

DEVELOPMENT OF THE POLICY AND REGULATORY FRAMEWORK FOR THE LICENSING AND REGULATION OF CAPITAL MARKET SERVICE PROVIDERS IN ETHIOPIA

1. Introduction

Outsized has been appointed by Financial Sector Deepening (FSD) Africa to support the shortlisting and selection of a Consultant for this upcoming project.

Ethiopia is in the process of establishing a capital market in line with the recent enactment of the [Capital Markets Proclamation](#). This requires putting in place the necessary institutions, policies, legal instruments (directives and regulations), and market infrastructure required to operationalise the Proclamation.

The Ethiopia Capital Markets Project Implementation Team (CMPIT) has been established by the NBE with a mandate to operationalise the Capital Markets Proclamation. The CMPIT reports to the Governor of the National Bank of Ethiopia (NBE) until a Director-General for the Capital Markets Authority is appointed by the Prime Minister.

The NBE, with the support of FSD Africa, is therefore seeking the services of a consultant to develop the rules and regulations for the licensing and supervision of capital market service providers in Ethiopia. These service providers are required to operationalise the capital market by providing the capital market intermediation and market infrastructure services in the country.

For the purpose of this assignment, capital market service providers include securities brokers, securities dealers, investment advisers, investment banks, credit rating agencies, custodians, market makers, and appointed representatives of capital market service providers.

Additionally, for this assignment, the licensing framework should exclude the following categories as defined in the Proclamation: central clearing counterparties, securities exchanges and central securities depositories.

While the NBE is the beneficiary of the service of the consultant, the FSD Africa will be responsible for financing the consultant.

2. Background

2.1 National Bank of Ethiopia (NBE)

The National Bank of Ethiopia (NBE) is the central bank of Ethiopia, established in 1963 by Proclamation 206 and began operation in January 1964. As per its establishment Proclamation (amended in 2008), the NBE has a legal mandate to maintain stable rate of price and exchange, foster a healthy financial system, and support rapid economic development in Ethiopia. The bank is active in promoting financial inclusion policy and is a member of the Alliance for Financial Inclusion (AFI). Its headquarters are in the capital city of Addis Ababa.

As part of its mandate to support financial sector development, the NBE drafted a Proclamation for the establishment of Capital Markets in Ethiopia, which was enacted by the House of Peoples Representatives of the Federal Democratic Republic of Ethiopia on June 10, 2021. Pending the establishment of the Capital Markets Authority as envisaged in the Proclamation, the NBE established a capital markets project implementation team to drive operationalisation of the Proclamation under its leadership.

2.2 Financial Sector Deepening Africa (FSD Africa)

FSD Africa is a specialist development agency working to reduce poverty by strengthening financial markets across sub-Saharan Africa. Based in Nairobi, FSD Africa's team of financial sector experts work alongside governments, business leaders, regulators and policymakers to design and build ambitious programmes that make financial markets work better for everyone. Established in 2012, FSD Africa is incorporated as a non-profit company limited by guarantee in Kenya. It is funded by UK aid from the UK government.

3. Objectives and Scope

3.1 Objective

The main objective of the assignment is to develop a robust policy and regulatory framework for the licensing and supervision of capital market service providers in Ethiopia. It will also entail the development of an operational manual to be used by the Capital Market Authority, Ethiopia, in review and approval of licensing applications as well as supervision and monitoring of licensed intermediaries.

3.2 Scope of work

The Consultant will be expected to:

1. Review the [IOSCO Objectives and Principles on Securities Regulation](#) as well as capital market licensing and supervision practices from other comparable jurisdictions (to be proposed by the Consultant).
2. Engage with various financial market stakeholders, including banks, pension funds, insurance companies, microfinance institutions and other relevant financial sector intermediaries, to determine the stakeholders' priorities, needs and expectations of capital market service providers. It is preferred that the engagements are conducted in-country to ensure maximum participation.
3. Undertake a benchmark analysis of capital market licensing and supervision regimes in other comparable markets in Africa and globally (to be proposed by the Consultant, but a minimum of 4).
4. Following the stakeholder and benchmarking analysis, develop a policy framework on all aspects relating to the licensing and ongoing supervision of capital market service providers to determine the appropriate structure for the Ethiopian capital market.
5. Draft appropriate directives that adequately provide for:
 - Licensing and supervision requirements for various categories of capital market service providers in Ethiopia.
 - Requirements for recognition of self-regulatory organisations
 - Fit and proper requirements for directors and key personnel of capital market service providers
 - Application, refusal, approval, suspension and revocation of licenses
 - Ongoing capital market service provider license requirements such as prudential, conduct of business and governance requirements
6. Develop a licensing manual for the Capital Market Authority setting out the operational procedures for licensing of capital market service providers - from application to suspension/revocation of a capital market service provider licence.
7. Develop a market supervision manual for the Capital Market Authority setting out the operational procedures for monitoring and supervision of licensed capital market service providers.
8. Coordinate stakeholder engagements required during the policy development and regulatory review process and incorporate relevant stakeholder comments to the draft rules and regulations.
9. Propose appropriate amendments to such other laws as may be required to support licensing and supervision of capital market service providers. To assist with this some scoping studies on the development of capital markets in Ethiopia will be shared with the appointed Consultant.

10. Undertake capacity building on licensing and supervision of capital market service providers for the proposed Capital Market Authority staff, policymakers, and financial market intermediaries.

