

ETHIOPIA | PRACTICE GUIDE

Collective Investment Schemes in Ethiopia

A Practical Guide to Selected Requirements of the Directive on the Operation of Collective Investment Schemes No. 1150/2026

General information only. Not legal, financial or investment advice.

Contents

22 Selected Key Questions on Directive No. 1150/2026

01	Introduction and Legal Framework	Overview	3
02	Legal Form, Types and Set-Up	Q1 – Q3	3
03	Investment Policy and Restrictions	Q4 – Q10	4
04	Registration with the Authority	Q11 – Q12	6
05	Governance and Service Providers	Q13 – Q16	7
06	Offering, Disclosure and Liability	Q17 – Q20	9
07	Umbrella Schemes and Corporate Events	Q21 – Q22	10
08	Important Operational Matters	Overview	11
09	Conclusion	Outlook	11
10	Quick Reference: Selected Key Thresholds	Summary	12
11	Glossary of Key Terms	Key terms	13
12	About DABLO Law Firm	Firm profile	14
13	Contact and Important Notice	Notice	15

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Prepared by	DABLO Capital Markets Team
Distribution	Public
Next review	Upon material legal or regulatory change.

HOW TO USE THIS GUIDE

This guide addresses 22 selected questions arising under Directive No. 1150/2026. It provides a practical overview of certain establishment, registration, governance, investment, disclosure and operational requirements applicable to Collective Investment Schemes in Ethiopia.

It is not an exhaustive analysis of the Directive. Readers should consult the Directive, the Capital Market Proclamation and other applicable instruments, and obtain advice appropriate to their particular circumstances.

SECTION 1

Introduction and Legal Framework

- Collective Investment Schemes (CIS) pool investors' money in securities or other property managed on their behalf.
- This guide summarises selected requirements for establishing and operating Schemes under Directive No. 1150/2026.
- Under Capital Market Proclamation No. 1248/2021, a CIS is broadly an arrangement through which persons participate in, or receive profits or income from, the acquisition, holding, management or disposal of securities or other property managed on their behalf.

1150/2026

CIS Operation Directive

1248/2021Capital Market
Proclamation**6**Types of Scheme
recognised**22**Selected questions
addressed

SECTION 2

Legal Form, Types and Set-Up

Q1

What legal forms may Collective Investment Schemes take under the Directive?

Permissible legal forms depend on the type of Scheme:

- **Public Scheme:** a Share Company or a Unit Investment Company.
- **Alternative Investment Fund (AIF):** a Share Company, Private Limited Company or Limited Partnership.
- **Real Estate Investment Fund (REIF):** may not be a Unit Investment Company.
- **Exchange Traded Fund (ETF):** must be a Unit Investment Company only.

Legal basis: Article 4, Directive No. 1150/2026.

Q2

What types of Collective Investment Schemes are recognised under the Directive?

The Directive recognises six types of Scheme:

Legal basis: Article 5, Directive No. 1150/2026.

Money Market Funds

Mutual Funds

Real Estate Investment Funds

Exchange Traded Funds

Alternative Investment Funds

Special Designation Funds

Q3

What are the basic registration and service-provider requirements for a Collective Investment Scheme?

Each Scheme must be registered with the Authority and appoint an Authority-licensed Operator, an eligible Custodian and the Professional Parties required for its type.

Additional Professional Parties may be required depending on the type of Scheme.

Legal basis: Articles 6 and 7, Directive No. 1150/2026.

SECTION 3

Investment Policy and Restrictions

Q4

What must an Investment Policy contain, and how may it be changed?

1. Required contents

Each Scheme must have a clear and precise Investment Policy covering, among other matters:

- investment objectives, strategy and eligible assets;
- risk and liquidity management, and diversification and concentration limits;
- leverage and planned investment activities, including any specialised strategies (e.g. ESG or Shariah-compliant investment).

The Scheme must operate consistently with its Investment Policy.

2. Material changes

A material change requires approval by Security Holders representing at least two-thirds (2/3) of the Scheme's capital. Notification, meeting, documentation and regulatory requirements may also apply. Each material change to the Scheme requires a resolution presented to and approved at an Extraordinary General Meeting.

Legal basis: Articles 8 and 40, Directive No. 1150/2026.

Q5

What are the Scheme Portfolio and investment-timeline requirements?

Portfolio

- Each Scheme must maintain a portfolio suited to its type and consistent with its Investment Policy.
- It may comprise securities, money market instruments, property investments or other Authority-approved assets.
- IPO securities may be included only where disclosed in the Investment Policy.

