 The Business Conduct Committee may impose the penalties applicable to Members under the Rules to floor representatives or clients that violate the Rules as it sees appropriate.

15.4 Investigation and Disposition of Disciplinary Cases

15.4.1 Investigation

15.4.1.1 Without prejudice to the duty to report disciplinary violations imposed on Members by the Rules, any interested person including an alleged injured person may submit a verbal or written complaint regarding a violation of the Rules to the Compliance Division. The Compliance Division may also initiate an investigation upon its own motion or upon a request by the CEO or the Board.

15.4.1.2 When the Compliance Division receives allegations, complaints, tips, or reports on disciplinary violations, it shall conduct a preliminary investigation to determine whether a full investigation is warranted.

15.4.1.3 If a full investigation is deemed warranted, the Compliance Division shall conduct the investigation and may demand information on any material that is reasonably related to Exchange transactions from any person within the Exchange's jurisdiction. The Compliance Division may also call for any pertinent person to appear before it and give a testimony.

- 15.4.1.4 A person appearing before the Compliance Division shall not be promised any benefits to give his testimony.
- 15.4.1.5 If the Compliance Division reasonably believes there is a violation of the Rules except for category four disciplinary violations, it shall submit the investigation report and a charge to the Business Conduct Committee.
- 15.4.1.6 If the Compliance Division determines that the alleged violation is not substantiated by sufficient evidence it shall close the case and notify the complainant and the CEO.
- 15.4.1.7 A person aggrieved by the Compliance Division's decision to close a case may appeal to the Business Conduct Committee within ten working days of the decision.

15.4.2 Initial Disposition of the Case

- 15.4.2.1 Where, after reviewing the investigation report, the Business Conduct Committee determines there is no sufficient evidence to demonstrate a violation of the Rules or where it determines that no further proceeding is required due to lack of jurisdiction, it shall dismiss the case and notify the decision to the complainant and to the Exchange.
- 15.4.2.2 Where, upon receiving the investigation report, the Business Conduct Committee determines that there is sufficient evidence to review the case, it shall fix the review date and may at its discretion issue letters to the Member(s) and/or to any witnesses to appear before it.

15.4.3 Deliberation of the case

- 15.4.3.1 Where the Business Conduct Committee determines that a full deliberation is not required based on the totality of the evidence, it may decide on the case based on the investigation report, impose a penalty on the Member and close the case.

- 15.4.3.2 Where the Business Conduct Committee determines a full deliberation is required, it may, along with reviewing the investigation report, interview the Member and any witnesses, before it determines any violations of the Rules and impose penalties.
- 15.4.3.3 Where the Business Conduct Committee determines that a Member has not committed the disciplinary violation, it shall dismiss the case.
- 15.4.3.4 Where a defending Member who is called to appear before the Business Conduct Committee fails to attend the deliberation for a second time, the deliberation shall proceed ex parte.
- 15.4.3.5 The Business Conduct Committee shall pass on its decisions to the CEO. If the CEO agrees with the decision, the CEO shall order its execution. If the decision requires approval of the Board, the CEO shall submit it to the Board for approval.

15.4.4 Enforcement of the Decisions

- 15.4.4.1 The Compliance Division shall oversee the execution of the disciplinary decisions of the Exchange.
- 15.4.4.2 Where a Member fails to pay a disciplinary fine under these Rules, the amount shall be deducted from the Member's accounts.
- 15.4.4.3 The suspension of membership imposed on a Member under these Rules may be lifted as provided in the Rules of the Exchange.

15.4.5 Appeal

- 15.4.5.1 A Member who is aggrieved by the decision of the Exchange for Category Three violations must first appeal to the Board of the Exchange within one month from the date of the decision. Upon review, the Board may remand the case to the Business Conduct Committee for further consideration or dispose of the case itself.

15.4.5.2 A Member may appeal all disciplinary decision by the Exchange to the Authority.

15.4.5.3 The Board may, upon request of the Member, order for a stay of the decision of the Exchange until the end of the appeal process.”

3. Effective date

These Rules shall take effect on the day falling fourteen days after the date of approval by the Authority in accordance with Article 20.1 of the Rules.

Approved by the Board of the Ethiopia Commodity Exchange Authority at Addis Ababa, on 9th day of July, 2010