

TERMS OF REFERENCE

ETHIOPIAN SECURITIES EXCHANGE (ESX) - SENIOR TRADING ADVISOR

1. Introduction

Ethiopia Securities Exchange (ESX) with the support from Financial Sector Deepening Africa (FSD Africa) wishes to appoint an advisor to offer advisory support (the “Services”) to ESX on trading operations, and trading members regulation and supervision.

The Services will enhance ESX capacity on trading operations and member regulation and supervision. The assignment is expected to begin in July 2024 and the advisor will be based in Addis Ababa, Ethiopia at the ESX offices for the duration of the assignment.

2. Background

Following the promulgation of the Capital Markets Proclamation (No. 1248/2021), the government of Ethiopia, through the Ethiopian Investment Holdings (EIH) and FSD Africa, commenced the process of setting up the Ethiopian Securities Exchange (ESX) in 2021. A tripartite Cooperation Agreement between EIH, the Ministry of Finance and FSD Africa was signed on the 10th of May 2022.

Subsequently, in May 2022, the Ethiopian Securities Exchange (ESX) Project Office was set up with support from FSD Africa to spearhead the process of setting up the Exchange. The Project Office was supervised by a nine-member Project Steering Committee (PSC) consisting of senior financial sector representatives from both the public and private sectors and FSD Africa as the project sponsor.

In October 2023, The Ethiopian Securities Exchange S.C. (ESX) was formally established as a share company and obtained legal personality. The Government of Ethiopia through Ethiopian Investment Holdings (EIH) and an additional four subsidiaries of EIH are the founding shareholders.

2.1. About ESX

ESX is set to become Ethiopia’s first, and only organized securities exchange. ESX is being established as a public private partnership in line with Article 31 of the Capital Market Proclamation (No.1248/2021).

ESX operates the business of a securities exchange, functions as a Self-Regulatory Organization (“SRO”) and serves as the central market organizer providing an integrated product suite covering the equities, fixed income, and money market segments of the capital markets.

As the pioneer securities exchange, ESX aims to play a critical role in the development and growth of the Ethiopian capital markets. ESX’s core objective is to facilitate access to capital and support effective capital allocation in a manner that supports Ethiopia’s economic growth. By developing a well-regulated and efficient capital market ecosystem, ESX will enable mobilization of financial resources for both public and private sector institutions while providing investors a reliable platform to invest in a reliable and efficient environment.

More about ESX can be found on the ESX website <https://esxethiopia.com/>

2.2. About 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 policy makers 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.

More information can be found on our website: <https://fsdafrica.org/>

3. Objectives and Scope

3.1. Objectives

The primary objective of the assignment will be to support the operationalisation of the Ethiopian Securities Exchange (ESX) by enhancing its institutional and human capacity in trading operations and member regulation and supervision.

3.2. Scope of Work

The Specific tasks and responsibilities for the Senior Advisor will include.

A) Operationalisation Support

- Develop policies and procedures for ESX trading operations.
- Build capacity for banks and institutions interested in becoming ESX trading members.
- Facilitate the onboarding of new trading members.

B) Trading System Support

- Assist in setting up functionalities for trading, broker back-office, and surveillance systems.
- Support the ESX team during User Acceptance Testing (UAT) and customise systems to fit specific requirements.

C) Training and Knowledge Transfer

- Provide training and knowledge transfer for ESX staff on trading operations, member onboarding, support, regulation, and supervision.
- Ensure effective knowledge transfer to equip ESX staff with the skills required for independent operation post-launch.

D) Post-Launch Support

- Ensure smooth trading operations across ESX market segments.
- Manage risk, ensure regulatory compliance, and build ESX human capacity in trading operations.
- Develop and enforce regulatory compliance among trading members.

The advisor will collaborate with internal and external stakeholders, including regulatory bodies and market participants, to maintain a fair, orderly, and transparent market environment while mitigating trading risks.

