

PROCLAMATION NO. ____/2024
A PROCLAMATION TO PROVIDE FOR BANKING BUSINESS

WHEREAS, banks play an important role in economic development through mobilization of funds and channeling same to various sectors, and occupy a central place in the payment and settlement system of the country's economy;

WHEREAS, opening the banking sector for foreign investment with a carefully designed legal and regulatory framework, is believed to improve competitiveness and efficiency of the sector and contribute to sustainable economic growth;

WHEREAS, it is found essential to have an effective resolution regime that provides the resolution authority i.e., National Bank with a broad range of powers and options needed to resolve a bank considered no longer viable and has no reasonable prospect of becoming so in a manner that does not cause severe systemic disruption and loss;

WHEREAS, the banking business, if not properly managed, would have the potential to generate financial system and macroeconomic instability;

WHEREAS, the cost of financial system and macroeconomic instability to the general public and the Government is significant;

WHEREAS, it is found essential to continually ensure safety, soundness and stability of the banking business by having a comprehensive legal framework for the licensing and supervision of the banking sector which is well aligned with the current and emerging development of the sector;

NOW, THEREFORE, in accordance with Article 55(1) of the Constitution of the Federal Democratic Republic of Ethiopia, it is hereby proclaimed as follows:

PART ONE

GENERAL

1. Short Title

This Proclamation may be cited as the “Banking Business Proclamation No.____/2024”.

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2. **Definitions**

In this Proclamation unless the context requires otherwise:

- 1/ “acquisition” means a full or partial purchase or takeover of a bank by another domestic or foreign bank;
- 2/ “agent banking service” means the provision of banking service through an agent, under a valid agency agreement, as prescribed in the National Bank directive;
- 3/ “assets and liabilities transfer” means full or partial transfer of banking business including financial and non-financial assets of a bank to another bank operating in Ethiopia;
- 4/ “asset management vehicle” means an entity established by the Government or private sector for the purpose of acquiring, managing, and disposing some or all of the problem assets of a bank as part of the resolution of the bank;
- 5/ “bank” means a private or state owned bank, a foreign bank subsidiary or a branch of a foreign bank licensed by the National Bank to undertake banking business;
- 6/ “banking business” means any business that consists of the following activities:
 - a) receiving funds from the public through means that the National Bank has declared to be an authorized manner of receiving funds;
 - b) using the funds referred to under paragraph (a) of this sub-article, in whole or in part, for the account and at the risk of the person undertaking banking business, for loans or investments in a manner acceptable by the National Bank;
 - c) the buying and selling of gold and silver bullion and foreign exchange;
 - d) the transfer of funds to other local and foreign persons on behalf of the banks themselves or their customers;
 - e) the discounting and negotiation of promissory notes, drafts, bills of exchange and other evidence of debt;
 - f) interest free banking service;
 - g) agent banking service;
 - h) digital financial services,
 - i) issuance of guarantee, and

- j) any other activity recognized as customary banking business, which a bank engaged in the activities described from paragraph (a) to (h) of this sub-article, may be authorized to undertake by the National Bank;
- 7/ “banking group” means a bank and all its subsidiaries, branches, and affiliates both domestic and foreign and holding company, wherever located, that the National Bank determines to be taken into account for the purpose of this Proclamation;
- 8/ “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;
- 9/ “bridge bank” means a temporary institution established by the Ministry of Finance on interim basis, to acquire assets and assume liabilities of a failed bank and continue critical and viable operation until the bank is transferred to another bank through purchase and assumption or until taken over by the liquidator;
- 10/ “capital adequacy ratio” means the ratio expressed as a percentage of the adjusted capital base to the risk weighted exposures as determined by the National Bank directive.
- 11/ “capitalized expenditure” means preliminary expenses, share selling commission and brokerage fees paid by a bank under formation, and any other item of expenditure not represented by tangible assets;
- 12/ “chief executive officer” means a person, by whatever title that person may be referred to, who is primarily responsible for the day-to-day management of the affairs of a bank;
- 13/ “commercial code” means Commercial Code of Ethiopia Proclamation No. 1243/2021;
- 14/ “crisis” means significant deterioration of a bank’s financial condition in a manner threatening its solvency or stability and could potentially disrupt the broader financial system;
- 15/ “crisis management” means the coordinated actions and responses taken by the National Bank and other relevant stakeholders to address a crisis and restore financial stability;
- 16/ “digital financial service” means provision of banking service including credit, savings, remittances, payments and other related services accessed and delivered through digital channels;
- 17/ “direct shareholding” means shareholding in a bank, by a person directly on his/its own name, or jointly with his spouse or with a person who has not attained the age of legal

- majority related to him by consanguinity to the first degree or through any other conditions as may be determined by the National Bank;
- 18/ “director” means any member of the board of directors of a bank, by whatever title he may be referred to;
- 19/ “domestic bank” means a bank incorporated in Ethiopia; and is conducting banking business in Ethiopia;
- 20/ “employee” means a chief executive officer, a senior executive officer or any other person who is appointed or hired by a bank or assigned through staff transfer to carry out its day-to-day activities;
- 21/ “financial service consumer” means a person who uses, has used, or is contemplating to use any of the services of a bank excluding a financial institution;
- 22/ “financial institution” means a bank, an insurance company, a reinsurer, a micro finance institution, a micro insurance company, payment instrument issuer, payment system operator, a capital goods finance company, a money transfer institution, representative office of a foreign bank, a postal money transfer institution or such other similar institution as determined and licensed by the National Bank;
- 23/ “fiduciary function” means the trustee function of a bank whereby the bank provides safe keeping services or administers funds on behalf of others, usually for a fee;
- 24/ “financial year” means the financial year of a bank running from July 1st to June 30th of the following year;
- 25/ “foreign bank” means a bank incorporated under the laws of a country other than Ethiopia with a banking license issued from its home country regulator or a banking group and conducts its banking business in its country of incorporation or other jurisdictions as the case may be;
- 26/ “foreign bank branch” means deposit or non-deposit taking branch of a foreign bank, having no separate legal existence;
- 27/ “foreign bank subsidiary” means a subsidiary as defined under the Commercial Code, and controlled by a foreign bank strategic investor, and incorporated under the laws of, and having its head office in Ethiopia;
- 28/ “foreign currency” means any currency other than Ethiopian legal tender, which is a legal tender in any country outside Ethiopia and to be determined by the National Bank directive as acceptable for investment in a bank by foreign nationals or foreign owned Ethiopian organizations;

- 29/ “foreign national” means a person who is not an Ethiopian national and includes foreign banks;
- 30/ “foreign national of Ethiopian origin” means a person with valid identification card obtained pursuant to Proclamation No.270/2002 attesting that he is foreign national of Ethiopian origin;
- 31/ “foreign owned Ethiopian organization” means an entity that is fully owned by Foreign Nationals or jointly owned with Ethiopians, and registered under the laws of, and having its head office in Ethiopia;
- 32/ “foreign parent bank” means a foreign bank or banking group that fully or partially owns more than fifty percent of the foreign bank subsidiary engaged in banking business in Ethiopia;
- 33/ “fixed assets” means assets that provide long-term services as determined by the National Bank directive;
- 34/ “fund transfer” means transfer of funds from a foreign bank to its branch or subsidiary in Ethiopia as per National Bank directive;
- 35/ “guarantee” means a written assurance made by a bank to a person to cover an agreed amount if another person fails to meet his obligation;
- 36/ “illiquid” means the financial condition of a bank where such bank becomes unable to meet its immediate obligations;
- 37/ “independent director” means non-executive member of the board who does not have any management responsibilities within the bank and is not under any other influence, internal or external, political or ownership, that would impede the board members exercise of objective judgment;
- 38/ “indirect shareholding” means shareholding in a bank through an entity owned by a direct shareholder with ten percent or more ownership in the entity or through his children who attained the age of legal majority or through any other conditions as may be determined by the National Bank;
- 39/ “insolvent” means a financial stance of a bank when the liabilities of such bank exceed its assets as determined by the National Bank;
- 40/ “interest free bank” means a bank licensed by the National Bank to engage in interest free banking services;
- 41/ “interest free banking service” means provision of banking service in compliance with Shari’ah principles, including non-acceptance of interest;
- 42/ “investment bank” means as defined under Capital Market Proclamation No.1248/2021;

- 43/ “liquidation” means the winding-down process that includes collecting, valuing, servicing, and converting the assets of a failed bank to cash to satisfy the claims of its creditors;
- 44/ “liquidator” means a person appointed by the National Bank to undertake the liquidation of a failed bank;
- 45/ “loans” means any financial assets of a bank arising from:
- a) an advance or a commitment to advance funds to a person that is conditioned on the obligation of the person to repay the funds, either on a specified date or dates or on demand, usually with interest,
 - b) indirect advances such as unplanned overdrafts,
 - c) participation in loan syndication and the purchase of loans from another lender,
 - d) a guarantee,
 - e) interest free financing,
 - f) an overdraft facility to be funded on behalf of a person, and
 - g) any other financial assets as may be determined by the National Bank from time to time;
- 46/ “merger” means a voluntary or statutory fusion of two or more banks where one or more, banks lose their existence and a new bank is formed;
- 47/ “National Bank” means the National Bank of Ethiopia;
- 48/ “normal course of business” means the conduct of banking business within the scope of existing commercial customs, practices and standards;
- 49/ “official administrator” means a person appointed by the National Bank to takeover and assume management and operate a problem bank so as to conserve, manage, and protect its assets until the bank is stabilized or until National Bank decides to cease official administration; and prepare legitimate resolution plan for the bank;
- 50/ “official administration” means the state of a bank being temporarily controlled by an official administrator as per the National Bank decision;
- 51/ “parent bank” means a domestic bank that fully or partially owns more than fifty percent of the subsidiary operating in Ethiopia;
- 52/ “person” means any natural or juridical person;
- 53/ “problem bank” means a bank exhibiting significant financial, operational, or managerial weaknesses affecting its safety and soundness and requires stringent actions and major

improvement in its financial resource, business model, risk management systems and controls and/or governance in a timely manner;

- 54/ “qualification of competency” means required education, experience, competence, fitness and propriety as determined by the directive to be issued by the National Bank;
- 55/ “regulatory sandbox” means a regulatory framework that allows for a live and time-bound testing of innovative banking services under the National Bank’s control and oversight, prior to authorization or licensing by the National Bank;
- 56/ “representative office” means an office of a foreign bank located in Ethiopia and engaged in representational functions such as liaison, marketing, research and other similar activities as may be determined by the National Bank directive;
- 57/ “recovery plan” means detailed and comprehensive document prepared by a bank as per the National Bank directive and includes the identification and assessment of possible severe situations of stress and corresponding recovery measures and arrangements to be taken by a bank so as to effectively address the stress and ensure financial and business viability;
- 58/ “resolution” means a process undertaken by the National Bank to deal with likely to fail or a failed bank so as to protect depositors, or minimize the losses to creditors through adoption of various resolution tools;
- 59/ “resolution plan” means a comprehensive document prepared by the National Bank detailing the characteristics and critical functions of a likely to fail or failed bank and puts forward preferred resolution strategy and tools to be employed with the view of protecting depositors, minimizing the losses to the resultant liquidation estate, ensuring continuity of critical functions and avoid threat to the stability of the financial system;
- 60/ “secured claim” means any claim of a bank guaranteed by property or secured by assignment of rights to other assets on the basis of a contract to that effect;
- 61/ “senior executive officer” means any officer of a bank by whatever title that officer may be referred to, who:
- a) manages two or more departments or directorates under its portfolio or manages one department of critical importance as defined by the National Bank and is directly reporting to the chief executive officer,
 - b) reports directly to the board of directors,
 - c) is company secretary,

- d) is senior country officer of a foreign bank branch and is responsible to manage the operation of the local branch and represent the bank as central point of contact with the National Bank, or
- e) may be designated as senior executive officer by the National Bank directive;
- 62/ “significant ownership” means direct or indirect shareholding of two or more percent of the total subscribed capital of a bank by a person;
- 63/ “specialized bank” means a bank, other than investment bank, licensed by the National Bank to provide a focused and specialized banking services, tailored to specific sector of the economy or market segment such as export-import, mortgage, agriculture, cooperative and small and micro enterprises and other similar sectors as may be determined by the National Bank directive from time to time;
- 64/ “staff transfer” means the transfer of foreign national employees from a foreign bank to its branch or subsidiary in Ethiopia in accordance with the National Bank directive;
- 65/ “statutory merger” means a merger where two or more banks are merged as per the National Bank decision and direction; and in line with the provisions of this Proclamation and other relevant laws;
- 66/ “strategic investor” means a foreign bank or a banking group with inbuilt good reputation in its country of incorporation or owned by the government of the country where it was incorporated, or international development finance institution, private equity fund or other similar entities to be determined by the National Bank and meet the minimum vetting criteria to be set by the National Bank directive;
- 67/ “subsidiary” means as defined under the Commercial Code, and controlled by a parent bank, registered under the laws of, and having its head office in Ethiopia;
- 68/ “voluntary liquidation” refers to the process by which a solvent bank, through a formal and orderly procedure, ceases its operations and distributes its assets to stakeholders;
- 69/ “voluntary merger” means where two or more banks are merged as per a voluntary agreement, and in line with the provisions of this Proclamation and other relevant laws;
- 70/ An expression in the masculine gender includes the feminine.

