

# **Provisional Amendments of the Revised Rules of the Ethiopia Commodity Exchange**

## **1. Preamble**

- 1.1 It is found necessary to amend the Revised Rules of the Ethiopia Commodity Exchange No.2/2009.
- 1.2 These Amendments of the Rules are issued by the Ethiopian Commodity Exchange (the “Exchange”).
- 1.3 These Rules shall come into force after the approval of the Ethiopian Commodity Exchange Authority as per its power 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.3./2009.”

## **2. Amendment**

The Revised Rules of the Ethiopia Commodity Exchange No.2/2009 (the “Rules”) is hereby amended as follows:-

- (1) The following new Sub-Article 4.3.2 is added under Sub-Article 4.3 of the Rules. The provision under Sub- Article 4.3 of the Rules is renumbered as Sub-Article 4.3.1.

### **“4.3.2 Procedure for the Sale of New or Vacated Membership Seats**

4.3.2.1 The Exchange shall announce invitation to bid for the purchase of new or vacated membership seats by a public announcement fifteen days prior to the sale of such seats.

4.3.2.2 The bidder shall provide the following documents three days prior to the bid closing date:

- I. a copy of valid business license;
- II. Tax Identification Number and If VAT registered, VAT registration certificate;

- III. a copy of valid business license and the partnership agreement, if a partnership;
- IV. a copy of valid business license and the memorandum and articles of association, if a private limited company or share company;
- V. the memorandum and articles of association, if a cooperative;
- VI. the establishing law, if a public enterprise; and
- VII. if participation in the bid is through a legal representative, a valid agency agreement.

4.3.2.3 Each bidder must submit a sealed seat price proposal and bid bond in an amount to be determined by the Exchange, in the form of cash or bank guarantee.

4.3.2.4 For each category of membership, the Exchange shall maintain a Register of its offer and bid prices submitted by all bidders, but not the names of the parties making those bids or offers.

4.3.2.5 The Exchange shall open the bid document at a place, date and time specified in the announcement made under Sub-Article 4.3.2.1 above in the presence of the bidders or their legal representatives.

4.3.2.6 Without prejudice to other provisions of the Rules related to membership, the Exchange shall sell available membership seats to the highest bidders. If there is a tie, there shall be a second sealed bid immediately following the conclusion of the opening bid. If there is a tie for a second time, the winner of the bid may be determined by a blind drawing conducted by the Exchange in the presence of the tied bidders or their legal representatives.

4.3.2.7 At the end of the bid process, the Exchange shall publish the price at which seats were sold to ensure transparency.

4.3.2.8 Without prejudice to preceding Sub-Articles of this Article, the Exchange may prioritize and allocate from time to time sale of seats to different market sectors, subject to approval of the Authority.”

- (2) The following new Sub-Article 4.9.1.2 and 4.9.1.3 are added to Article 4.9.1 of the Rules. The provision under Article 4.9.1 of the Rules is renumbered as Sub-Article 4.9.1.1.

“4.9.1.2 Unless justification is provided and accepted by the Exchange, the Exchange shall terminate membership, upon expiration of a notice period of three months, if a Member fails to commence trading on the Exchange within one month from a date of approval of membership, including payment of security deposit or if a member fails to trade for an interval of three months after trading for some time.

4.9.1.3 The notice mentioned under Sub-Article 4.9.1.2 shall be issued to a Member only once. ”

- (3) The following new Sub-Article 7.24 is added under Article 7 of the Rules.

“7.24 The Exchange shall follow the following procedures to develop or amend a contract traded on the exchange.

7.24.1 The Trading Operation unit shall provide written analysis of the need to introduce or amend a certain commodity standard and grade and forward its findings to a Technical Advisory Panel constituted for the given commodity (hereinafter referred to as the “Advisory Panel”).

7.24.2. The Advisory Panel shall be composed of the following members:

- (a) Two technical commodity experts representing the Exchange (of whom one shall act as chairperson);

- (b) A technical representative of the Quality and Standard Authority of Ethiopia;
- (c) A technical representative from the Ministry of Agriculture and Rural Development; and
- (d) A technical representative from other pertinent institution nominated by the CEO of the Exchange.