4. Timelines and Deliverables

The Senior Trading Advisor shall be contracted for initially a period of 9 months. The project is expected to commence in July 2024 and run till March 2025.

In line with the scope of work, the expected deliverables under this contract will include the following.

1. Develop and adopt policies and procedures governing trading operations at ESX.
2. Conduct capacity-building sessions for potential trading members.
3. Successfully onboard new exchange members.
4. Execute successful User Acceptance Tests for trading, back-office, and surveillance systems.
5. Set up and customise trading, back-office, and surveillance systems to ensure they are fit for purpose.
6. Transfer knowledge to ESX staff through training, capacity building, and practical sessions.
7. Handover trading operations and member regulation and supervision functions to ESX staff following successful capacity development and knowledge transfer.

5. Invitation to Submit Proposal

FSD Africa is inviting proposals from suitably qualified individuals. Your proposal should contain:

- A short description of your understanding of the role of the Senior Advisor and the approach to be used as outlined in these Terms of Reference.
- A description of how you intend to fulfil the services within the suggested timeline and confirmation of your ability to meet the timelines.
- CV (maximum 3 sides of A4 paper each), tailored to the assignment including a summary of relevant experience for the assignment
- An itemised budget for both professional fees and reimbursable expenses, including fee rates, number of days and a breakdown of expenses.

Your proposal, which should not exceed 10 pages (excluding annexures), should be sent by email to FSD Africa at bids@fsdafrica.org by **1200hrs Monday (EAT), 15th July 2024**

Following an internal review, FSD Africa will invite the candidates for an interview at a communicated date.

6. Basis of award

FSD Africa will award a contract to the successful applicant based on the following criteria:

Mandatory requirements	
An advanced degree in law, finance, economics, management, IT, or a related discipline.	
Demonstrated understanding and knowledge of securities exchange technology systems.	
Significant experience in a self-regulatory environment and excellent understanding of the regulatory framework for securities exchanges	
Demonstrated ability to deliver in the assignment outlined in this Terms of Reference (evidenced by atleast one previous assignment and atleast one client references etc.)	
Willingness and ability to mentor and transfer skills to local experts. Evidenced by notable experience in mentorship and skill transfer from similar projects)	

Assessment criteria	Weighting (%)	
Education qualification	Advanced degree (master's or above) in law, finance, economics, management, IT or a related discipline.	15%
Experience	Demonstrated understanding and knowledge of securities exchange technology systems.	20%
	Significant experience in a self-regulatory environment and excellent understanding of the regulatory framework for securities exchanges.	20%

Assessment criteria		Weighting (%)
Methodology	Demonstration of a clear and concise understanding/interpretation of the task set out in the TORs. A clear strategy on capacity building and knowledge transfer will be essential.	25%
Most economically advantageous.	<p>Fee basis and total costs will be computed as follows:</p> <p>FS = 20% x LB/BP where: FS = is the financial score LB = is the lowest bid quoted BP = is the bid of the proposal under consideration.</p> <p>The lowest bid quoted will be allocated the maximum score of 20%.</p> <p>Fee quoted must be inclusive of applicable withholding tax</p>	20%
Total		100%

6. Contact

Questions or comments in respect of these terms of reference should be directed by email to: bids@fsdafrica.org and be received no later than **10:00am (EAT) on 08th July**. Responses and clarifications will be provided by **5:00pm, (EAT) on 10th July 2024** through the same advertisement channels.

7. Applicable Taxes

As per Kenya's tax law, FSD Africa will pay the Senior Advisor 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 Senior Advisor to keep himself/herself 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	20%
India	10%
Non-resident rate for citizens of EAC member countries (member countries attached)	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 include all taxes.

Consultancy fees*	Days	Fee per day	Total
XXX	X	X	X
XXX	X	X	X
XXX	X	X	X
Total remuneration before taxes			0.00
VAT (%)			0.00
Total fees inclusive of taxes			0.00
Reimbursement costs**	Unit	Cost	Total
XXX	X	X	X
XXX	X	X	X
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>			