PRAT TWO
LICENSING BANKING BUSINESS

3. Requirements for Banking Business License and Authorization

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- 1/ No person shall transact banking business in Ethiopia without obtaining banking business license or authorization from the National Bank.
- 2/ No person, except investment bank licensed by Capital Market Authority, shall use the word ‘bank’ or its derivatives as part of the name of any financial institution unless it has obtained a license from the National Bank.
- 3/ National Bank shall license representative office of a foreign bank as per the National Bank directive. Representative office of a foreign bank licensed by other government body previously shall request for and get relicensed by the National Bank.
- 4/ Without the prior written approval of the National Bank, no bank shall:
 - a) transact a banking business at any place other than that authorized by the National Bank, or close or relocate an existing place of business;
 - b) introduce new banking products and services;
 - c) effect major changes in its line of business;
 - d) transfer or otherwise dispose whole or any part of its property, within or out of Ethiopia, other than in the normal course of its business;
 - e) redeem its own shares or effect a reduction of its capital other than through reduction due to operating losses;
 - f) register its amended memorandum of association or unilateral declaration in case of a foreign bank established in the form of a single member PLC or;
 - g) alter the name under which it is licensed to do banking business.
- 5/ Where the National Bank has a reason to believe that a person, in contravention of sub-article (1) of this Article, is advertising for or soliciting deposits of money or transacting banking business, it may, in order to ascertain the situation, require that all books, minutes, accounts, cash, securities, records, vouchers and other documents which are in the possession or custody of such person be submitted to it and examine or cause the same to be examined.
- 6/ Notwithstanding paragraph (a) of sub-article (4) of this Article, upon securing authorization by the National Bank, a bank may engage in short time saving mobilization campaigns for a short period, or provide banking services at special event and/or cash collection services at customer’s premises.
- 7/ Where any person undertakes banking business without license and holds money or other property obtained through such act, the National Bank may apply to the Federal High Court for ordering the immediate and efficient return of such money or property to the depositors or owners thereof. Similarly, if a person operates as representative office

of a foreign bank without license, the National Bank may apply to the Federal High Court for ordering of similar actions as appropriate.

- 8/ Except for a foreign bank subsidiary that may be established in other forms, the form of organization of any bank shall be Share Company.

4. Preconditions of Licensing

- 1/ The following conditions shall be fulfilled, as appropriate, to obtain a banking business license:
- a) a duly completed application form and other accompanying documents as specified by the National Bank directive, shall be submitted;
 - b) an investigation fee, as determined by the National Bank, shall be paid at the time of submitting the application;
 - c) upon filing the application with the National Bank, the promoters or founders or a foreign bank shall, at least once a week for a period of two consecutive weeks, publish in a widely circulating newspapers and in electronic form notice of intention to engage in banking business that also contains a list of shareholders with significant ownership, in a form prescribed by the National Bank;
 - d) a bank incorporated in Ethiopia shall get its memorandum of association, unilateral declaration, minutes of subscribers meeting or general meetings of shareholders, as appropriate, approved by the National Bank before registration with the appropriate government organ;
 - e) all its issued shares shall be subscribed and, at a minimum, one-fourth of the subscribed shares shall be fully paid in cash; and in case of foreign bank subsidiary, the capital should be fully paid in cash in advance;
 - f) the minimum paid-up capital prescribed by the National Bank shall be paid in cash and deposited in a blocked bank account opened in the name of the bank under formation or a foreign bank branch to be licensed;
 - g) beneficial owners of the applicant bank shall be fully disclosed, on an ongoing basis;
 - h) the directors, the chief executive officer and senior executive officers of the bank shall meet the fit and proper criteria prescribed by the National Bank directive;
 - i) Shareholders of a bank with significant ownership shall meet the fit and proper criteria prescribed by the National Bank directive; and

- j) the premises, security arrangements and cash vault of the bank shall meet the standards prescribed by the National Bank.
- 2/ Any person who objects the involvement of any shareholders of a bank with significant ownership in the proposed bank may submit, no later than fifteen days starting from the date of the last publication under sub-article 1(c) of this Article, his objection in writing, with supporting evidence, to the National Bank. The National Bank shall initiate an inquiry into the objection. The results of such an inquiry shall be published and be considered in deciding whether or not to issue the license.
- 3/ Without prejudice to the requirements specified under sub-article (1) of this Article, the National Bank may issue directive to prescribe additional conditions of licensing.
- 4/ Where the National Bank amends the conditions of licensing in accordance with sub-article (3) of this Article, it shall notify the amendments to the concerned banks thirty days before the date on which the amendment becomes effective.
- 5/ The National Bank shall determine minimum conditions and requirements to license a representative office of a foreign bank through directive.

5. Issuance of License

- 1/ The National Bank shall decide on a banking business license application within 90 days from the last date of receipt of all information to be submitted in accordance with Article 4 of this Proclamation.
- 2/ The license shall be issued upon payment of the licensing fee determined by the National Bank.
- 3/ A license granted by the National Bank pursuant to this Proclamation shall constitute final license to carry on a banking business.

6. Commencement of Operation

A bank to which a license is granted shall:

- 1/ fulfill, before commencing operation, sound information management and internal control systems, including those related to the detection and prevention of criminal activities, risk management policies and procedures, and human resource organization and such other essential obligations to carry out banking business as determined by the directive to be issued by the National Bank; and
- 2/ commence its operation within twelve months from the date of the issuance of the license.

7. Renewal of License

The license of a bank shall be renewed annually as per conditions for renewal of banking business license to be specified in the National Bank directive.

8. Publication of Licensed Banks

The National Bank shall, in its annual report, publish the list of licensed banks. It shall also publish, in newspapers of wide circulation and in its web-site, any additions to or cancellations from the said list.

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9. Opening of a Branch or a Sub Branch

- 1/ A bank shall not open a branch or a sub-branch in Ethiopia without obtaining prior written approval from the National Bank.
- 2/ The minimum conditions and requirements to get an approval and open a branch or a sub-branch shall be determined by the National Bank directive.

PART THREE **BANKING BUSINESS BY FOREIGN NATIONALS**

10. Banking Business by Foreign Nationals

1/ General Provisions

- a) A foreign bank which is well established, reputable and financially sound may be allowed to establish partially or fully owned foreign bank subsidiary, or open a foreign bank branch, or a representative office, or acquire shares of a bank.
- b) Notwithstanding the provisions of sub-article 1(a) of this Article, foreign nationals other than foreign banks and foreign owned Ethiopian organizations may acquire shares in banks.
- c) Notwithstanding the provisions of sub-articles 1(a) and 1(b) of this Article, direct shareholding by a strategic investor in an existing or a new domestic bank shall be limited to forty percent of total subscribed shares of a bank; and such holding by non-strategic foreign national investor and foreign juridical person shall be limited to seven percent and ten percent of subscribed shares of a bank, respectively.
- d) Notwithstanding the provisions of sub-article 1(c) of this Article, aggregate shareholding by foreign nationals and foreign-owned Ethiopian organizations in a bank shall be limited to 49 percent of the total subscribed shares of a bank.
- e) Notwithstanding the investment limits stipulated under this sub-article, for the purpose of attracting strategic investments that would benefit the economy and/or as way of resolving a distressed bank and preserve financial stability, the National Bank may on exceptional basis and subject to fulfillment of other preconditions, allow well established, reputable and financially sound foreign banks to partially or fully acquire existing domestic banks through acquisition.
- f) Foreign nationals and foreign-owned Ethiopian organizations fully owned by foreign nationals shall invest in a bank only through foreign direct investment in foreign currency.
- g) Notwithstanding the provisions of sub-article 1(f) of this Article, foreign-owned Ethiopian organizations partially owned by foreign nationals may invest according to aggregate percentage shareholding by foreign nationals, through foreign direct investment in foreign currency.
- h) Notwithstanding the provisions of sub-article 1(f) and 1(g) of this Article, dividend earnings at the end of every financial year may be re-invested in Ethiopian Birr, by Foreign Nationals and foreign owned Ethiopian organizations, given foreign ownership is within the aggregate and individual shareholding limit.
- i) Dividends earned from investment by foreign nationals in a bank and salaries of foreign national employees, and proceeds from sales of shares or liquidation of a

bank may be repatriated as per the provisions of the National Bank directive and other pertinent laws.

- j) Notwithstanding the provisions of sub-article 1 (i) of this Article, foreign-owned Ethiopian organizations fully or partially owned by foreign nationals may repatriate any proceeds in accordance with percentage shareholding initially paid in foreign currency.
- k) A foreign bank subsidiary or foreign bank branch may own property for its banking business purpose while ownership of other properties including foreclosed and acquired mortgaged property shall be in accordance with the relevant law of the country.
- l) The National Bank through directive may determine conditions and manner of corporate governance of a foreign bank subsidiary or a foreign bank branch or a bank jointly owned by foreign nationals and Ethiopians.
- m) Both deposit taking and non-deposit taking foreign bank branch, or a foreign bank subsidiary shall comply with all prudential requirements equally with domestic banks, as may be appropriate.
- n) The National Bank through directive may determine additional minimum conditions and requirements on licensing and license renewal of a foreign bank subsidiary or a foreign bank branch, or a representative office of a foreign bank; investment by foreign nationals or foreign-owned Ethiopian organizations in a bank; limits on number of foreign bank subsidiaries and branches to be licensed including related vetting criteria and limits on percentage of the total assets of the banking system to be owned by foreign banks.

2/ Banking Business by Foreign Bank Subsidiary

- a) The minimum initial capital required to establish a foreign bank subsidiary shall be determined by the National Bank directive.
- b) A foreign bank subsidiary, irrespective of the form of company, shall have board of directors composed of foreign parent bank, other shareholders (if any) and local resident non-shareholder Ethiopians and details of their composition and fit and proper criteria shall be determined by National Bank directive.

3/ Banking Business by Foreign Bank Branch

- a) A foreign bank may be allowed to open deposit taking branch or non-deposit taking foreign bank branch intending to be funded by other sources including borrowings in Ethiopia, but may not be allowed to open both at the same time.

- b) The National Bank shall issue directive that clearly defines permissible activities that a foreign bank branch may undertake while operating in Ethiopia.
 - c) A foreign bank shall permanently assign capital for its foreign bank branch which shall be inwardly remitted and converted into local currency. The minimum capital amount to open foreign bank branch and other related conditions shall be determined by the National Bank directive.
 - d) A foreign bank shall guarantee for prompt payment of all liabilities of the foreign bank branch (es) and observance of the constitutional right of its employees.
 - e) A foreign bank shall ensure the soundness and solvency of its foreign bank branch at all times.
 - f) A non-deposit taking branch of a foreign bank shall be allowed to engage only in lending, collecting repayments and manage its borrowers deposit accounts opened for facilitating loan disbursement; and it may get borrowings and other financing from foreign sources and repay same as initially registered per National Bank directive and other relevant laws.
 - g) A foreign bank having branch in Ethiopia shall appoint senior country officer who fulfills the minimum fit and proper criteria determined by the National Bank directive and be responsible to represent the foreign bank, manage the overall operation of the foreign bank branch, submit consolidated reports, and serve as central point of contact with the National Bank.
- 4/ Operation of Representative Office
- a) A representative office of a foreign bank shall engage only in representational functions such as liaison, marketing, research and other similar activities as may be determined by the National Bank directive.