7.24.2.1 The Advisory Panel shall conduct meetings as frequently as required;

7.24.2.2 There shall be a quorum where more than half of the members are present.

7.24.2.3 Resolution of the Advisory Panel shall be passed by a majority vote of members present at a meeting. In case of a tie, however, the chairperson shall cast the deciding vote.

7.24.2.4 The Advisory Panel shall provide service for the time required to develop commodity standards or on an ad hoc basis for subsequent amendments.

7.24.2.5 The Advisory Panel shall provide written recommendations on technical aspects of commodity grade and classification to the Trading Operations Unit.

7.24.3 The Trading Operation Unit shall undertake market analysis of the technical recommendations provided by the Advisory Panel and shall draft a trading contract.

7.24.4 The draft contract shall be presented to an Industry Consultation Committee constituted for the particular contract.

7.24.5 Upon formal invitation by the CEO, the Industry Consultation Committee shall be composed of the following members:

- a) Ten or more representatives from among sellers of the commodity, representing growers and traders, drawn from legally recognized trade or industry associations or other organizations;
- b) Ten or more representatives from among .buyers of the commodity, representing exporters, traders, and processors, drawn from legally recognized trade or industry associations or other organizations;
- c) Additional representatives, if any, under (a) and (b) above in same Sub-Article shall be proportional; and
- d) Where there is no legally recognized industry association or representative entity, the Business Development Unit shall analyze the sector and recommend the relevant representatives for invitation by the CEO.

7.24.6 Without prejudice to Sub-Article 7.24.5 of this Article, the selection of the representatives of the industry or trade associations shall be on the basis of voting by the industry association Members.

7.24.7 The Industry Consultation Committee's sole purpose shall be to review the draft contract and provide written feedback to the Exchange.

7.24.8 In consultation with relevant divisions of the Exchange, the Trading Operations unit shall finalize the contract using the inputs obtained from the Advisory Panel and the Industry Consultation Committee and submit same to the Compliance Division for compliance review.

7.24.9 The Compliance Division shall present the final contract for endorsement to the Board of the Exchange.

- 7.24.10 Upon receiving the endorsement of the Board of the Exchange, Compliance Division shall send the final contract to the Ethiopia Commodity Exchange Authority for approval.
- 7.24.11 The Exchange shall attach to the contract sent to the Authority for approval a general report that includes a summary of study relating to the proposed contract, opinion of the Advisory Panel and the Industrial Consultation Committee on such contract.
- 7.24.12 without prejudice to relevant provisions of Article 7 of the Revised Rules, the above provisions under Sub-article 7.24 shall also be applicable for amendment of an already approved contract.
- 7.24.13 A Proposal for amendment of the contract may be presented by any interested Member of the Exchange to the Industry Consultation Committee under Sub-Article 7.24.5. The Industry Consultation Committee may pass to the Exchange any amendment proposals it deems appropriate.
- 7.24.13.1 A person who is aggrieved by the decision of the Industry Consultation Committee may appeal the decision to the Exchange within five days of receipt of such decision. The Exchange shall render a decision on such appeal within five days of receipt of the appeal.
- 7.24.13.2 A person who is aggrieved by the decision of the Exchange may appeal to the Ethiopia Commodity Exchange Authority within thirty days of receipt of the decision of the Exchange.

7.24.13.3 The decision of the Authority on an appeal under Sub-Article 7.24.13.2 above is final.

- (4) Sub-Article 8.7.3 of the Rules is deleted and replaced by the following new provision:

**“8.7.3 Allowable Tolerance on Lot Weight**

Subject to the prior approval of the Authority, the maximum allowable tolerance limit on weight loss/gain shall be determined by the Exchange.”

- (5) Sub-Article 8.8.1 of the Rules is amended as follows:

“Subject to prior notification to the Authority, the Exchange shall determine and may amend from time to time the appropriate warehouse receipt expiration period of each type of commodity.”

**3. Effective date**

These Rules shall take effect on the day falling 14 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 5<sup>th</sup> day of December, 2009**