



**AML/CFT COMPLIANCE TRAINING REGIME FOR
MARKET INTERMEDIARIES AND CAPITAL MARKET
SERVICE PROVIDERS**

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ACRONYMS

AML	Anti-money Laundering
CCO	Chief Compliance Officer
CFT	Countering Financing of Terrorism
CMSP	Capital Market Service Provider
ECMA	Ethiopian Capital Market Authority
E-KYC	Electronic Know Your Customer
FATF	Financial Action Task Force
FIS	Financial Intelligence Service
IOSCO	International organization of Securities Commissions
KYC	Know Your Customer
ML	Money Laundering
NBE	National Bank of Ethiopia
PEP	Politically Exposed Person
SRO	Self-regulatory Organization
STR	Suspicious Transaction Report
TF	Terrorism Financing

Definition of Terms

Annual control report	A report detailing the AML/CFT systems and the results achieved, including risk controls and specific measures taken in the event of a default.
Authority	Means the Ethiopian capital market authority established under the capital market proclamation No. 1248/2021
Beneficial Owner	Means any natural person who ultimately owns or controls a customer or an account, the person on whose behalf a transaction is being conducted, or the person who ultimately exercises effective control over a legal person or arrangement
Customer	Means including any of the following: a) a person for whom a financial transaction or account is arranged, opened or undertaken. b) a signatory to a financial transaction or account. c) a person to whom an account or rights or obligations under a financial transaction have been assigned or transferred. d) a person who is authorized to conduct a financial transaction or control an account. e) a person who attempts to take any of the actions referred to from paragraph (a) to (d) of this sub-article. f) any person as may be prescribed by regulation of the Council of Ministers
Enhanced due diligence	Means additional consideration of situations that present a higher risk of Money Laundering or Terrorist Financing including steps additional to those in customer due diligence measures which should be taken depending on the situation that is present.
External auditor	Means a public auditor licensed by the pertinent government organ to provide audit service.
Money laundering	Means the offense as defined under article 29 of the Prevention and Suppression of Money Laundering and Financing of Terrorism Proclamation.

Permanent Control	Means a system that the licensee defines and implements to ensure compliance with laws and regulations, and to control its operations and resources efficiency.
Periodic Control	Means an internal audit on the overall effectiveness of governance, risk management and Internal control.
Professional	Is an individual or institution, such as a broker, dealer, investment advisor, or any person employed by an organization engaged in the buying and selling of financial instruments like stocks, bonds, options, futures contracts, or other trading vehicles.
Simplified due diligence	Means measures taken where the risks of money laundering or terrorist financing is lower considering the nature of the risk.
Suspicious transaction	Means a transaction referred to in Article 17(1) of the Prevention and Suppression of Money Laundering and Financing of Terrorism Proclamation.

1. Purpose and Scope of this Document

This guideline is intended to provide a comprehensive framework for Anti-Money Laundering (AML) and Countering the Financing of Terrorism (CFT) training programs for Capital Market Service Providers and Market Intermediaries licensed by the Ethiopian Capital Market Authority.

The primary objectives of this document are to:

- Ensure Compliance: Align AML/CFT training programs with international standards and Ethiopian regulatory requirements, including Proclamation 780/2013, the ECMA CMSP Licensing and Supervision Directive 980/2024, and Recognition & Supervision of Self-Regulatory organizations Directive 1031/2024.
- Enhance Effectiveness: Propose practical approaches to improve the quality and impact of AML/CFT training, fostering greater staff engagement and sustained knowledge retention.
- Clarify Responsibilities: Define the obligations of CMSPs and their Chief Compliance Officers (CCOs) in delivering and monitoring AML/CFT training.
- Promote a Compliance Culture: Ensure all personnel are equipped to identify and report suspicious transactions accurately through ongoing, role-specific training.

Experience has demonstrated that AML/CFT training programs within financial institutions frequently yield suboptimal outcomes, with knowledge retention proving inadequate and short-lived. Accordingly, this document underscores the importance of adopting training strategies that not only ensure compliance with regulatory requirements but also achieve tangible operational effectiveness to remedy these deficiencies.

This guideline applies to all entities and individuals involved in AML/CFT compliance under the Ethiopian Capital Market Authority's regulatory framework. Specifically, it covers the following:

Applicable Entities

- Capital Market Service Providers (CMSPs) licensed under ECMA's CMSP Licensing and Supervision Directive 980/2024.
- Self-Regulating Organizations (SROs) under ECMA's Self-Regulating Organizations Directive 1031/2024.