PART FOUR

SHARES AND SHAREHOLDERS' MEETINGS

11. Shares and Register of Shares

- 1/ Bank shares shall be of one class and registered as ordinary shares of the same par value.
- 2/ A bank shall keep a register of shares as determined by the National Bank, which shall show names and addresses of shareholders; number and amount of subscribed and paid shares and voting right.

- 3/ Any transfer of shares that is not recorded in the register of shares shall be null and void.
- 4/ The register maintained under sub-article (2) of this Article shall be open to the public, without charge, at the bank's head office during its normal working hours. However, any person may obtain a copy of or an extract from the register upon payment of the fee prescribed by a bank.

12. Limitations on the Acquisition of Shares

- 1/ Unless explicitly provided in this Proclamation and with exception of the Federal Government:
 - a) a natural person may not directly hold more than seven percent of a bank's total subscribed shares; and
 - b) a juridical person may not directly hold more than ten percent of a bank's total subscribed shares.
- 2/ Notwithstanding the provisions of sub-article (1) of this Article, the maximum shareholding that may be held by regional government and their enterprises in a bank transformed from a micro-finance institution shall be determined by the National Bank directive.
- 3/ Maximum limit on aggregate direct and indirect shareholding by a person shall be determined by the National Bank directive.
- 4/ A shareholder with significant ownership in a bank may not acquire shares in another bank.
- 5/ No person may buy shares of a bank using bank loans. Measures to be taken on purchase of shares against this provision shall be determined by National Bank directive.

13. Shareholders' General Meeting

- 1/ The National Bank may assign observers to attend any general shareholders' meeting or board meetings of a bank.
- 2/ Where it finds necessary in the interest of depositors or shareholders or the stability and soundness of the banking sector, the National Bank may call a general shareholders' meeting of a bank to discuss and resolve any issues related to the bank.

- 3/ Where the National Bank calls a general shareholders' meeting as stipulated under sub-article (2) of this Article:
- a) it shall prepare the agenda for the meeting;
 - b) its officer or any other person assigned by it shall preside over the meeting;
 - c) pertinent provisions of the Commercial Code with respect to quorum and resolutions of shareholders' meeting shall apply; and
 - d) expenses incurred in relation to the meeting shall be borne by the concerned bank.

14. Limitations on Voting and Economic Rights

- 1/ The National Bank may, as appropriate, limit:
- a) the number of votes by proxy in any meeting of shareholders;
 - b) participation of employee and board of a bank in any meeting of shareholders through proxy; and
 - c) voting right of a shareholder, who borrowed money from the bank.
- 2/ Where a shareholder with significant ownership in a bank fails to fulfill the prescribed ethical and propriety requirements, the National Bank may suspend the voting rights of such person, require such person to dispose part of the share that enabled it assume significant ownership in the bank, and suspend dividend until such shareholding is disposed and rectification of other identified deficiencies are duly made.

PART FIVE
EMPLOYEES AND DIRECTORS OF A BANK

15. Employment of Foreign Nationals in a Bank

- 1/ A bank, after securing approval from the National Bank, may be allowed to employ foreign nationals for Chief Executive Officer or Senior Executive Officer positions or other positions requiring specialized knowledge or expertise through recruitment or staff transfer, on contract basis with a maximum term of five years. The maximum number and/or percentage share of foreign employees in a bank may be determined by the National Bank directive.
- 2/ Upon expiry of the five years period stated in sub-article (1) of this Article, the position shall be replaced and filled with Ethiopian National.
- 3/ Notwithstanding the provisions of sub-article (2) of this Article, the service period of a foreign national hired or assigned through staff transfer as per the provision of sub-

article (1) of this Article may be extended to additional five years upon request of a bank supported with adequate justification and approval of the National Bank.

- 4/ A bank after hiring or assigning foreign national through staff transfer shall ensure that knowledge and skill transfer to Ethiopian nationals is made adequately and satisfactorily, and assignment of foreign national employees shall be made in a manner that ensures proper transfer of knowledge and skill to Ethiopian nationals.
- 5/ In the event a foreign national hired or assigned through staff transfer as per this Article is replaced by another foreign national, the replaced employee's service period shall not exceed the remaining term of the original service period.
- 6/ A bank shall immediately remove a foreign national or a foreign national director if he fails to pass the fit and proper tests prescribed by the National Bank, is found involved in political affairs of Ethiopia or convicted of any offence involving a breach of trust or a fraud in Ethiopia or elsewhere and report same to the National Bank.
- 7/ Any additional conditions related to employment or staff transfer of foreign nationals in a bank may be determined by the National Bank directive.

16. Appointment of Directors and Officers

- 1/ Without prejudice to the provisions of sub-article (1) of Article 17 of this Proclamation, a director shall be a person with honesty, integrity, diligence, and good reputation and able at all times to pass the fit and proper tests prescribed in the relevant directive to the satisfaction of the National Bank.
- 2/ Board of directors of a bank shall include independent directors.
- 3/ Appointment of any director, chief executive officer or senior executive officer of a bank at the time of licensing or at any time may not be valid unless written approval is granted by the National Bank.
- 4/ The term of office of outgoing directors of a bank may not terminate until written approval for the incoming directors is granted by the National Bank.
- 5/ The National Bank may issue directive on:
 - a) qualification of competency to be fulfilled by directors;
 - b) the minimum number and composition of directors, including independent directors in the membership of the board of a bank;
 - c) the duties and responsibilities of a boards of directors and manner of good corporate governance of a bank;

- d) the maximum number of years a director may serve in any bank and the conditions for his re-election; and
 - e) the maximum remuneration of directors; and
- 6/ Notwithstanding the provisions of sub-article 4 of this Article, the National Bank may issue directives to determine whether or not bank employees are permitted to serve as members of the board of directors of a bank and if allowed may determine the maximum number of employees of a bank who may be elected as members in the board of directors of the bank.

17. Prohibitions

- 1/ No person who has been convicted of any offence involving a breach of trust or a fraud, whether in Ethiopia or elsewhere may be a director or an employee of a bank.
- 2/ Without prior approval of the National Bank, no person who had been a director, chief executive officer or senior executive officer or otherwise directly or indirectly participated in the management of any bank that wound up due to management failure or bankruptcy or any other related causes, whether in Ethiopia or abroad, may act as a director, chief executive officer or senior executive officer or otherwise directly or indirectly participate in the management of a bank.
- 3/ A director of a financial institution may not, at the same time, serve as a director of a bank. Moreover, a business entity in which such director or chief executive officer has ten percent or more equity interest may not serve as a director of the bank.
- 4/ An employee of a bank may not be a chairperson of the board of directors of that bank or a director of any other bank.

18. Cessation of Banking Management Functions

Any person who is a director or chief executive officer or senior executive officer or otherwise participates, directly or indirectly, in the management of a bank shall cease to exercise such function if he:

- 1/ or the business organization in which he is a director or executive officer, has instituted bankruptcy proceedings or declared bankrupt, or his or the company's assets have been sequestrated because of bankruptcy or been foreclosed by a bank because of failure to repay a loan granted by the bank;
- 2/ has been convicted of default on repayments of bank or other credits or tax payment;

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- 3/ or the business organization in which he is a director or executive officer carries non-performing loans, as defined by directive of the National Bank, from any financial institutions; or
- 4/ fails to fulfill any of the qualification of competency requirements set by the National Bank.

19. Suspension and Removal by the National Bank

- 1/ The National Bank may, for sufficient cause, suspend or remove a director, a chief executive officer or a senior executive officer of a bank.
- 2/ For the purpose of sub-article (1) of this Article, “sufficient cause” shall include the following:
 - a) failure to comply with the provisions of Article 17 and 18 of this Proclamation;
 - b) gross violation of National Bank directives and other relevant laws by the bank; and
 - c) any action carried out by director, chief executive officer or a senior executive officer of a bank detrimental to the stability of the financial sector, the economy or the general public interest in line with the National Bank directive.
- 3/ Where the National Bank removes a director of a bank and as a result of the removal the number of surviving directors is less than half of the board of directors, it shall immediately assume the powers of the board of directors and shall, within thirty days call a meeting of shareholders to elect director/s to replace the removed director/s.
- 4/ Where the National Bank removes the chief executive officer or senior executive officer of a bank, the board of directors of that bank shall fill the vacant post immediately with a person who fulfills the required criteria set by National Bank directives and other relevant laws.

PART SIX **FINANCIAL OBLIGATIONS AND LIMITATIONS**

20. Maintenance of the Required Capital

- 1/ The minimum capital and reserves to be maintained by banks and the rules for their computation shall be determined by the National Bank directives.
- 2/ Based on the type of business and risk profile of each individual bank, as well as international standards, the National Bank may require a bank to hold capital and reserves in excess of the minimum required from time to time.

- 3/ Where the National Bank considers that the capital of a bank is below the prescribed minimum, it shall require the bank to take, within a specified period of time, measures necessary to rectify the situation.
- 4/ No bank may at any time declare, or credit the account of, or pay to shareholders any dividend until all impairments of its capital, as determined by the National Bank, have been removed.

21. Maintenance of Legal Reserve

- 1/ A bank shall, at the end of each financial year, transfer to its legal reserve account a sum of not less than twenty five percent of its net profit.
- 2/ Notwithstanding the provisions of sub-article (1) of this Article, when the legal reserve equals the paid-up capital of the bank, the amount to be retained by the bank as a legal reserve from the net profit each year shall be determined by the National Bank directive.
- 3/ The National Bank may, by directive, specify the circumstances under which the legal reserve account may be reduced.

22. Maintenance of Adequate Liquidity and Reserve Balance

- 1/ A bank shall maintain adequate liquid assets in accordance with the directive to be issued by the National Bank.
- 2/ For the purpose of sub-article (1) of this Article, “liquid assets” shall include:
 - a) cash;
 - b) deposits with the National Bank; and
 - c) such other assets as the National Bank may declare to be liquid assets from time to time.
- 3/ A bank shall maintain a cash reserve balance with the National Bank in accordance with the directive to be issued by the National Bank.
- 4/ A bank that fails to meet the liquidity and reserve requirements in accordance with this Article shall be subject to a penalty and other administrative measures specified by the National Bank directive.

23. Provisioning, Depreciation, Loss Coverage and Amortization Requirements

- 1/ Provisions shall be made by a bank for the following items:
 - a) Loans and advance that are impaired or other uncollected receivables;
 - b) the value of any assets lodged or pledged to secure liabilities including contingent liabilities, that are not included in the calculation made to ascertain the bank's compliance with capital and reserves requirement, where the effect of such lodging and pledging is that such assets are not available for the purpose of meeting the liabilities of the bank to the public; and
 - c) such other items as the National Bank may prescribe by its directive.
- 2/ The provisions to be made pursuant to sub-article (1) of this Article and the manner of calculating the provisions shall be prescribed by the National Bank directive in accordance with widely accepted international accounting standards.
- 3/ A bank shall depreciate its fixed assets in accordance with acceptable International Financial Reporting Standard.
- 4/ A bank shall amortize its capitalized expenditure within a maximum period of five years.
- 5/ A bank shall fully cover its operating and accumulated losses from its annual net profit. No dividend shall be paid to shareholders until such losses are fully covered.
- 6/ The National Bank shall take into account the adequacy of the provisions, depreciations and amortization stated under sub-articles (1), (3) and (4) of this Article, and make the necessary adjustments, in making the calculations necessary to ascertain that a bank is complying with the provisions and capital and reserves.
- 7/ A bank shall:
 - a) either maintain a special reserve account that is, in the opinion of the National Bank, adequate and is reserved exclusively for any loss resulting from the negligence or dishonesty of any director or employee of the bank and any losses caused by any other unexpected events or circumstances; or
 - b) insure itself against such losses to an amount and on terms that the National Bank deems adequate;
 - c) maintain necessary reserves arising from adoption and implementation of International Financial Reporting Standard

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24. **Limitations on Certain Transactions**

- 1/ The conditions and limitations on investments of banks, loans or other credit facilities, guarantee or any other commitment or contracts given by a bank, directly or indirectly to a person, including related parties shall be determined by the National Bank directive.
- 2/ No bank shall grant loans against the security of its own shares.

