TSA | TSEGAMLAK SOLOMON & ASSOCIATES

MONTHLY LEGAL UPDATE

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IN THIS EDITION

Executive Organs ·
Crowdfunding Consultation ·
Foreign Portfolio Investment Consultation

Ethiopian Legal Intelligence

Keeping you informed. Keeping you ahead.

WHAT'S COVERED THIS MONTH

1	**Executive Organs Proclamation No. 1440/2026** Restructures four ministries and moves several institutions, including the Ethiopian Communications Authority and the Ethiopian Capital Market Authority, under sectoral ministries
2	**Draft Crowdfunding Directive: Issues Raised in Consultation** Written comments closed on 14 October 2026, and the Capital Market Authority held its consultation session on 15 October 2026
3	**Draft Foreign Portfolio Investment Regulation: Issues Raised in Consultation** Public consultation of 26 October 2026 on the first framework for foreign portfolio investment in Ethiopian securities

EXECUTIVE SUMMARY: IF YOU READ NOTHING ELSE, READ THIS

ACTION NOW	Regulated entities should continue to send licensing, compliance and enforcement matters to the Ethiopian Communications Authority and the Ethiopian Capital Market Authority, not to the supervising ministries, and confirm in writing any new administrative channel introduced under Proclamation No. 1440/2026. The Ministry of Justice announced on 25 September 2026 that Beneficial Ownership Regulation No. 592/2026 is being implemented, and the three-month stage for existing legal persons ended in the second week of October 2026. Legal persons should confirm that the information has been identified and recorded, and prepare the filing with the Ministry of Trade and Regional Integration due in the second week of January 2027 (see our August 2026 update).
MONITOR	How the new accountability lines under Proclamation No. 1440/2026 operate in practice for the Ethiopian Communications Authority and the Ethiopian Capital Market Authority, in particular the safeguards for regulatory independence. The final texts of the Crowdfunding Directive and the Foreign Portfolio Investment Regulation. ECMA has said it will take the consultation feedback on the latter into the final text.
OPPORTUNITY	Under the draft Foreign Portfolio Investment Regulation every investor would enter the market through a licensed custodian, and ECMA stated at the consultation that no local bank has yet been licensed or has applied. Banks that obtain an ECMA custody licence and a no-objection letter from the National Bank of Ethiopia would be well placed when the Regulation is adopted.
NOTE	Proclamation No. 1440/2026 changes who oversees the regulators, not who decides regulated matters, and existing licences, permits and approvals are not terminated or modified by the reorganisation alone. The Crowdfunding Directive and the Foreign Portfolio Investment Regulation remain drafts with no legal effect; their content is covered in our September 2026 update.

COMPLIANCE DEADLINE CALENDAR

7 October 2026	House of Peoples' Representatives approves Executive Organs Proclamation No. 1440/2026, replacing Proclamation No. 1263/2021.
8 October 2026	House of Peoples' Representatives confirms the new Council of Ministers.
Second week of October 2026	End of the three-month period for existing legal persons to obtain and hold beneficial ownership information (Regulation No. 592/2026).
14 October 2026	Written comments close on the Draft Crowdfunding Directive.
15 October 2026	ECMA consultation session on the Draft Crowdfunding Directive.
26 October 2026	Public consultation on the Draft Foreign Portfolio Investment Regulation.
Second week of January 2027	End of the six-month period for existing legal persons to file beneficial ownership information with the Ministry of Trade and Regional Integration. The Ministry may extend the period by up to two months.
21 July 2027	Obligations under Critical Infrastructure Cybersecurity Proclamation No. 1426/2026 apply (see our August 2026 update).

1

Executive Organs Proclamation No. 1440/2026

Definition of Powers and Duties of the Executive Organs | Approved by the House of Peoples' Representatives on 7 October 2026 | Replaces Proclamation No. 1263/2021

The Proclamation sets the structure, powers and accountability lines of the federal executive for the new parliamentary term. The House of Peoples' Representatives approved it on 7 October 2026, the day before it confirmed the new Council of Ministers. The number of ministries remains 22.

Ministries

Four ministries are restructured. Planning and Development becomes National Strategy; Transport and Logistics becomes Logistics; Culture and Sport becomes Youth and Sport; and Tourism is re-established as Culture and Tourism. These changes affect where sectoral mandates sit and who coordinates them. They do not amend obligations imposed by sectoral laws, and existing licences, permits and approvals should not be treated as terminated or modified by the reorganisation alone.

Reporting Lines

Several institutions that answered directly to the Prime Minister now report to sectoral ministries. Two are regulators: the Ethiopian Communications Authority (ECA), now accountable to the Ministry of Innovation and Technology, and the Ethiopian Capital Market Authority (ECMA), now accountable to the Ministry of Finance.

Oversight and Independence

The Proclamation keeps the rule that a supervising ministry oversees, coordinates and supports an accountable institution but does not interfere in its day-to-day activities, because the institution is an autonomous organ established by law. Oversight is nonetheless substantive: it extends to structure, programmes, budgets, and financial and human-resource administration, and the ministry's plans and reports incorporate the institution's. A regulator keeps its statutory decision-making power, but control over its resources and administration now sits with a ministry.