4. Deliverables

The deliverables under this contract are as follows:

- i. Inception report comprising:
 - a conceptual framework and workplan
 - draft interview questionnaires
 - a list of required documentation that the Consultant will require from NBE.
- ii. Draft policy framework for the licensing and supervision of capital market service providers incorporating the stakeholder and benchmark analysis
- iii. Draft directives for the licensing and supervision of capital market service providers
- iv. Draft licensing and supervision manuals
- v. Undertake capacity building, stakeholder and sensitisation workshops with various financial market stakeholders in Ethiopia. The Consultant should propose what is considered appropriate, but at a minimum at least 2 workshops
- vi. Final policy framework, regulatory framework and licensing and supervision operational manuals, in Word and PowerPoint format, for presentation to the Ethiopia Capital Markets Project Implementation Team and/or the Director-General and Board of the Capital Market Authority (once appointed)
- vii. Presentation of final draft policy and regulations incorporating stakeholder comments for consideration and adoption by the Council of Ministers.

5. Timelines

The project duration shall be seven months, with commencement on 1 December 2021. It is estimated that the project will require in the region of 250 consulting days' work. The Consultant shall provide periodic update reports on the project's progress as per the deliverables above and the work plan set out to both NBE and FSD Africa.

Item	Timelines
Inception report	Within three weeks of signing the contract
Stakeholder workshops	At least two in-person stakeholder sensitisation and validation workshops
Draft policy framework for licensing and supervision of capital market service providers in Ethiopia	End of the third month from the date of signing the contract
Draft directives for the licensing and supervision of capital market service providers in Ethiopia	End of the third month from the date of signing the contract
Draft licensing and supervision operational manual	End of the sixth month from the date of signing the contract
Final policy framework and directives	End of the sixth month from the date of signing of the contract
Presentations to the CMPIT and Senior Management and Board of CMA and/or NBE Governor	At least two presentations to be made of the draft and final versions of the policy and regulatory framework for licensing regulations
Periodic reports to the CMPIT and FSD Africa	Monthly

6. Invitation to Tender

NBE and FSD Africa are inviting proposals from suitably qualified Consultant(s).

Your proposal should contain:

- CV of the Consultant(s) not exceeding 3 pages. Detailed CVs should be added as an annexure.
- A summary of your experience in providing the kind of technical support called for in these Terms of Reference.
- A description of your understanding of the role of the selected Consultant(s) as outlined in the Terms of Reference and a workplan highlighting how you intend to fulfil the services within the suggested timeline.
- Samples of other work to demonstrate capacity to carry out the assignment and testimonials from previous clients and/or employers.
- An estimated budget for both professional fees and reimbursable expenses-Refer to Annex 1. Please also include a breakdown of professional fees (allocation per consultant and day rate applied) and reimbursable expenses.

Submitted proposals should not exceed 10 pages (excluding annexures). The review will be based on the main proposal. This should be sent by email to Johann van Niekerk and Krispy Christian at johann@outsized.com and krispy@outsized.com by 1200hrs (CAT) on **19 November 2021** under a subject line reading ‘**Invitation to tender: Licensing Regulatory Framework Development for Ethiopia.**’

Applications received after the deadline will not be considered.

7. Basis of award

Mandatory Requirements
Excellent knowledge of licensing and supervision of capital market service providers as well as capital market operations more broadly.
Have at least 10 (ten) years’ experience in capital market regulation and operations in emerging markets.
Experience in similar work in Sub-Saharan Africa or other emerging economies.
Relevant qualifications in finance and securities law or any other related field.
Understanding/interpretation of the task set out in the TORs.

Selection will be made based on the following criteria:

Item	Assessment criteria	Weighting (%)
Experience	Undertaken at least 3 similar assignments in the last 10 years.	15%
	At least 5 years hands on experience in development of regulatory frameworks for the licensing and supervision of capital market intermediaries and self-regulatory organisations	20%
	Experience in similar work in Sub-Saharan Africa or other emerging economies.	10%
Skills and qualification	Relevant qualifications in finance and securities law or other related fields. The team should consist of a local expert with rich experience in Ethiopian commercial and investments law and practice.	20%
Methodology	Understanding/interpretation of the task set out in the TORs including detailed training plan.	20%
Fees & Costs (Value for Money)	Financial proposals will be scored using the formulae: $FS = 15\% \times LB/BP \text{ where:}$ $FS = \text{is the financial score}$ $LB = \text{is the lowest bid quoted}$ $BP = \text{is the bid of the proposal under consideration.}$ <p>The lowest bid quoted will be allocated the maximum score of 15%.</p>	15%
TOTAL		100%

8. Contact

Questions or comments in respect of these terms of reference should be directed by email to: johann@outsized.com and krispy@outsized.com, on or before 12 noon CAT, **10 November 2021** and feedback will be provided by 5 pm (CAT) **12 November 2021**.

9. Applicable Taxes

As per Kenya's tax law, FSD Africa will pay the Consultant after withholding the appropriate taxes at the applicable rate between Kenya and the Consultant's country of tax residence, considering any tax treaties in force. It is the responsibility of the Consultant to keep themselves apprised of these applicable taxes. The below table, however, provides guidance on the applicable rates as per tax regimes.

Country	WHT Rate
Kenya	5%
United Kingdom	12.5%
Canada	15%
Germany	15%
Zambia	15%
India	10%
Non-resident rate for citizens of EAC member countries	15%
All other countries	20%

Annex 1: Proposed Fee Schedule

Costs should be shown separately in the format set out below. Fees proposed by tenderers should be inclusive of all taxes

Consultancy fees*	Days	Fee (USD/GBP)	Total USD/GBP
Xx			
Xx			
Total remuneration			0.00
Reimbursement costs**	Unit	Cost (USD/GBP)	Total USD/GBP
Xx			
Xx			
Total reimbursement cost			0.00
Total proposed costs			0.00
<i>*Fees incl of all taxes</i>			
<i>**Expenses to be reimbursed on actual costs as per FSD Africa's travel policy</i>			