PART SEVEN **FINANCIAL RECORDS AND APPOINTMENT OF EXTERNAL AUDITOR**

25. **Financial Records**

- 1/ A bank shall keep records of financial statements as are necessary to:
 - a) exhibit clearly and correctly the state of its affairs;
 - b) explain its transactions and financial position; and
 - c) enable the National Bank to determine whether the bank had complied with the provisions of this Proclamation and regulations and directives issued for the implementation of this Proclamation.
- 2/ A bank shall register and keep documents for each type of transaction. The form and required entries of such documents may be determined by the directive to be issued by the National Bank.

26. **Appointment of External Auditors**

- 1/ A bank shall appoint external auditors; and the appointment of such auditors shall be approved by the National Bank. The National Bank shall have the power to reject and rescind the appointment of an external auditor who is deemed to have inadequate expertise or independence, or is not subject to or does not adhere to established professional standards
- 2/ A person may not be qualified for appointment as an external auditor of a bank if:

- a) he is a shareholder, director or employee of that bank;
 - b) he or she is a spouse or relative by consanguinity or affinity to the first degree to a person falling within the categories provided under paragraph (a) of this sub-article;
or
 - c) it is a firm of auditors of which any partner or a staff member falls within the categories provided under paragraph (a) or (b) of this sub-article.
- 3/ If a bank fails to appoint an external auditor in accordance with the provisions of sub-article (1) of this Article, the appointment of auditor of such bank shall be made by the National Bank.
 - 4/ An external auditor appointed in accordance with sub-article (3) of this Article shall hold office until the next annual general ordinary meeting of the shareholders of the bank.
 - 5/ A bank for which an auditor is appointed in accordance with sub-article (3) of this Article shall pay remunerations of the auditor as directed by the National Bank.
 - 6/ A person appointed as an auditor of a bank may not operate an account with, or be granted any type of loan or facility from that bank except in the normal course of business and at arm's length.
 - 7/ A bank, the external auditor of which, for any reason, terminates his service before his term of office shall forthwith notify such fact to the National Bank.
 - 8/ Manner of appointment of an external auditor, tenure of external auditor, depth and coverage of audit work, knowledge and expertise of audit professionals, rotation requirements, time limit for submission and presentation of audit reports to the National Bank and to a bank's annual general meeting and other related requirements shall be determined by the National Bank directive.

27. External Audit Report

- 1/ The auditor of a bank shall submit to the National Bank a complete audit report, including audit findings and recommendations, within the time limit set by the National Bank.
- 2/ The National Bank, if not satisfied with the external audit report, may in collaboration with pertinent regulator initiate and order a second audit or require the prompt appointment of a new auditor who shall make an independent audit report. The remunerations of the newly appointed auditor shall be paid by the bank as directed by the National Bank.

3/ Where the external auditor of a bank, in the course of the performance of his audit duties, finds out that:

- a) there has been a serious breach of, or non-compliance with, the provisions of this Proclamation, other relevant laws or regulations or directives issued in accordance with this Proclamation;
- b) a criminal offence involving fraud or other dishonesty has been committed by the bank or any of its directors or employees;
- c) losses have been incurred which reduce the total capital of the bank by 25% or more or in an amount less than 25%, but in a way that no-longer allows the bank to respect the prudential ratios of the National Bank;
- d) serious irregularities have occurred, which may jeopardize the bank's ability to continue conducting its business or the security of its depositors or creditors;
- e) the bank is deemed unable to meet any of its obligations due to lack of sufficient liquid assets; or
- f) any other grave irregularities or offences have occurred;

he shall immediately report the matter to the National Bank and other concerned bodies.

4/ The National Bank may call at any time the external auditor of a bank to discuss issues related to the bank being audited by the auditor.

PART EIGHT **INFORMATION DISCLOSURE, REPORT SUBMISSION AND EXAMINATION OF** **BANKS**

28. Report Submission and Information Disclosure

1/ Every bank shall submit duly signed financial statements within a time period and using reporting template and submission modality to be determined by the National Bank and other reports as prescribed by it.

2/ Every bank shall:

- a) exhibit at every place of its business, including its branches and sub-branches, in a conspicuous place throughout the year, a copy of the last audited balance sheet and profit and loss account in respect of all of its operations; and
- b) cause such balance sheet, and profit and loss account, together with the notes thereto, to be published in a newspaper of wide circulation and in its website.

- 3/ The exhibition and publishing of financial statements pursuant to sub-article (2) of this Article shall occur within two weeks after the annual ordinary general shareholders' meeting.
- 4/ Notwithstanding, sub-article (3) of this Article, board of directors of a Government owned bank shall conduct a similar meeting to approve its financial statements within four months from closing its financial year, and exhibition and publishing of financial statements in a newspaper of wide circulation and in its website shall occur within two weeks after approval of the financial statements by the board of directors of the Government owned bank.
- 5/ The National Bank may collect any appropriate information from banks; provided, however, that such information may not be disclosed to any person unless the disclosure is:
 - a) made for the purpose of fulfilling the requirements of this Proclamation;
 - b) required to ensure the financial soundness of banks;
 - c) made to recipients who are legally authorized to obtain such information;
 - d) made to the body to which the National Bank is accountable;
 - e) ordered by a Court; or
 - f) required for the purpose of meeting obligations which Ethiopia entered into under international agreements.
- 6/ The board of directors of a bank shall, jointly or severally, immediately report in writing to the National Bank where the following happened or likely to happen that the bank:
 - a) cannot meet its obligations to its depositors or other creditors;
 - b) is possibly unable to make payments on time to depositors or other creditors; or
 - c) is in a state of condition detrimental to its smooth business operation and soundness.

29. Examination of Banks

- 1/ In addition to off-site examination, the National Bank may, periodically or at any time, without prior notice, make, or cause to be made, an on-site examination of a bank.
- 2/ Where an application, accompanied with supporting evidence, is made to the National Bank by one-fifth of the total number of depositors or by any number of depositors holding not less than one-third of the deposits of a bank, or upon request by Ethiopian Deposit Insurance Fund, the National Bank shall examine, or cause to be examined,

under conditions of secrecy, the affairs of the bank in order to determine whether it is in a sound condition and the provisions of this Proclamation and regulation and directives issued pursuant to this Proclamation have been complied with.

- 3/ Examination of banks may be carried out by one or more examiners of the National Bank or by trustworthy and qualified professionals employed by the National Bank for this purpose.
- 4/ Persons assigned by the National Bank to examine any bank shall be authorized to request from the personnel of the examined bank such information and explanation on the records and transactions of the examined bank that are necessary for the effectiveness of carrying out the examination.
- 5/ The information gathered in the course of the examination of any bank shall be considered confidential by the persons carrying out the examination and management members to whom the information is availed for.

30. Examination Report

- 1/ The draft examination report shall be communicated to the examined bank and, the examined bank shall be given an opportunity to express its views on the report.
- 2/ The content of the examination report submitted to the National Bank shall be considered as confidential by:
 - a) the persons carrying out the examination, and the directors and employees of the examined bank; and
 - b) the National Bank, unless it is for the purpose of fulfilling the requirements of this Proclamation or Establishment and Operation of Ethiopian Deposit Insurance Fund Regulation or to the interest of the public;

31. Prompt Corrective Actions

- 1/ Where an off-site or on-site examination of a bank results in a finding that the bank has failed to comply with the relevant laws and directive or with the terms and conditions of license or has engaged in unsafe or unsound practices or activity that could pose risk to the bank or to the banking system or engaged in practices detrimental to the interests of depositors or has serious weaknesses in its corporate governance, the National Bank may:
 - a) require the bank to call a board of directors' meeting or a general meeting of its shareholders or for the purpose of considering any matter arising out of the

examination or any other related issues or require officers of the bank to discuss any such matter with officers of the National Bank before the examination process is concluded;

- b) assign one or more of its officers to watch the proceedings at any general meeting of the shareholders, board of directors or any committee or any other body constituted by the board of the bank, and require the bank to give an opportunity to the officers to be heard at such meetings;
- c) instruct in writing corrective actions to be taken by the bank;
- d) instruct the bank to hire qualified and competent external advisor that can assist in improving and restoring the financial position, as well as the sound and prudent management of the bank's business.
- e) impose financial fines on a bank as determined by the National Bank directive;
- f) order the dismissal or suspension of one or more directors, the chief executive officer or senior executive officers of the bank, or impose fines on such persons in accordance with its directives;
- g) prohibit persons suspended or dismissed by the National Bank from assuming board of director, chief executive officer, senior executive officer position or any other position as appropriate of the same bank or any other financial institution up to a period where the suspension or dismissal remains active.
- h) order the bank to undertake special investigation on the state and affairs of the bank and take necessary remedial actions based on the findings of same;
- i) prohibit the bank from opening new branches and sub-branches;
- j) cause the down grading or closure of existing branches or sub-branches, as appropriate;
- k) order the bank to suspend, for specified time, opening of new branches, introduction of new products and services and recruitment of new staff;
- l) restrict, suspend or prohibit payment of dividends by the bank;
- m) require the bank to inject additional capital;
- n) take precautionary corrective measures based on early warning indicators;
- o) order the bank to suspend, for specified time, any or all of its banking businesses; or
- p) put the bank under official administration or liquidation; and
- q) take any other similar actions necessary to address the identified deficiency effectively.

- 2/ The National Bank may issue directive or framework on early intervention and prompt corrective action.

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PART NINE **MERGER AND ACQUISITION AND TRANSFER OF SIGNIFICANT OWNERSHIP,** **ASSETS AND LIABILITIES**

32. Merger and Acquisition

- 1/ A bank shall not enter into a voluntary merger without prior written approval by the National Bank.
- 2/ Statutory merger may be set up by the National Bank to rescue a problem bank and/or to create a more viable and stronger bank.
- 3/ For the purpose of ensuring financial system stability, the National Bank may exceptionally approve the acquisition of a bank by another bank, including a foreign bank.
- 4/ No bank merger or acquisition transaction shall take place if such transaction is deemed by the National Bank to be detrimental to:
 - a) soundness of the bank and the financial system stability at large,
 - b) financial service consumers' right and interest, and access to finance, and/or
 - c) competition and efficiency in the banking system.
- 5/ Bank merger or acquisition shall be carried out in compliance with shareholding limits of this Proclamation and relevant directive of the National Bank.
- 6/ Any merger and/or acquisition proposal shall be decided by extraordinary general meeting of a bank; and details shall be determined by the National Bank directive.
- 7/ Pertinent government organs shall cooperate with the National Bank and concerned banks for the successful execution of any merger or acquisition.
- 8/ Without prejudice to the provisions stated under this Article, minimum conditions and requirements on merger and acquisition transactions shall be determined by the National Bank directive.

33. Significant Ownership Transfer

- 1/ Any share transfer or purchase that causes significant ownership in a bank shall be approved by the National Bank before recorded in the share register.
- 2/ The National Bank shall have the power to take appropriate action to modify, reverse or otherwise address a change of control that has taken place without its prior approval.
- 3/ Significant ownership transfer shall not be allowed if such transfer is believed by the National Bank to be detrimental to financial system stability and financial consumers' right and interest. The National Bank has the power to reject any proposal for a change in significant ownership, or prevent the exercise of voting rights in respect of such investments to ensure that any change in significant ownership meets criteria comparable to those used for licensing of banks.
- 4/ Significant ownership transfer carried out based on false information shall be null and void.
- 5/ Without prejudice to the provisions stated under this Article, minimum conditions and requirements on transfer of significant ownership shall be determined by the National Bank directive.