Communications

ECA, established under the Communications Service Proclamation No. 1148/2019, licenses and supervises Ethio telecom and Safaricom Ethiopia and decides interconnection, tariff and competition matters. The Minister of Innovation and Technology was, until her appointment on 8 October 2026, chief executive of Ethio telecom. That does not make any decision improper, but it creates a conflict-of-interest risk that calls for recusal rules, reasoned and published decisions, and a demonstrable record of autonomy. The WTO Telecommunications Reference Paper requires the regulator to be separate from, and not accountable to, any supplier of basic telecommunications services, and impartial among market participants. It does not bind Ethiopia absent WTO commitments, but it is the benchmark that trading partners and investors will apply.

Capital Markets

ECMA licenses intermediaries and supervises issuers, collective investment schemes and the securities exchange. The Ministry of Finance also manages public finance and government financial interests, which can place it on the other side of market matters. The new reporting line does not by itself affect ECMA's statutory independence, but the separation of policy, State interests and supervision becomes more important. The draft Foreign Portfolio Investment Regulation (section 3) would place a Coordination Committee chaired by the Minister of Finance over foreign portfolio flows.

Regulated Entities	Keep applications and correspondence with ECA and ECMA unchanged, and confirm in writing any new administrative channel the ministries introduce.
Investors and Lenders	Reflect the reporting change in regulatory-risk assessments and in the independence and conflict provisions of investment documents.

TSA VIEW	The reorganisation changes who oversees the regulators, not who decides regulated matters. Licensing, compliance and enforcement matters should continue to go to the authority competent under the sectoral law, not to the supervising ministry.

2 Draft Crowdfunding Directive: Issues Raised in Consultation

Ethiopian Capital Market Authority (ECMA) | Written comments closed on 14 October 2026; consultation session held on 15 October 2026

ECMA published the draft Crowdfunding Directive for consultation on 25 September 2026 under the Capital Market Proclamation No. 1248/2021. Written comments closed on 14 October 2026, and ECMA held a consultation session on 15 October 2026. The draft has no legal effect, and its content may change before adoption.

The draft, covered in our September 2026 update, would regulate the whole fundraising process for investment crowdfunding by small and medium-sized share companies: fundraising capped at ETB 50 million in twelve months, investment limits for retail investors, and a licensed intermediary acting as gatekeeper.

Issues Raised

- **Exclusion of private limited companies.** Only share companies incorporated under the Commercial Code could use the framework. Participants questioned the exclusion of private limited companies, the usual vehicle for early-stage businesses.
- **Division of supervisory responsibility.** The draft makes the intermediary the main gatekeeper: it files a due diligence attestation before each campaign, after which ECMA may object. Participants questioned how supervisory responsibility is divided between ECMA and intermediaries.
- **Cross-border investment.** Participants raised the treatment of cross-border investment under the framework.
- **Interest-free financing.** Participants raised the position of interest-free financing.

Prospective Issuers	Share companies should test eligibility against the three size criteria in the draft and identify the applicable category. Private limited companies should note the proposed exclusion and the cost of converting to a share company.
Platforms and Intermediaries	Follow how the final text divides responsibility between ECMA and intermediaries. The due diligence attestation, escrow arrangements, record keeping and quarterly reporting will drive operating costs and licensing requirements.

TSA VIEW	The exclusion of private limited companies is likely to have the most practical effect. A business wishing to use the route would first have to convert to a share company and accept its governance requirements, so whether the final Directive keeps the exclusion will largely decide how useful crowdfunding is to start-ups. The 50 percent minimum threshold and the escrow release conditions are the other terms to watch, since they will determine whether smaller campaigns are viable.

3 Draft Foreign Portfolio Investment Regulation: Issues Raised in Consultation

Published by ECMA on 29 September 2026 | Public consultation held on 26 October 2026

ECMA published the draft Foreign Portfolio Investment Regulation on 29 September 2026 and held a public consultation on 26 October 2026. The Regulation is to be made by the Council of Ministers under the Capital Market Proclamation No. 1248/2021, and the draft has no legal effect until then.

The draft, covered in our September 2026 update, would establish the first dedicated framework for foreign investment in Ethiopian securities without control of the issuer: entry through a licensed custodian, ownership limits of 10, 15 and 30 percent, and a right to repatriate proceeds subject to a one-year holding period and to the National Bank of Ethiopia's power to delay repatriation for up to 180 days at a time in periods of stress.

Issues Raised

- **One-year holding period.** Participants challenged the minimum holding period before repatriation as impractical for instruments close to maturity, for example a bill with six months left. Under the draft, ECMA may adjust or waive the period by directive according to the instrument and market conditions.
- **Foreign exchange and repatriation.** Participants raised the availability of foreign exchange and the certainty of repatriation.
- **Undefined terms.** Participants criticised undefined terms in the custodian provisions, such as "material non-compliance", and proposed anchoring the standards to the National Bank's CAMEL rating.
- **Identification.** Participants suggested legal entity identifiers for entities and Fayda for individuals.
- **Custodian banks.** Under the draft, every investor would enter through a licensed custodian. ECMA stated that no local bank has yet been licensed or has applied.

ECMA stated that it would review the wording and take the feedback into the final text.

Foreign Investors	Follow the final wording on the holding period and on repatriation, and confirm that a licensed custodian is available before committing capital.
Banks and Custodians	Banks considering custody services need an ECMA licence and a no-objection letter from the National Bank of Ethiopia.

TSA VIEW

Three points will matter commercially: the holding period for short-dated paper; the 180-day repatriation power, which weighs on pricing even if rarely used; and the absence of any licensed custodian bank, which limits access in practice. The proposed Coordination Committee chaired by the Minister of Finance, together with ECMA's new reporting line to the Ministry of Finance under Proclamation No. 1440/2026 (section 1), also places a ministry at the centre of capital-flow policy.

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