- Companies to which AML/CFT implementation is outsourced, as assessed by the CMSP.

Target Audience

- All employees of CMSPs, including new hires and senior management.
- Chief Compliance Officers (CCOs) responsible for organizing and supervising AML/CFT training programs.
- Employees of outsourced companies involved in AML/CFT implementation.

Training Obligations

- Initial Training: New employees must attend AML/CFT training sessions as soon as possible after being hired.
- Ongoing Training: Regular AML/CFT programs should be tailored to staff functions, risk profiles, and length of service.
- Refresher Training: Annual refresher courses should be provided to keep staff updated on their obligations and emerging AML/CFT risks.
- Suspicious Transaction Reporting: Clear processes for reporting suspicious transactions must be specified in CMSP policies and communicated through regular training.

Monitoring and Evaluation

- Audit Procedures: audits must evaluate the effectiveness of AML/CFT training programs.
- Outsourced Oversight: The AML/CFT training level of companies to which implementation is outsourced should be regularly assessed by the CMSP.
- Compliance Reviews: Regular reviews to ensure training programs align with regulatory obligations and that staff maintain up-to-date knowledge.

Legal framework

- Prevention and Suppression of Money Laundering and Financing of Terrorism Proclamation 780/2013

Article 11: Institutions shall establish internal policies and controls against ML/TF which should include ongoing training for officials and employees, including training to assist them in recognizing suspicious transactions and activities that may be linked to ML/TF.

- ECMA's Self-Regulating Organizations 1031/2024 Directive:

Article 18/3: The Chief Compliance Officer shall be responsible for organizing annual training for other staff members on compliance-related issues.

- ECMA's CMSP Licensing and Supervision Directive 980/2024

Article 17(3): The Chief Compliance Officer is responsible for organizing annual training for other staff members on compliance-related issues (same as Article 18/3 mentioned above).

2. Training-related Obligations Applicable to all Market Intermediaries and Capital Market Service Providers

2.1. At the Onboarding stage of Staff

The authority may require that all new staff undergo an assessment of their AML/CFT knowledge when they join a Licensed Market Intermediary or a Capital Market Service Provider:

In addition to being an assessment, it would also be an awareness-raising exercise. This may be implemented through an online multiple-choice questionnaire, either directly administered by the Authority via a dedicated website or through an extranet platform.

The evaluation principle should also extend to Appointed Representatives engaged by CMSPs. This assessment should not influence hiring decisions. However, if the Authority establishes a training or examination center in the future, an exception may be granted to individuals who have passed the AML/CFT section of the Authority's Certification Exam.

Therefore, CMSPs and Market Intermediaries might be required to facilitate or cooperate with these Authority-led assessments.

2.2. Permanently Applicable provisions for Disseminating AML/CFT knowledge within Market Intermediaries and CMSPs

Following the initial assessment and as part of an awareness-raising policy, it is recommended that the Authority requires that new hires – as well as previously recruited employees – be given access to their employer's intranet which shall allow the consultation of:

- All the AML/CFT regulations applicable to the company (including ECMA's Directives and Decisions).
- All internal policies and procedures established by the company in application of the above regulations and the Market Intermediary / CMSP's Code of Conduct.
- Permanent controls techniques applicable to his / her function and / or department in which he / she will be working.

2.3. Annual Training Plan and Annual Control Report regarding AML/CFT policies

2.3.1. Annual Training Plan

During the last quarter of the calendar year, all licensed Market intermediaries and capital market service providers are recommended to draw up an Annual Training Plan for the following year. This shall be developed under the guidance of the Compliance Officer in collaboration with the top Management.

It is advisable that the Annual Training Plan be subjected to a formal validation process by the Authority, which shall reserve the right to request modifications prior to granting its approval. Following the Authority's validation, the plan is to be formally submitted to the Financial Intelligence Service (FIS). This suggestion is based on the analogical reference of Article 42/3 of Financial Anti-Money Laundering and Countering the Financing of Terrorism Compliance Directive number 01/2014 issued jointly by FIS and NBE.

In the case of AML/CFT, as in all other areas, it is advisable for the Annual Training Plan to highlight the actions planned for:

- Filling gaps and shortcomings identified during audits and inspections.
- Meet the needs generated by planned recruitment.