34. Assets and Liabilities Transfer

- 1/ A bank shall not carry out assets and liabilities transfer to another bank; or shall not enter into any agreement for the sale or disposal of its business, without prior written approval by the National Bank, if not under normal course of business.
- 2/ Assets and liabilities transfer shall not be allowed if such transfer is believed by National Bank to be detrimental to soundness of individual bank involved in the transfer, financial service consumers' interest and/or financial system stability.
- 3/ Without prejudice to the provisions stated under this Article, minimum conditions and requirements on transfer of assets and liabilities by a bank to another bank may be determined by the National Bank directive.

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PART TEN

RESOLUTION, LICENSE REVOCATION AND LIQUIDATION

35. Recovery Plan

- 1/ A bank shall draw up and maintain a recovery plan providing for measures to be taken

to restore its financial position in the event of severe situations of stress.

- 2/ A bank shall update its recovery plan at least annually or following a change to the legal or business structure or its financial situation which could have a material effect.
- 3/ Notwithstanding the provisions of sub-article (2) of this Article, the National Bank may require banks to update their recovery plan in a more frequent manner.
- 4/ The National Bank shall review and approve recovery plan of a bank within six months of submission of each plan and assess the extent to which it satisfies the requirements of a recovery plan, including whether implementation of arrangements indicated in the plan are reasonably likely to maintain or return viability and financial position of the bank or the banking group.
- 5/ The content and other related requirements of a recovery plan shall be determined by the National Bank directive.

36. Resolution Plan

- 1/ The National Bank, being a resolution authority, shall, in consultation with Ethiopia Deposit Insurance Fund, draw up a resolution plan for systemically important bank as determined by the National Bank and for other banks under severe distress as may be necessary.
- 2/ The National Bank shall review and update a resolution plan at least on annual basis as may be necessary.
- 3/ In drawing up the resolution plan, the National Bank shall identify any material impediments to the resolvability and, where necessary, outline relevant proportionate action on how these impediments could be addressed.
- 4/ The content and other related requirements of a resolution plan shall be determined by the National Bank directive.

37. Crisis Management

- 1/ A national crisis management committee, chaired by the National Bank and comprising of relevant stakeholders including Ministry of Finance, Ethiopian Deposit Insurance Fund, Capital Market Regulatory Authority, and other similar institutions to be determined by the National Bank, shall be established so as to exchange information, develop and implement crisis management framework and enhance coordination and

cooperation among different institutions.

- 2/ Notwithstanding the provisions of sub-article (1) of this Article, the National Bank may employ various supervisory measures to address a crisis.

38. Appointment of Official Administrator

- 1/ The National Bank may appoint an official administrator for a bank if:
 - a) the required minimum capital adequacy ratio of the bank falls by fifty percent of the National Bank minimum, and/or its paid-up capital is eroded by fifty percent;
 - b) the National Bank has a reasonable cause to believe that the bank or its directors, management, or shareholders with significant ownership have engaged in or are engaging in illegal activities in a manner likely to jeopardize the interest of depositors;
 - c) there is a strong likelihood that the bank may be unable to fulfill its obligations or meet its depositors' demands in the normal course of business;
 - d) it is determined that the bank has contravened a provision of this Proclamation or engaged in any unsafe or unsound practice, in a manner that weaken the condition of the bank, or seriously jeopardized the interest of depositors or dissipated assets of the bank;
 - e) the bank fails to become adequately capitalized when required to do so or fails to submit a capital restoration plan acceptable to the National Bank within the time prescribed by the National Bank or fails to implement the accepted capital restoration plan;
 - f) the bank fails to cooperate with the National Bank or its examiners to enable the National Bank to perform its supervisory responsibilities, including through concealment or failure to submit for examination of the books, accounts, records or any other document of the bank;
 - g) the bank or directors or management or employees of that bank or its shareholders with significant ownership fail to comply with instruction of the National Bank or persistently violate relevant laws including this Proclamation.
- 2/ Notwithstanding the provisions of sub-article (1) of this Article, the National Bank may approve request of a bank to be put under official administration as supported with resolution of the bank's shareholders and appoint official administrator accordingly.

- 3/ The National Bank shall inform its decision to appoint official administrator for a bank in writing, by setting out the reasons for the decision; and post the notice on its website and in a newspaper of wide circulation.
- 4/ The decision to appoint official administrator shall be effective on the date specified in the notice to the bank.

39. Qualifications of Official Administrator

- 1/ An official administrator shall be of the highest professional qualifications and personal integrity, as determined by the National Bank.
- 2/ Where the official administrator is a juridical person:
 - a) the principal officer in charge of the official administration shall meet the qualification requirements stipulated under sub-article (1) of this Article; and
 - b) the juridical person shall provide adequate performance guarantee from a reputable insurance company or a bank.
- 3/ Without prejudice to the provisions of sub-articles (1) and (2) of this Article, any person to be appointed as official administrator shall meet the minimum qualification and other requirements to be determined by the National Bank directive.

40. Office Term of Official Administrator

A bank may remain under official administration for a period of six months effective from the date specified in the notice as stipulated under Article 38 (3) hereinabove in the first instance; and the National Bank may extend the period for two consecutive periods of three months each, if believed necessary to rehabilitate the bank.

41. Remuneration of Official Administrator and Expenses of Official Administration

- 1/ The official administrator shall receive remuneration as prescribed by the National Bank.
- 2/ The bank under official administration shall bear all costs and expenses incurred on account of the official administration.
- 3/ The National Bank, if deemed appropriate and necessary, may provide funding to cover operating costs of the official administration which shall be reimbursed by the bank.

42. Powers and Duties of the Official Administrator

- 1/ An official administrator appointed pursuant to Article 38 of this Proclamation shall be vested with the full and exclusive powers and duties of shareholders general meeting, board of directors and management and assume control of the bank under official administration; and no action may be taken by other bodies on behalf of the bank without the prior approval of the official administrator.
- 2/ Notwithstanding the provisions of sub-article (1) of this Article, the official administrator's powers shall include the power to:
 - a) manage and operate a bank under official administration in accordance with the instructions, directives, and guidance of the National Bank;
 - b) borrow money on the security of the assets of the bank, or unsecured loans, subject to any limitations provided for by directive to be issued by the National Bank for such purpose;
 - c) employ any necessary professional or advisor upon approval by the National Bank;
 - d) terminate any contracts of employment; and
 - e) make any payment and execute any instrument in the name of the bank, initiate or defend and conduct in its name any action or legal proceeding.
- 3/ The official administrator may take any action necessary or appropriate to:
 - (a) carry on the business of a bank;
 - (b) preserve and safeguard the assets and property of a bank; or
 - (c) implement a plan of action that has been approved by the National Bank with respect to that bank.
- 4/ The official administrator, upon prior written approval of the National Bank, may delegate a portion of its responsibilities to another person.
- 5/ The official administrator may immediately suspend dividends or other form of capital distribution to shareholders and any payment to directors.
- 6/ The official administrator shall get appropriate assistance from relevant government organs, including law enforcement organs.
- 7/ The National Bank may, upon appointing the official administrator, specify certain actions for which the official administrator shall obtain prior approval from the National Bank.
- 8/ An official administrator shall prepare and submit to the National Bank:
 - a) an inventory of the assets and liabilities of the bank, not later than two months from the appointment date;
 - b) a report on the financial condition and prospects of the bank, not later than three

months from the appointment date, that at least include:

- (1) an assessment of the amount of assets likely to be realized in a liquidation of the bank;
- (2) a proposed plan of action to rehabilitate and make the bank comply with the prudential regulations and laws; and
- (3) the proposed measures to minimize disruption to depositors and preserve the stability of the financial system.

- 9/ The official administrator shall promptly discuss with National Bank and agree on the reports indicated under sub-article 8 of this Article.
- 10/ During official administration, the official administrator shall have unrestricted access to and control over the properties, offices, assets and books of accounts and other records of the bank.
- 11/ A law enforcement agency shall, on request, assist the official administrator to gain access to any premises of the bank to gain control over and to secure the properties, offices, assets, books, and records of the bank.
- 12/ The directors, key management personnel and employees of the bank shall
 - a) cooperate fully with and assist the official administrator;
 - b) make available to the official administrator all records and documentation pertaining to the bank and any additional information or reports requested by the official administrator.
- 13/ A person who does not comply with the provision of sub-article (12) of this Article or otherwise obstructs the National Bank or an official administrator in the performance of functions shall be criminally liable.
- 14/ The official administrator shall promptly provide any additional report or information requested by the National Bank.
- 15/ An official administrator shall not disclose confidential information regarding the affairs of the bank under official administration.

43. Appeal Against Appointment of Official Administrator

- 1/ Shareholders of a bank holding in the aggregate at least twenty-five percent of the voting shares of the bank, may submit appeal to the Federal High Court against the appointment of an official administrator within thirty days after the date on which the

official administration is announced in newspaper pursuant to sub-article 3 of Article 38 of this Proclamation.

- 2/ Where an appeal is lodged in accordance with sub-article (1) of this Article:
 - a) the official administrator shall continue until the court delivers a final ruling on the appeal;
 - b) the court shall hold a hearing on the matter within ten days of the filing of the appeal, and shall decide the appeal within twenty days from the end of the investigation.
- 3/ The sole issue to be adjudicated by the court shall be whether the National Bank acted in an arbitrary and capricious manner in establishing the official administration, in light of the criteria set forth in Article 38 of this Proclamation.
- 4/ If the court determines that the National Bank, in establishing the official administration:
 - a) did act in an arbitrary and capricious manner, decision of the court shall be limited to administrative penalty or compensation to the damage and shall not reverse the appointment of the official administration and decisions taken thereof;
 - b) did not act in an arbitrary or capricious manner the appeal shall be denied and the official administration shall continue in accordance with the provisions of this Proclamation.

44. Oversight Over Official Administrator

- 1/ The official administrator shall be accountable only to the National Bank and shall at any time act in accordance with the approved action plan, instructions and guidance from the National Bank and relevant laws.
- 2/ The National Bank may remove the official administrator before the expiry of the official administration period and appoint a replacement due to failure to perform in a manner satisfactory to the National Bank, misconduct, conflict of interest or failure to act in compliance with the relevant laws.
- 3/ An official administrator shall disclose and report any interests that potentially result in conflict of interest to the National Bank.

- 4/ Any transaction involving the bank in official administration in which the official administrator has a material interest or relationship in the matter shall be engaged in only with the prior written approval of the National Bank.
- 5/ If the official administrator fails to seek approval under sub-article 4 of this Article, the transaction may be set aside and the National Bank may remove official administrator and seek compensation from the official administrator for any losses caused to the bank or to the National Bank.
- 6/ The official administrator shall not acquire significant shares or accept appointment as a director, key management personnel or to any other office or position in the bank, which was the subject of the administration for a minimum period of two years after the end of official administration.

45. Suspension of Dividends

The official administrator shall immediately suspend the payment of any dividends or other form of capital distribution to shareholders and any payment to directors other than for salaries or services provided to the bank.

46. Suspension of Rights

- 1/ The National Bank may impose a moratorium and suspend on some or all payments by a bank under official administration except for payments to central clearing counterparties and to payment, settlement and clearing systems.
- 2/ Notwithstanding the provisions of sub-article (1) of this Article, a suspension on the withdrawal of deposits shall not exceed five working days.
- 3/ A person, unless consent is issued by the National Bank, shall not:
 - a) institute a claim or continue proceedings in a court against a bank under official administration;
 - b) exercise rights under a mortgage, charge, or other security over the property of a bank under official administration; and
 - c) attach any debt, or otherwise enforce or seek to enforce any judgment or order obtained in respect of a bank in official administration.
- 4/ For the purpose of sub-article 3 of this Article, any period of limitation either statutory or contractual on the expiry of which a claim against the bank under official administration would expire shall extend for the period of official administration.

- 5/ A right or obligation of a third party under any contract to which a bank under official administration is a party shall not be terminated, accelerated, or modified solely because of the appointment of the official administrator or any action taken by the official administrator.