Investment timeline

A Scheme must invest at least 30% of its paid-up capital within six months of obtaining its Certificate of Registration of Shares or Units. The Authority may extend this by up to six months where exceptional circumstances, such as adverse market conditions or factors beyond the Scheme's control, justify it.

Until deployed, capital may be held in liquid financial instruments.

Legal basis: Articles 9 and 10, Directive No. 1150/2026.

2/3

Security Holder approval (by capital) for a material Investment Policy change (Q4)

30%

Of paid-up capital invested within six months of Unit or Share registration

Up to +6 months

Possible extension, subject to conditions in the Directive

Q6

Which Collective Investment Schemes are required to list their securities?

A Public Scheme established as a Share Company, and an Exchange Traded Fund, must meet the applicable minimum-capital and listing requirements and list their securities on the Securities Exchange.

Legal basis: Article 11, Directive No. 1150/2026, and Volume C of the Ethiopian Securities Exchange Rulebook.

Q7

What borrowing limits apply to Collective Investment Schemes?

- Borrowing generally may not exceed 20% of a Scheme's net asset value.
- A Real Estate Investment Fund may borrow up to 40% of its net asset value.
- These limits do not apply to Alternative Investment Funds offered to Qualified Investors.
- A Scheme's Investment Policy may set stricter limits.

Legal basis: Article 12, Directive No. 1150/2026.

20%

General borrowing cap, against net asset value

40%

Borrowing cap for a Real Estate Investment Fund

Exempt

AIFs offered to Qualified Investors

Q8**How does the Directive regulate securities lending by a Scheme?**

A Scheme may lend securities where its Investment Policy permits and the transaction complies with the mechanism, limits, collateral and eligible-institution requirements prescribed by the Directive.

The mechanism operates through an Authority-approved arrangement, with collateral deposited with an eligible institution. Any securities lending shall be effected through a Repurchase.

Legal basis: Article 13, Directive No. 1150/2026.

Q9**What restrictions apply to the disposal of Scheme assets?**

The Operator or Custodian may agree to dispose of Scheme assets only where:

- the Scheme can immediately fulfil the obligation by delivering the assets or assigning the relevant rights; and
- the Scheme owns those assets or rights when the agreement is made.

Legal basis: Article 14, Directive No. 1150/2026.

Q10**How does the Directive protect Scheme assets from third-party obligations?**

Scheme assets may not be used to discharge a guarantee or indemnity given by the Operator or Custodian for a third party's obligations.

Legal basis: Article 15, Directive No. 1150/2026.

SECTION 4**Registration with the Authority****Q11****What are the key requirements for registering a Scheme with the Authority?**

- A valid Commercial Registration Certificate and, where applicable, an Investment Permit.
- An application to the Authority by the proposed Operator or an authorised person, in Amharic or English.
- Required supporting documents, with certified translations where necessary.
- An attestation that the information is accurate and complete.
- Proof of payment of the prescribed registration fee.

Legal basis: Articles 28–30, Directive No. 1150/2026.

Q12

How does the Directive regulate the review, renewal and rejection of Scheme registration applications?

Review periods

- The Authority reviews an application within 30 business days and may approve, reject, or request revisions or clarification.
- The period resets once the Authority communicates comments or requests; any subsequent review and communication must be completed within 20 business days.
- Failure to act within these periods is not deemed approval or deemed rejection.

Certificate and renewal

- Approval results in a Certificate of Scheme Registration, renewable annually; apply for renewal at least one month before expiry.

Rejection

- The Authority may reject an application for non-compliance or insufficient capital and resources, but must first give the applicant an opportunity to be heard and give written reasons.

Legal basis: Articles 31–34, Directive No. 1150/2026.

30 business days

Initial review period, from submission of the application

20 business days

Subsequent review, after the Authority's comments

Annual

Renewal; apply at least one month before expiry

SECTION 5

Governance and Service Providers

Q13

What governance and oversight requirements apply to Collective Investment Schemes?

- Each Scheme must have a Board of Directors or equivalent governing body of at least five voting members, a majority of whom, including the Chairperson, must be independent and fit and proper.
- The Board oversees the Operator and Custodian, Investment Policy compliance, financial reporting, valuation, risk management and conflicts of interest.
- It must establish audit, risk and compliance committee(s) of Board members only, chaired by an independent director; neither the Board Chairperson nor the Operator may sit on them.
- For a Real Estate Investment Fund, at least one Board member must have five years of relevant experience in Ethiopia's real estate industry.

Legal basis: Articles 35–38, Directive No. 1150/2026.

Q14

What are the key requirements governing the appointment and conduct of a Scheme Operator?