- Meet the needs generated by the launch of new products, the use of new distribution channels or new technologies.

2.3.2 Annual Control Report

As recommended in the guideline for ECMA's Licensees on AML/CFT Customer's Due Diligence and Reporting obligations, Licensees must communicate to the Authority an Annual Control Report covering the previous year, before the end of the first quarter of the following year. With regard to the AML/CFT training obligations applicable to Market Intermediaries and CMSPs, this report should include a quantification of training actions taken, detailed for each of the business lines and functions concerned, recalling the forecast figures in the previous Annual Training Plan and providing an explanation for any discrepancies noted.

To facilitate further quantitative analysis and inspections by the Authority, training actions should be continuously recorded in detail, down to the individual level and by topics. Data must be organized in such a way as to facilitate consolidation, analysis and comparisons at the global or transversal levels by the Authority or another Ethiopian supervisory body.

For instance, it is advisable to be able to distinguish between in-house training actions and those outsourced to external training providers and be able to assess a Market Intermediary / CMSP's progress in internalizing its training capabilities to improve its ability to free itself from external training providers. In the context of AML/CFT, internalizing such knowledge, including auditing techniques, provides significant benefits to the Market Intermediary or CMSP.

3. Specific training obligations

3.1. Requirement to pass a certification exam for the Capital Market activities presenting the highest ML/TF risks

Several types of Capital Market activities, particularly those that receive funds, directly or indirectly, from investors, or help execute and handle financial market transactions, present increased risks in terms of Money Laundering and Terrorist Financing. In these types of activities, several functions or categories of functions performed by employees require a good command of financial markets and financial products and need associated potential ML/TF risks to be properly handled.

To ensure this, it is common practice for the local Capital Market Authorities to implement a professional certification process validated by an examination, the

aim of which is to ensure that professionals have mastered a common core of knowledge and skills essential to the performance of their duties, among which AML/CFT knowledge usually accounts for between 10 and 15% of the total.

This provision should apply to all professionals performing key functions on behalf of – or under the authority of¹ – an investment services provider, including portfolio management companies and financial investment advisers, such as:

- Capital market service providers, i.e. any Natural Person likely to provide Investment Advice or information on financial instruments, investment services or related services to customers.
- Portfolio managers, i.e. any person authorized to make investment decisions within the framework of an individual management mandate or within the framework of the management of one or more collective investment schemes.
- Individuals involved in the process of exchanging Securities on the Securities Exchange, in particular, the process of transmitting orders to the Market and drawing up the order books and quotations.
- Individuals in charge of the clearing of financial instruments, i.e. the Natural Persons representing the clearing member vis-à-vis the Clearing House with regard to the recording of transactions, the organization and control of risks, and the related clearing functions for financial instruments.
- Post-trade managers, i.e. persons who are directly responsible for custody account-keeping or settlement-delivery activities or for custodian or securities management activities or issuer services.
- Financial Analysts.
- Traders (including Individuals working as Brokers, Dealers or Market Makers).
- Compliance Officers and Internal Auditors.
- Financial Advisers, including:
 - Licensed natural persons operating directly as investment advisers (sole proprietors).
 - Natural persons employed to manage or administer a legal entity licensed as a financial adviser.
 - Natural persons employed by a legal entity licensed as an investment adviser to provide investment advice.
 - Individuals working for Crowdfunding Intermediaries, Investment Banks, Appraisal and Credit rating firms.

These professionals are typically given six months after assuming their duties to obtain this certification, which is then granted on a permanent basis.

¹ Meaning that this provision should also apply to Appointed Representatives acting as Agents on behalf of the CMSPs and Market Intermediaries.

In the future, ECMA may develop an accreditation program through a certification examination or by recognizing a list of approved organizations for accreditation.

3.2. Specific training obligations for AML/CFT-related staff

3.2.1. "Compliance Line" Staff Members

Within a given Market Intermediary / CMSP, it is highly recommended that the "Compliance Line" – from the Chief Compliance Officer to Internal Auditors – always remains the most up to date in terms of AML/CFT regulations, policies and procedures. Several measures regarding AML/CFT training can be taken in this respect:

- Maintain an ongoing regulatory watch and quickly disseminate new developments in AML/CFT regulations to the staff concerned.
- Transpose the new obligations into practical procedures and disseminate them to the proper persons within the organization.
- At the same time, develop the associated compliance checks and control techniques and communicate them along the "compliance line".