47. Rehabilitation Options for Official Administrator

- 1/ In order to conduct recapitalization, the official administrator with the approval of the National Bank may reduce the value of outstanding shares despite any prohibition in any existing laws. To facilitate this, the official administrator shall determine the extent of losses, and prepare the financial statements of the bank covering the amount of losses through the profits of the bank, reserves and, if necessary, capital of the bank.
- 2/ On the basis of a report and plan of action prepared to resolve the bank and subject to prior approval by the National Bank, the official administrator may increase the capital of the bank under official administration through issuance of new shares to existing shareholders, despite the provision of Commercial Code in this regard.
- 3/ Notwithstanding the provisions of sub-article (1) of this Article, the official administrator, with the approval of the National Bank, may increase the capital of the bank through issuance of shares to new shareholders if:
 - a) existing shareholders are unable to partially or fully subscribe additional shares needed to restore the capital of the bank as provided under sub-article 1 of this Article;
 - b) the National Bank determines that existing shareholders are no longer suitable to maintain a significant capital position in the bank; or
 - c) the National Bank determines that there has been a failure to comply with a remedial measure under prompt corrective action requiring an increase in the capital of the bank.
- 4/ To conduct recapitalization and reflect the losses, the official administrator may reduce the value of outstanding shares despite any prohibition in any existing laws.
- 5/ With prior written approval by the National Bank, the official administrator may carry out merger or acquisition of a bank; or a transfer, in whole or in part, of the assets and liabilities of the bank.
- 6/ For the purpose of implementing the provision of sub-article 5 of this Article, transfer of the assets and liabilities of the bank may include a transfer to a bridge bank and/or an

asset management vehicle. The procedures for establishing and operating a bridge bank and an asset management vehicle or any other approved third-party purchaser bank may be determined by the National Bank directive.

- 7/ The official administrator, with written approval from the National Bank, may carry out consensual debt restructuring through arrangements with the creditors including a reduction, modification, rescheduling and renovation of the claims of the creditors.
- 8/ Notwithstanding the provisions of sub-article 7 of this Article, the official administrator, with written approval from the National Bank, may carry out mandatory restructuring of liabilities of a bank in accordance with the provisions provided in the relevant laws without the approval of creditors or shareholders concerned.
- 9/ In approving mandatory debt restructuring, the National Bank may determine that the restructuring, either alone or combined with recapitalization, will restore the bank. To this end, the National Bank shall consider the extent to which the restructuring would:
 - a) maximize the value of the bank;
 - b) minimize losses to depositors and other creditors;
 - c) preserve going-concern value of the bank; and
 - d) avoid or mitigate any severe disruption in the stability of the financial system.
- 10/ The restructuring of liabilities shall follow the order of priorities applicable in liquidation process as stipulated under Article 61 of this Proclamation.
- 11/ Mandatory restructuring shall not apply to secured debt. In addition, the National Bank may exempt classes of senior unsecured debt from restructuring if it determines that the classes to be systemic or of strategic importance and hence necessitate differential treatment from other senior unsecured debt.
- 12/ As part of the rehabilitation effort and subject to approval of the National Bank, the official administrator, despite any existing laws, may remove one or all of the directors and management members and replace with others who fulfill the minimum requirement of the National Bank and secure approval accordingly.
- 13/ If the official administrator has sufficient reason to believe that shareholders with significant ownership, directors, management, attorneys, accountants, or other professionals of the bank have engaged in illegal activities or fraudulent activities, it shall immediately notify to the National Bank and other law enforcement authorities and shall initiate civil action to claim damages and restitution.

48. Termination of Official Administration and/or Official Administrator

- 1/ An official administration shall be terminated at the expiry of the first instance period or any extension made thereof as specified under Article 40 of this Proclamation.
- 2/ Notwithstanding the provision of sub-article (1) of this Article, an official administration may be terminated before the expiry of the period if:
 - a) official administrator fails to perform his functions in a manner satisfactory to the National Bank;
 - b) the grounds on which the appointment of the official administrator was made no longer justify the continuance of the official administrator in office; or
 - c) the National Bank decides that the license of a bank under official administration be revoked and/or liquidation of the bank needs to commence.
- 3/ The National Bank may decide to terminate the official administration based on recommendation of the official administrator accompanied with detailed report supporting the recommendation.
- 4/ Expiration of the period of official administration or completion of official administration or dismissal of administrator of a bank under official administration shall be immediately published by the National Bank in newspapers of wide circulation.
- 5/ Notwithstanding the provisions of sub-article (1) and (2) of this Article, where termination of an official administration does not involve a closure of the bank, the official administrator shall stay in office and carry on his duties up until new directors whose appointments have been approved by the National Bank are instituted.
- 6/ The official administrator shall within sixty days of the termination of the official administration and/or termination of the appointment, prepare and submit a final and comprehensive report to the National Bank. Moreover, he shall handover the properties, offices, assets, books, and records of the bank to the newly constituted board of directors of the bank or a liquidator as appointed in line with Article 50 of this Proclamation.
- 7/ The National Bank shall immediately revoke the license of a bank decided to be liquidated at any point in time and cease operation of the bank.
- 8/ A bank decided to be liquidated on the basis of sub-article (7) of this Article shall get the phrase “under liquidation” added to its name and retain its legal personality until the liquidation is concluded in accordance with Article 60 of this Proclamation.
- 9/ If the official administration is terminated before expiry of the office period in line

with sub-article 2 of this Article, the remuneration of official administrator shall be proportional to the period it served.

49. Revocation of License

- 1/ The National Bank may revoke the license of any bank immediately if:
 - a) it is confirmed that the licensing of the bank was made on the basis of false or wrong information;
 - b) the bank has failed to commence operations within twelve months following the grant of the license;
 - c) the bank becomes illiquid;
 - d) the bank becomes insolvent or is likely to become insolvent over the next sixty days;
 - e) the bank carries on business in a manner contrary to or detrimental to the interest of depositors or the public;
 - f) the bank has been convicted by a domestic court or any other court of competent jurisdiction of a crime related to money laundering or terrorist financing or is an affiliate or subsidiary of a parent or holding company which has been so convicted;
 - g) the bank is merged with, or acquired by, or transferred its business to another bank or started voluntary liquidation without the prior written authorization of the National Bank;
 - h) the bank has ceased to exist as a legally independent entity;
 - i) the National Bank approves the voluntary liquidation request of the bank; or
 - j) the bank persistently contravenes this Proclamation, directives, or other relevant laws.
- 2/ Notwithstanding the provisions of sub-article (1), the National Bank, in cases of emergency in consideration of the public interest, may revoke the license of a bank without notice.
- 3/ The decision to revoke the license of a bank shall be published by the National Bank in a newspaper of wide circulation at the place where the head office of the bank is situated and through its website.
- 4/ The revocation of license of the bank shall become effective on the date of its publication or on any other date as the National Bank may specify.
- 5/ A bank shall be prohibited from engaging in any banking business starting from the effective date of the revocation of its banking license.

- 6/ Any person aggrieved by the decision of the National Bank to revoke the license may submit appeal to the Federal High Court within thirty days from the effective date of the revocation.
- 7/ Notwithstanding the provisions of sub-article (6) of this article, no action or proceeding may be instituted in any court for the purpose of staying the decisions by the National Bank in the exercise, performance and discharge the powers, duties and functions under this Proclamation, provided however, that if any specific protection of rights is rendered impossible taken as a consequence of this measure, the affected party shall have the right to financial compensation payable by the National Bank.
- 8/ Where a license is revoked under this section, the National Bank shall initiate liquidation.
- 9/ Notwithstanding the provisions of sub-article 6 of this Article, no action or proceeding may be instituted in any court for reversing the decision taken by the National Bank to revoke the license.

50. Appointment of Liquidator

- 1/ The National Bank shall appoint a liquidator to take control and liquidate a bank if it has revoked the license of the bank as stipulated under Article 49 (1) of this Proclamation.
- 2/ The appointment of a liquidator shall be published by the National Bank in newspapers of wide circulation, indicating the reason for appointment, the name of the liquidator, the effective date and any other relevant information and through its website.
- 3/ A liquidator appointed pursuant to this Article shall be accountable to the National Bank.
- 4/ The National Bank may act as a liquidator if it finds necessary.

51. Appeal against Appointment of Liquidator

- 1/ Shareholders of a bank holding in the aggregate at least twenty-five percent of the voting shares of the bank may appeal to the Federal High Court against the appointment of a liquidator within thirty days after the date on which the liquidation is announced in newspaper pursuant to Article 50(2) of this Proclamation.
- 2/ Where an appeal is lodged in accordance with sub-article (1) of this Article:
 - a) the liquidation shall continue until the court delivers a final ruling on the appeal;

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- b) the court shall hold a hearing on the matter within ten days of the filing of the appeal and shall decide the appeal within twenty days of the end of the investigation.
- 3/ The sole issue to be adjudicated by the court shall be whether the National Bank acted in an arbitrary and capricious manner in establishing the liquidation, in light of the criteria set forth in Article 50 of this Proclamation.
- 4/ If the court determines that the National Bank, in establishing the liquidation:
 - a) did act in an arbitrary and capricious manner, the appointment of the Liquidator shall be terminated; or
 - b) did not act in an arbitrary or capricious manner the appeal shall be denied and the liquidation shall continue in accordance with the provisions of this Proclamation.

52. **Qualifications of Liquidator**

- 1/ A liquidator to be appointed by the National Bank shall, in the opinion of the National Bank, be of the highest professional qualifications and personal integrity.
- 2/ Where the liquidator is a juridical person:
 - a) the principal officer in charge of liquidation shall meet the qualification requirements stipulated under sub-article (1) of this Article; and
 - b) the juridical person shall provide adequate performance guarantee from a reputable insurance company or a bank.
- 3/ Without prejudice to the provisions of sub-articles (1) and (2) of this Article, any person to be appointed as liquidator shall meet such other additional requirements as may be specified by the National Bank Directive.

53. **Remunerations of Liquidator**

- 1/ The amount of remunerations for services of a liquidator shall be determined by the National Bank.
- 2/ The remuneration of a liquidator shall be paid either from fund available with the bank being liquidated or from the proceeds of liquidation pursuant to the provisions of this Proclamation.

54. **Duration of Liquidation**

- 1/ The duration of liquidation of any bank shall be determined by the National Bank.

- 2/ Notwithstanding the provisions of sub-article (1) of this Article, the National Bank may, at any time, dismiss liquidator of a bank on grounds of failure to perform his functions in a manner satisfactory to the National Bank.
- 3/ Expiration of the period of liquidation or dismissal of liquidator of a bank shall immediately be published by the National Bank in newspapers of wide circulation.

55. Effects of Appointment of Liquidator

Upon the publication of the appointment of a liquidator by the National Bank pursuant to sub-article (2) of Article 50 of this Proclamation:

- 1/ no action may be taken on behalf of the bank without the prior approval of the liquidator;
- 2/ the powers of the shareholders, board of directors and the executive management of the bank shall be suspended and vested in the liquidator;
- 3/ all rights and powers of the bank and all rights and powers that any depositor or creditor has over the bank or its assets shall automatically be vested in the liquidator;
- 4/ the liquidator shall take control over the assets and the records of the bank;
- 5/ no new attachment or lien shall be effected to any of the assets of the bank during liquidation.
- 6/ any period of limitation, either statutory, contractual, or otherwise, on the expiration of which a claim or right of the bank would expire or be extinguished, shall extend by six months from the date of such expiration;
- 7/ the calculation of interests and penalties against the obligations of the bank shall be suspended and no other charge or liability shall accrue on the obligations of the bank;
- 8/ any legal proceeding against the bank shall stay and the exercise of any right on the assets of the bank shall be suspended;
- 9/ the right of a third-party shall not be exerted over assets during liquidation of the bank and a creditor shall not attach, sell, or take possession of any assets of the bank as a means of enforcing a claim or initiating or continuing any legal proceeding to recover the debt or perfect security interest in the assets of the bank;
- 10/ The following payments or transfers of assets of the bank shall be void and recovered if they are detrimental to depositors' interest or if it is believed by the National Bank that it has the effect of bestowing a preference of the recipient over other creditors or depositors of the bank:

- a) any transactions made within a period of three months from effective date of liquidation;
- b) transactions with shareholder, director, an employee or affiliate of the bank made within one year before the effective date of liquidation;
- c) gratuitous transfers to third parties made within one year before the effective date of the liquidation;
- d) a transaction made based on a forged or fraudulent documents at any time in point;
- e) any act done with the intention to withhold assets from the creditors of the bank or otherwise impair their rights, within one year before the effective date of the liquidation;
- f) transfers of property of the bank to, or for the benefit of a creditor on account of a debt incurred within one year before the effective date of liquidation, which has the effect of increasing the amount that the creditor would receive in a liquidation of the bank; or
- g) any attachment or security interest other than an attachment or security interest that existed six months before the effective date of the liquidation.