- The Operator is appointed by written agreement with the Scheme's Board (excluding the Operator), subject to Authority approval.
- An Operator may contribute up to 10% of the Scheme's total capital and must hold it for two years from listing on the Securities Exchange (Share Company or ETF) or from registration (Unit Investment Company).
- It is responsible for day-to-day administration, the Investment Policy, investment activities, risk management, reporting and maintaining valid registration.
- It must act honestly, fairly, diligently and in Security Holders' best interests, and manage conflicts of interest.
- Related-party transactions must be at arm's length, approved as required and properly disclosed.

Legal basis: Articles 42–45, Directive No. 1150/2026.

Q15

What are the key requirements and responsibilities of a Custodian?

- Each Scheme must appoint an independent, Authority-approved Custodian under a written Custodial Agreement.
- A commercial bank may act as Custodian, subject to the required approvals and licensing, but must remain functionally and operationally independent of the Operator.
- The Custodian safekeeps and segregates Scheme assets, receives investor payments, holds Scheme income and processes lawful investment instructions.
- Scheme assets must be kept separate from those of the Custodian, the Operator and its Affiliates, and other Schemes.

Legal basis: Articles 57–60, Directive No. 1150/2026.

Q16

What requirements apply to the appointment of other Professional Parties?

- The Operator and the Board must appoint the Professional Parties the Scheme requires, including, where applicable, a Property Manager, Shariah Advisor, Investment Advisor, External Auditor and Securities Appraisal Firm or other valuation provider.
- Appointments and their key terms must be disclosed to investors.
- Any change to a required Professional Party must be reported to the Authority immediately, with written notification **within 24 hours**.

Legal basis: Article 66, Directive No. 1150/2026.

10%

Maximum Operator capital contribution (Q14)

2 years

Operator holding period from listing or registration date (Q14)

Independent

Custodian independent of the Operator (Q15)

24 hours

Written notice of a Professional Party change (Q16)

SECTION 6

Offering, Disclosure and Liability

Q17

What restrictions apply to the offering and marketing of Scheme Units or Shares?

- Units or Shares may not be offered, sold, listed, quoted or traded through the OTC Market unless the Scheme is registered with the Authority.
- Where required, an Authority-approved Prospectus must be issued before any public offer or sale, unless a valid prospectus exemption applies.
- Advertisements of Scheme securities are prohibited unless the Scheme is registered and, for public offers, the Authority has approved the advertisement in advance.

Legal basis: Articles 74 and 98, Directive No. 1150/2026; Articles 75, 76 and 86, Capital Market Proclamation No. 1248/2021.

REGULATORY CAUTION

This guide does not promote, recommend or invite investment in any Collective Investment Scheme or security.

The publication and distribution of regulated offer documents and advertisements may require the Authority's prior approval.

Q18

What information must be included in the Offer Documents of a Scheme?

- Offer Documents must give investors clear, material information, including the legal and regulatory framework, trading restrictions, subscription terms and minimum investment, exit options, reporting and the persons responsible for the documents.
- The Subscription Agreement must cover capital commitments and calls, distribution policy, investor and Operator rights and obligations, governing law and exit mechanisms.
- All eligible investors must receive the same Offer Documents as submitted to the Authority.

Legal basis: Article 75, Directive No. 1150/2026.

Q19**Who is responsible for the information contained in a Prospectus?**

- Persons responsible for a Prospectus are jointly and severally liable for losses suffered by those relying on inaccurate, misleading or incomplete information.
- They may include the Scheme, the Operator, Board members, the offeror and anyone who accepts or authorises responsibility for all or part of the Prospectus; responsibility for a specific part limits liability to that part.
- Any disclaimer or provision excluding or limiting this statutory responsibility is null and void.

Responsibility, causation, legal qualifications and remedies must be assessed under the Directive, the Capital Market Proclamation and the circumstances of the offer.

Legal basis: Article 80, Directive No. 1150/2026, and Articles 38 and 33(3), Public Offering and Trading of Securities Directive No. 1030/2024.

Q20**What requirements apply to securities offered by an Alternative Investment Fund under an exempt offer?**

- An AIF, its Operator and persons acting for them must not issue documents or advertisements inviting the public to subscribe for or buy AIF Shares.
- Before any solicitation, offer or capital raising, the AIF must file its Offer Documents, including the Subscription Agreement, with the Authority.
- All eligible investors must receive the same Offer Documents as submitted to the Authority, including the Information Memorandum and Subscription Agreement.

Legal basis: Article 95, Directive No. 1150/2026.