In addition, the transmission of knowledge about AML/CFT procedures, controls and findings can be optimized by:

- Developing an internal culture of companionship in which staff work in pairs, associating an experienced employee with a less experienced one.
- Developing multi-skilling through a policy of staff rotation in the various compliance functions (which complements a four-eyes Permanent Control policy).
- When applicable, by sharing control techniques and case studies related to findings at sessions organized by a Self-Regulating Organization for its members.

3.2.2 External and Internal Auditors

In order to develop internal know-how and enable the gradual empowerment of the Internal Audit and Compliance Departments, it is recommended that External Auditors to which Audits are outsourced:

- May train the Market Intermediaries / CMSP's Internal Audit and Compliance staff:
 - Regarding their auditing techniques (ideally by working in pairs with them).

- Explain their findings with the Internal Audit and Compliance Line staff through practical case studies.
- These training and knowledge-sharing obligations should be formalized through contractual agreements in outsourcing arrangements with external auditors
- Are not subcontracted for Permanent Control tasks, to empower staff in charge of these controls.

As far as the Internal Audit is concerned, it is advisable for it too to have practical training obligation towards the other staff of the Market Intermediary / CMSP, with priority given to the Compliance Line employees and Final Investors-facing staff, including Appointed Representatives.

3.3. List of AML/CFT-related Training Topics

The following courses can take place at the staff onboarding stage and be part of the annual refreshment training obligations. They can be delivered online and with online validation tests.

3.3.1. Common to All Staff Members:

- Goals:
 - Mastering the obligations and understanding the issues and risks associated with AML/CFT: FATF recommendations and specificities of financial markets.
 - Principles and challenges of FATF mutual evaluations.
 - Major characteristics of an effective AML/CFT framework.
- Money Laundering and its mechanisms:
 - Definition and characterization of money laundering.
 - Analysis of ML mechanisms and their main stages.
 - ML examples and how to identify an ML attempt.
 - Types of money laundering indicators.
- Legal and Regulatory AML/CFT obligations and their recent development:
 - Ethiopian ML regulatory framework.
 - ECMA's Directives, Guidelines, and Role.
- General anti-money laundering principles:
 - Application of the risk classification principle and risk-based analysis.

- Identification of PEPs.
- Implementing simplified, standard, and enhanced due diligence.
- Identifying Beneficial Owners.
- Record keeping principles.
- Suspicious Transactions Reports.
- Typology of ML-related sanctions.

3.3.2 Specific Training Programs Depending on Staff Duties:

- Permanent and Periodic controls related to AML/CFT:
 - Definitions and functions of controls.
 - Permanent controls:
 - Regulatory background and organization of Permanent controls.
 - Coordinating Permanent controls within an organization.
 - Permanent control techniques and escalation processes.
 - Periodic controls:
 - Regulatory background and organization of Periodic controls.
 - Coordinating Periodic controls and audits within an organization: elaborating an annual audit plan.
 - Reporting of findings and follow-up of corrective actions.
- Internal controls and compliance related to AML/CFT personnel:
 - Definition and identification of risks, and non-compliance risk mapping.
 - Chief Compliance Officer.
 - Responsible for AML/CFT.
 - Sampling and data analysis.
 - Audit and Interview techniques.
 - Regulatory Framework and obligations derived from capital market Proclamation 1248/2021 and Directive 980 on Licensing and Supervision.
 - AML/CFT Compliance function and organization:
 - Identification of the various stakeholders
 - Typology of risks and associated controls.
 - AML/CFT section of Annual Control Report.
 - Main existing red flags regarding AML/CFT issues.
- Suspicious Transactions Reports:
 - Role of the FIS.
 - Regulatory STR obligations and decision process before filing an STR.
 - Content of an STR.

- Conservatory measures: freezing and seizing assets.
- AML/CFT roles of the Compliance Department:
 - New products and services compliance opinion.
 - Compliance with risk-mapping (products, clients, distribution channels).
 - Ensure the efficiency of Permanent and Periodic Controls
 - Compliance reporting and STR.
 - Coordination with Inspection.
- AML/CFT training program for Client-facing personnel:
 - Principles and practice of KYC, Due Diligence (simplified, standard, enhanced).
 - Technical implementation of E-KYC systems
 - Red Flags (at onboarding and monitoring stages).
 - Suspicion investigations and escalation.
 - Suspicious Transaction Reports
 - Asset freezing and seizing