11/ The provisions of sub-article (9) this Article may not apply to the:

- a) payment of deposits in an amount per depositor not exceeding the limit to be set in directive to be issued by the National Bank for this purpose;
- b) transfer of an asset of the bank made in any consideration the value of which is equal to the fair market value of the asset;
- c) payment of ordinary remuneration and benefits, excluding bonuses and special payments, to the directors and employees of the bank;
- d) payment or transfer was part of a contemporaneous exchange for reasonably equivalent value , or
- e) payment or transfer made by official administrator in the ordinary course of business and in line with this proclamation.

56. Repudiation of Contracts

- 1/ The liquidator may, within thirty days of the date of appointment, repudiate any non-performed or partially performed contract if it is believed that the fulfillment of the

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contract is burdensome for the bank in consideration of protecting the interests of depositors.

- 2/ Any liability arising from the repudiation as provided under sub-article (1) of this Article shall be determined as of the date of repudiation and shall be limited to actual direct damages incurred and exclude any damage for lost profits.
- 3/ In case of the repudiation of a contract for the lease of immovable and movable property, the liquidator shall give a notice of thirty days.

57. **Powers and Duties of the Liquidator**

- 1/ A liquidator appointed pursuant to Article 50 of this Proclamation shall be vested with the full and exclusive powers and duties of management and control of the bank under liquidation.
- 2/ The National Bank may, upon appointing the liquidator, specify certain actions for which the liquidator shall obtain prior approval from the National Bank.
- 3/ The liquidator shall secure the property, offices, books and records, and assets of the bank under liquidation so as to prevent dissipation by theft or other improper action.
- 4/ The liquidator in exercising the rights and powers vested in itself, will
 - a) maximize the proceeds from the sale of assets; and
 - b) take any action necessary for the efficient liquidation of the bank.
- 5/ The liquidator shall notify the National Bank and other relevant authorities immediately and institute a civil action to claim damages and restitution, if it has sufficient reason to believe that the shareholders, directors, officers, attorneys, accountants, or other professionals have engaged or are engaging in a criminal or fraudulent activity in relation to the business of a bank,
- 6/ The liquidator shall, within two months of taking possession of a bank, take an inventory of the assets and property of that bank and transmit a copy of the inventory report to the National Bank; and the National Bank shall publish the inventory report in two daily newspapers of national circulation and on the website of the National Bank.
- 7/ The liquidator shall monthly submit progress report to the National Bank in the form prescribed by the National Bank and provide any information upon the request of the National Bank.
- 8/ The liquidator may set-off the deposit liabilities to any depositor against outstanding loan payments owed by that depositor.

- 9/ Despite the revocation of the license of a bank, a liquidator may extend credit to an existing customer in accordance with the terms of an agreement in force at the time of the appointment of the liquidator and with the express approval of the National Bank.
- 10/ Thirty days from the date of appointment, the liquidator may make payments to depositors or to other creditors of such amounts that in the opinion of the liquidator may appropriately be used for meeting the objective of the liquidation.
- 11/ Any period of limitation, either statutory, contractual, or otherwise, on the expiration of which a claim or right of the bank would expire or be extinguished, shall extend by six months from the date of such expiration;
- 12/ The calculation of interests and penalties against the obligations of the bank shall be suspended and no other charge or liability shall accrue on the obligations of the bank;
- 13/ Any legal proceeding against the bank shall stay and the exercise of any right on the assets of the bank shall be suspended; and
- 14/ The right of a third party shall not be exerted over assets during liquidation of the bank and a creditor shall not attach, sell, or take possession of any assets of the bank as a means of enforcing a claim or initiating or continuing any legal proceeding to recover the debt or perfect security interest in the assets of the bank.

58. Preliminary Procedures for Liquidation of a Bank

- 1/ The liquidator shall have unrestricted access to and control over the offices, books of account and other records and other assets of the bank.
- 2/ On the request of the liquidator, a law enforcement organ shall
 - a) assist the liquidator to gain access to the premises of the bank; or
 - b) assist the liquidator to gain control over the records of the bank.
- 3/ The liquidator shall secure the property, offices, books, records, and assets of the bank to prevent dissipation by theft or other improper action.
- 4/ The liquidator shall in exercising its power under sub-article (3) of this Article take the following actions:
 - a) change the locks and limit access to the new keys on external and internal entrances to the bank which contain financial assets or information or equipment which could enable a person to gain unlawful access;
 - b) change or establish access codes to the bank and grant access only to a limited number of computers and employees;

- c) issue new photo identification passes for entry by authorized employees to the premises of the bank and control the access of other persons to the premises of the bank;
 - d) cancel authorizations permitting persons to engage the financial responsibility of the bank and issue new authorizations, as appropriate and notify third parties concerned;
 - e) inform
 - (1) correspondent banks,
 - (2) registrars and transfer agents of securities, and
 - (3) external asset managers of the bank
 that persons who previously had authorization to give instructions on behalf of the bank involved with respect to dealing in the assets of the bank or assets held in trust by the bank are no longer authorized to give instructions and that only the liquidator and persons authorized by the liquidator have authority to give instructions;
 - f) suspend the payment of capital distributions in general and payment to key management personnel, and significant shareholders, except the compensation that may be paid to directors or key management personnel; and
 - g) any action necessary for the efficient exercise of the powers of the liquidator.
- 5/ A person who willfully interferes with the access of a liquidator to or the control of a liquidator over the offices, assets, books of account and other records of a bank for which that person has been appointed, commits an offence shall be subject to a penalty as provided under Article 89 of this proclamation.
- 6/ The liquidator shall prepare an inventory of assets of the bank that are to be transferred to another bank or liquidated in accordance with sub-article (6) of Article 57 of this Proclamation and make a copy of the inventory available for examination by the public.
- 7/ The liquidator shall take any necessary steps to return all assets held by the bank as a fiduciary to the owners thereof and settle the bank's fiduciary accounts.
- 8/ The liquidator shall provide to every person a statement of claim shown on the bank's records in favor of that person, together with a notice that any objection to the bank's records in that respect may be filed with the liquidator within a specified reasonable period of time.

59. Decision on Claims

- 1/ Within two months after the last day for filing objections specified in the notice referred to in sub-article (8) of Article 58 of this Proclamation, the liquidator shall:
 - a) reject any claim if he doubts the validity thereof;
 - b) determine the amount owed to each depositor and other creditor and the priority classification of the claim under the provisions of Article 61 of this Proclamation;
 - c) prepare a schedule of allowable claims.
- 2/ The liquidator shall publish once a week for three consecutive weeks, in one or more newspapers of wide circulation in every locality where the bank has an office and on the banks' website, a notice of the date and place where the schedule referred to in sub-article 1(c) of this Article shall be available for examination, and the time limit by which any objections to it may be filed.
- 3/ The time limit to be specified in the notice referred to in sub-article (2) of this Article for filing objections may not be less than twenty days from the date of the last publication of the notice.
- 4/ The liquidator shall make all reasonable efforts to notify directly each person whose claim has not been allowed in full, in order to provide to such person the information referred to in sub-article (2) of this Article.
- 5/ The procedure for determining the validity and priority of a claim, liquidation of the asset of a bank, returning the property of a customer of a bank, eligible financial contracts and related issues may be determined by the National Bank directive.

60. Finalization of Schedule of Allowable Claims and Distribution

- 1/ Any depositor or creditor or shareholder of the bank may file an objection to the content of the schedule of allowable claims before the final date for objections announced pursuant to sub-article (2) of Article 59 of this Proclamation.
- 2/ Any objection filed in accordance with sub-article (1) of this Article shall be decided upon by the liquidator within one month of its filing.
- 3/ The liquidator shall finalize the schedule based on the accepted objections, and a copy of the finalized schedule shall be submitted to the National Bank for its approval.
- 4/ As soon as the finalization of the schedule as provided for under sub-article (3) of this Article, the liquidator shall make final distribution in accordance with the provisions of Article 61 of this Proclamation.

61. Priorities in Payment of Claims

- 1/ In any liquidation of the assets of a bank, secured claims, if any, shall be paid in accordance with their terms to the extent of the realization if proceeds are lower than the claim. Other claims shall have priority against the general assets of the bank in the following order:
 - a) remuneration of the liquidator and necessary and reasonable expenses incurred by him in implementing the provisions of this Proclamation; provided, however, that in a case where the National Bank is the liquidator, it shall be reimbursed only the costs it incurred to carry out the business of liquidation;
 - b) creditors who extended new credit to the bank after the appointment of the official administrator or liquidator;
 - c) outstanding salaries and other benefits of non-managerial staff of the bank for the three-month period preceding the effective date of liquidation; provided, however, that such payments may not include:
 - (1) bonuses or payments exceeding the expected and normal amount;
 - (2) payments which have been added in anticipation that the bank would be put under liquidation;
 - d) deposits;
 - e) taxes owed to the Federal and Regional Governments;
 - f) other claims against the bank;
 - g) interest on claims listed under this sub-article, at a rate to be fixed by the liquidator.
- 2/ If the amount available for payment of claims is adequate to pay all claims listed in sub-article (1) of this Article, any remaining valid claims, which were not filed within the prescribed time pursuant to sub-article (8) of Article 58 of this Proclamation, shall be paid.
- 3/ If the amount available for payment for any class of claims listed in sub-article (1) of this Article is insufficient to provide payment in full, the amount available shall be distributed on a pro-rata basis among the claimants within that class.
- 4/ any assets remaining after all claims have been paid shall be distributed among the shareholders in proportion to their ownership share in the bank.

62. Conclusion of Liquidation

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- 1/ Once all assets of the bank have been disposed of in accordance with the provisions of this Proclamation, the liquidator shall prepare an account of the transactions and liquidations carried out under the liquidation, and submit it to the National Bank for approval. The National Bank shall, upon its approval, make the account available for public review.
- 2/ Where the account referred to in sub-article (1) of this Article is made available for public review, the liquidation shall be considered concluded; and the liquidator shall apply for the registration of the bank under liquidation to be cancelled.
- 3/ Unless an action has been filed in accordance with Article 63 of this Proclamation, the liquidator and the National Bank shall be relieved of any liability in connection with the liquidation after thirty days from the date on which the account referred to in sub-article (1) of this Article has been made available for public review.
- 4/ Any funds, in respect of which claims were made and allowed but not collected, shall be deposited with the National Bank; provided, however, that the National Bank shall be relieved of any responsibility to the claimants after five years from the end of the liquidation.
- 5/ A liquidator may abandon the sale of an asset of a bank or donate the asset to a charitable institution that promotes public health or education, where.
 - a) the asset is of an immaterial value;
 - a) the liquidator is unable to sell the asset; or
 - b) the cost of sale of the asset would exceed the amount expected to be received.
- 6/ A creditor of a bank shall not have a claim against an asset identified under sub-article (5) of this Article.