SECTION 7**Umbrella Schemes and Corporate Events****Q21****What requirements govern the establishment and operation of Sub-Schemes within an Umbrella Scheme?**

- An Umbrella Scheme may establish one or more Sub-Schemes in accordance with the Directive and its Establishment Documents.
- It must apply for Authority approval of Sub-Schemes within three months of its registration as a Scheme; the Authority may extend this by three months on reasonable grounds.
- Sub-Schemes may differ in investment objectives, strategies and investors, but each must have redeemable units, its own Authority-approved Investment Policy, and investments within the composition and limits prescribed for its type of Scheme.

Legal basis: Article 143, Directive No. 1150/2026.

Q22

What requirements apply to mergers, combinations and winding-up of a Collective Investment Scheme?

- A merger, acquisition or other combination must comply with the Commercial Code, follow an Authority-approved proposal and obtain extraordinary general meeting approval; where several Schemes are involved, Security Holders of each must approve.
- If the resulting entity is not a Collective Investment Scheme, the Scheme must be wound up and its Certificate of Scheme Registration surrendered.
- Dissolution and winding-up must also follow the Commercial Code and an Authority-approved proposal. The Operator must ensure liabilities are discharged, maintain books and records, and promptly notify the Board and the Authority if the Scheme may be unable to meet its liabilities.

Legal basis: Articles 152 and 153, Directive No. 1150/2026; and the Commercial Code.

PRACTICE NOTE

A Sub-Scheme may be wound up voluntarily under an Authority-approved plan. The Umbrella Scheme's board resolution and the approval of Security Holders representing three-quarters (75%) of capital must be submitted to the Authority (Article 151).

SECTION 8

Important Operational Matters

This guide does not address every operational provision of the Directive in detail. Operators, Custodians, Boards and other participants should also review the Directive's requirements on:

- Scheme-specific portfolio composition requirements;
- valuation and calculation of net asset value;
- financial and performance reporting;
- continuing and material-event disclosure;
- fees, charges and expenses;
- issuance, redemption and cancellation of units;
- suspension and resumption of dealings;
- liquidity-management requirements; and
- administrative measures and regulatory consequences.

SECTION 9

Conclusion

- The Directive sets out requirements for establishing, operating and overseeing Collective Investment Schemes in Ethiopia.
- Participants should monitor further Authority guidance, instruments and practice as the framework develops.

SECTION 10

Quick Reference: Selected Key Thresholds*

Topic	Requirement	Period and start event	Approval / notification	Ref.
Legal form	Public Scheme: Share Company or Unit Investment Company. AIF: Share Company, PLC or Limited Partnership. ETF: Unit Investment Company only	—	—	Q1 Art. 4
Investment Policy change	Approval by Security Holders representing at least 2/3 of capital	—	Security Holder approval, plus other procedural steps	Q4 Art. 8
Capital deployment	At least 30% of paid-up capital invested	Six months from Unit or Share registration; extension up to six months	Authority (for any extension)	Q5 Arts 9–10
Borrowing	20% of net asset value; REIF up to 40%; AIFs offered to Qualified Investors exempt	—	—	Q7 Art. 12
Registration review	Initial review; subsequent review after comments	30 business days from filing; 20 after the Authority's comments	Authority approval; no deemed approval or rejection	Q12 Arts 31–34
Registration renewal	Annual renewal of the Certificate	Apply at least one month before expiry	Authority renewal	Q12 Arts 31–34
Board composition	At least five voting members; independent majority, incl. Chairperson	—	—	Q13 Arts 35–38
Operator stake	Up to 10% of total capital	Two years from listing (Share Company, ETF) or registration (Unit Investment Company)	Authority approval of appointment	Q14 Art. 43
Professional Party change	Report immediately	Written notification within 24 hours of the change	Notification to the Authority	Q16 Art. 66
Sub-Scheme approval	Apply for approval of Sub-Schemes	Three months from Scheme registration; extendable by three months	Authority approval	Q21 Art. 143
Merger or combination	Authority-approved proposal; extraordinary general meeting	—	Authority; Security Holders of each affected Scheme	Q22 Arts 152–153

* This table is a summary only. Applicable conditions, exceptions and procedures should be checked in the Directive. “Business days” are stated where the Directive specifies them; periods in months run from the event shown. “Art.” refers to Directive No. 1150/2026.

SECTION 11

Glossary of Key Terms

Concise summaries for orientation only; they do not reproduce the Directive's definitions.

Term	Meaning
Authority / ECMA	The Ethiopian Capital Market Authority, the regulator that registers Schemes and licenses and supervises capital-market participants.
Collective Investment Scheme	An arrangement through which investors share in profits or income from pooled securities or other property managed on their behalf (Proclamation No. 1248/2021).
Public Scheme	A Scheme whose Units or Shares are offered to the public; it may be a Share Company or Unit Investment Company.
Security Holder	A person holding Units or Shares issued by a Scheme or otherwise holding an ownership interest in the Scheme.
Operator	The Authority-licensed entity appointed by written agreement to manage a Scheme's administration, investments, risk and reporting.
Custodian	An independent, Authority-approved institution (which may be a commercial bank) that safekeeps and segregates Scheme assets.
Professional Party	A required service provider, such as an External Auditor, valuation provider, Property Manager or Shariah Advisor.
Unit Investment Company	A company whose capital may increase or decrease through the issue or redemption of units without unit-holder approval or amendment of its Establishment Documents. See Articles 2 and 4.
Alternative Investment Fund	A Scheme offered on an exempt basis without public advertising; a Share Company, PLC or Limited Partnership.
Real Estate Investment Fund	A Scheme investing principally in real estate; it may not be a Unit Investment Company.
Exchange Traded Fund	A Scheme established as a Unit Investment Company whose securities must be listed on the Securities Exchange.
Umbrella Scheme	A Scheme that may establish one or more Sub-Schemes with differing objectives, strategies and investors.
Sub-Scheme	A separate portfolio within an Umbrella Scheme, with redeemable units and its own Authority-approved Investment Policy.
Establishment Documents	The constitutional documents under which a Scheme is formed and governed; see Article 2 for their precise scope.
Offer Documents	Documents given to investors in an offer, such as a Prospectus, Information Memorandum or Subscription Agreement.
Prospectus	The Authority-approved disclosure document required before a public offer or sale, unless an exemption applies.
Qualified Investor	An investor meeting the eligibility criteria for exempt AIF offers. Article 2 cross-refers to Article 2(46) of the Public Offering and Trading of Securities Directive.
Net Asset Value	The value of a Scheme's assets less its liabilities, determined under the Directive's valuation rules.
Securities Exchange	A licensed exchange on which securities are listed and traded; at the date of this guide, the Ethiopian Securities Exchange (ESX).

SECTION 12

About DABLO Law Firm

DABLO Law Firm LLP is a law firm based in Addis Ababa. It advises domestic and international clients on corporate, commercial, regulatory, dispute-resolution and investment matters.

DABLO is the LEX Africa member firm for Ethiopia and advises on domestic and cross-border matters, including with other member firms.

Recognition

Chambers Global 2026 General Business Law Band 3	Legal 500 EMEA 2026 Leading firms, Ethiopia Tier 2	IFLR1000 2026 edition Financial and corporate Ranked firm	LEX Africa Ethiopian member firm Membership confirmed in the LEX Africa directory
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Capital Markets Practice

DABLO advises on capital-markets regulation, licensing, securities registration, offerings and operational readiness in Ethiopia. Its published work includes independent legal advisory engagements on bank securities registrations.

Selected Experience

Matter	Description
Awash Bank S.C.	Acted as Independent Legal Advisor on ECMA registration of existing ordinary shares, including prospectus review and regulatory support.
Zemen Bank S.C.	Acted as Independent Legal Advisor on ECMA registration of existing shares, including a legal opinion and related due diligence.
Licensing	Assisted an Ethiopian corporation with a Securities Investment Advisor (Corporate) licence application.
Market structure	Prepared a legal analysis of capital-market participant classifications and licensing requirements in Ethiopia.

Directory references relate to the editions stated. The Awash and Zemen summaries reflect DABLO's published announcements. Past matters do not guarantee future outcomes.



CONTACT

Discuss Ethiopia's Collective Investment Scheme Framework with DABLO

Our Capital Markets Team advises operators, financial institutions, investors and service providers on Scheme structuring, registration, licensing, governance, offering requirements and ongoing regulatory compliance.

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IMPORTANT NOTICE

This guide provides general information on selected provisions of Directive No. 1150/2026. It is not comprehensive and does not constitute legal, financial, investment, tax or other professional advice. Application of the law depends on the Scheme's type, legal form, offering structure, investors, Investment Policy and circumstances. References are to English-language texts of the CIS Directive, the Public Offering and Trading of Securities Directive, the ESX Rulebook and Capital Market Proclamation No. 1248/2021. The legally prevailing text governs.

Readers should consult the applicable instruments and obtain advice appropriate to their circumstances before acting or refraining from acting. This guide does not promote, recommend or invite investment in any Scheme or security. Receipt or use creates no lawyer-client relationship. To the fullest extent permitted by law, DABLO Law Firm LLP accepts no responsibility for loss arising from reliance on this guide.

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