63. Appeal against Actions of Liquidator

- 1/ An appeal against the action of any liquidator may be brought before the Federal High Court within thirty days from the date on which such action has been taken.
- 2/ An appeal under sub-article (1) of this Article may only be brought by:
 - a) persons representing at least twenty five percent of the aggregate amounts of deposits;
 - b) creditors comprising at least fifty percent in value of the aggregate of the claims of creditors other than depositors;

- c) shareholders representing at least twenty five percent in value of the aggregate of the subscribed share capital of the bank.
- 3/ The sole issue to be adjudicated by the court in any such appeal shall be whether the liquidator acted in an arbitrary and capricious manner in discharging his functions according to the provisions of this Proclamation.
- 4/ The court may require the liquidator to pay compensation if it determines that he has acted in an arbitrary and capricious manner; provided, however, that the action being challenged may not be reversed.
- 5/ If the court determines that the liquidator has not acted in an arbitrary and capricious manner, it shall order the persons who have brought the action to pay the costs incurred by the liquidator in defending the action.

64. Voluntary Liquidation

- 1/ A bank shall not enter into voluntary liquidation without resolution of general meeting of its shareholders as per relevant laws and prior written approval by the National Bank.
- 2/ Voluntary liquidation of a bank shall only be approved by the National Bank in special cases as determined by the National Bank directive.
- 3/ For the purpose of this Article, a bank, subject to approval by the National Bank, may act as liquidator or may appoint any other person fulfilling the requirements to be determined by the National Bank.
- 4/ A bank requesting for voluntary liquidation shall have sufficient assets to repay its depositors and other creditors in full at the time of initiating voluntary liquidation.
- 5/ A bank planning to undergo voluntary liquidation shall develop and submit detailed liquidation plan to the National Bank, and the plan shall at a minimum contain procedures for identifying, valuing and disposing the bank's asset, a timeline for settling all liabilities (including deposits, creditor claims and employee compensation) and others to be determined by the National Bank.
- 6/ When the National Bank approves voluntary liquidation of a bank:

- a) the National Bank shall immediately revoke its banking business license, but the bank shall continue as legal entity by adding the phrase “Under Liquidation” to its name until the liquidation process is completed; and
 - b) the bank shall cease its operations and exercise its powers only to activities necessary for its orderly liquidation.
- 7/ A bank, within one week from the receipt of approval from the National Bank, shall publish a notice of voluntary liquidation in a newspaper of wide circulation in Ethiopia and communicate same to the public via other reasonable means as may be necessary to notify to every depositor and creditor, or persons entitled to any funds or property held by the bank as a trustee, fiduciary, lessor or safe deposit box.
 - 8/ Approval issued by National Bank for the voluntary liquidation of a bank shall not stop effecting of the regular payments to the rightful depositors or others creditors in full of a claim, nor handing over of the funds or property held by the bank as a trustee, fiduciary, lessor or safe deposit box to the rightful owners.
 - 9/ A bank shall settle all lawful claims promptly within a maximum period to be set by the National Bank directive and in line with Article 61 of this Proclamation.
 - 10/ A bank shall prepare and submit periodic progress and final liquidation report and shall secure written approval from the National Bank at the end of the liquidation process.
 - 11/ The National Bank, before approving the liquidation report, shall conduct detailed examination on liquidation process of the bank and ensure that it is done in line with this Proclamation and directive issued by the National Bank.
 - 12/ A bank shall sign undertaking that it has settled all lawful claims promptly in line with Article 61 of this Proclamation.
 - 13/ Any fund payable to a depositor or other creditor that has not been claimed shall be deposited with the National Bank within two months from the date of approval of the liquidation report.
 - 14/ Any fund or property not claimed within seven years from the date of transfer to the National Bank shall be assumed to be abandoned.
 - 15/ Additional conditions and requirements on voluntary liquidation of a bank may be specified by National Bank directives.

65. Applicability of Other Laws

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The provisions of the Commercial Code and other relevant laws shall be applicable with respect to official administration and liquidation of banks in so far as they are not inconsistent with the provisions of this Part.

PART ELEVEN **MISCELLANEOUS PROVISIONS**

66. Establishment of Subsidiary

- 1/ The National Bank may allow a bank to establish a subsidiary.
- 2/ The conditions and requirements under which a bank may establish subsidiary shall be determined by a directive issued by the National Bank.

67. Establishment of a Specialized Bank

- 1/ The National Bank may allow for the establishment of a specialized bank; or conversion from/to a specialized bank.
- 2/ Specialized banks are required to comply with relevant banking laws and regulation as appropriate.
- 3/ Without prejudice to the provisions of this Proclamation; the National Bank may issue directive to prescribe conditions and requirements for the licensing, supervision and areas of business operation of a specialized bank.

68. Insolvent Bank

Any bank may not accept deposits while it is insolvent.

69. Engagement in Non-Banking Undertakings

- 1/ A bank shall not engage in non-banking undertaking.
- 2/ Notwithstanding the provisions of the above sub-article, the National Bank may allow banks to engage in non-banking undertaking on exceptional basis subject to specific conditions to be determined by National Bank directive.

70. Examination Fee

The National Bank, in accordance with a directive to be issued for this purpose, may require banks under its supervision to cover the cost of off-site and on-site examination.

71. Unclaimed Liabilities

- 1/ A bank holding any account of liabilities which have not been claimed, the principal balance of which has not increased or decreased, for which pass-book or other records have not been presented or any correspondence has not been made, for fifteen consecutive years shall transfer the fund in such account to the National Bank.
- 2/ The National Bank shall determine by directive, the minimum amount of fund to be transferred to it in accordance with sub-article (1) of this Article and the procedures to be followed by banks in transferring such funds.
- 3/ A bank shall, upon the date of transferring unclaimed liabilities to the National Bank in accordance with sub-article (1) of this Article, be fully relieved of such liabilities.
- 4/ If claimed by any rightful person, the National Bank shall pay to such person full amount of the claim transferred to it under sub-article (1) of this Article; provided, however, that it shall pay no interest on such claims.
- 5/ The National Bank shall determine by a directive the use of funds transferred to it under sub-article (1) of this Article and not claimed by the rightful persons.

72. Know-Your-Customer Standards

The National Bank may issue a directive prescribing standards on a bank's due diligence in knowing its customers and reporting of suspicious transactions.

73. Relation Between Banks and Insurance Companies

- 1/ Transactions, including the provision of loans, the acceptance of deposits and the provision of banking and insurance services, between a bank and an insurance company shall be undertaken on the same terms and conditions as provided to any other person.
- 2/ The National Bank may issue, from time to time, a directive that governs relationships between a bank and an insurance company.

74. Security Measures and Data Management

- 1/ In order to protect the confidentiality, integrity, and availability of customer data, a bank shall implement and maintain a comprehensive data security program, including:
 - a) maintenance of appropriate physical, logical, and administrative safeguards to prevent unauthorized access, disclosure, alteration, or destruction of customer data;
 - b) maintenance of standard disaster-recovery site; and
 - c) regularly conducting security assessments and penetration testing to identify and address vulnerabilities in the bank's system.

- 2/ The National Bank may determine through a directive minimum security measures to be taken on a bank's physical premise and its database, ownership of customer's data and manner of storage of customer's information.

75. Investment in Fixed and Financial Assets

Maximum limit, composition and other conditions of investment in fixed and financial assets by a bank may be determined by the National Bank directive.

76. Advertisement by a Bank

- 1/ The National Bank may, at any time, direct a bank to withdraw, amend, or refrain from issuing radio or television announcement, digital advertisement, a poster, billboard, brochure, circular, or other document, and advertisement in a newspaper or magazine that it considers to be false, misleading, deceptive, or offensive, and/or detrimental to the safety and soundness of a bank or banking system.
- 2/ Without prejudice to sub-article (1) of this Article, other conditions of advertisement by a bank may be determined by the National Bank directive.

77. Loan and Foreign Currency Portfolio Limits

The National Bank may issue a directive on loan and foreign currency portfolio allocation limits of a bank.

78. Cross Border Borrowing, Lending and Investment

- 1/ A bank may be allowed to borrow from foreign sources, and conditions for such borrowings shall be determined by the National Bank directive.
- 2/ A bank, unless permitted exceptionally by the National Bank, shall not engage in cross border lending or investment activities.

79. Outsourcing Banking Activities

The minimum conditions and requirements for outsourcing of activities by a bank shall be determined by the National Bank directive.

80. Accessibility and Suitability of Banking Services to Persons with Disabilities

- 1/ A bank may provide accessible and suitable banking services to customers with disabilities.
- 2/ The National Bank may issue a directive to ensure accessibility and suitability of banking services to persons with disabilities.

81. Interest Free Banking

- 1/ Without prejudice to the requirements specified under the provisions of this Proclamation, the National Bank may issue directive to prescribe additional conditions and requirements for the licensing and supervision of an interest free bank and for the regulation of interest free banking, deposit mobilizations and fund utilizations by an interest free bank and a bank providing interest free banking service through window.
- 2/ Notwithstanding the provisions of the above sub-article, the National Bank may issue directive for regulating the overall sharia governance framework of interest free banking business, including establishment of central sharia board.

82. Protection of Financial Service Consumers

Minimum conditions for financial service consumers' protection by banks and other related issues may be determined by the National Bank directive.

83. Domestic and Cross-Border Cooperation

- 1/ The National Bank, in consultation with relevant government bodies as appropriate, may conclude an agreement with domestic or foreign regulatory, resolution, or monetary authority for the purpose of coordinating, cooperating, and exchanging information concerning any of the following matters:
 - a) information necessary for the licensing, consolidated supervision, early intervention measures, and the resolution of a bank;
 - b) performing examination at a foreign bank branch or subsidiary licensed by the National Bank, or the branch or subsidiary of an Ethiopian bank abroad;
 - c) taking seat in supervisory colleges;

- d) coordination or prior notification before taking in respect of any bank or branch any action that may affect the fulfilment of the duties of the National Bank or a counterpart authority; and
 - e) the coordination of measures by the National Bank and its counterpart authorities to manage a financial crisis.
- 2/ Any information received from or shared with a domestic or foreign authority may only be used for the purpose that such information is provided for.
- 3/ The National Bank may not disclose any confidential information received from a foreign authority to any other body without the prior consent of the foreign authority, unless such disclosure is required by law or ordered by court or to protect the National Bank's interests in legal proceedings.

84. Adoption of International Banking Supervision Principles and Standards

The National Bank may issue directives to adopt Basel Committee for Banking Supervision Principles and Standards; and other international standards on banking supervision that are supposed to enhance safety, soundness and stability of Ethiopian banking system.

85. Publication of Information

The National Bank may publish, in whole or in part, in such form and at such time as it may consider fit, any information or data furnished or collected under this Proclamation; provided, however, that no information or data may be published that might disclose the particular affairs of a bank or of a customer of a bank, unless such publication is in the interest of strengthening the financial soundness of the banking system.

86. Protection of Board Member, Employee, and Agents of the National Bank from Personal Liability

- 1/ Any board member, employee or agent of the National Bank may not be subject to any personal liability, action or any other claim for their bona fide acts done for the purpose of carrying out this Proclamation and other laws related to the authority and functions of the National Bank. This provision equally applies to any former Governor, Vice Governor, Board member, employee or agent of the National Bank.
- 2/ For the purposes of this article, abovementioned persons will be entitled to be indemnified for legal expenses incurred by them while defending against a lawsuit or

claim for their actions or inactions in the discharge of their duties, provided that no final court ruling has ascertained they did not act in a bona fide manner.

87. Compensation of Bank Executives

In order to address imprudent and risky behaviour and ensure safety and soundness of banks, the National Bank, through a directive, may regulate the governance, arrangement and structure of bank executive's compensation.

88. Implementation of Regulatory Sandbox

- 1/ With the objective of fostering financial innovation and promoting financial inclusion, the National Bank may establish and implement a regulatory sandbox framework that will enable testing and introduction of new and innovative banking services and products to the market.
- 2/ The National Bank may issue a directive to determine eligibility criteria, application process, and other additional conditions for participation in the regulatory sandbox.

89. Penalties

- 1/ Any person who contravenes the provisions of sub-article (1) of Article 3 of this Proclamation shall be punished with a fine of Birr 20,000 in respect of each day on which the contravention continues and with a rigorous imprisonment from 10 to 15 years.
- 2/ Any person who, having been called upon by the National Bank under sub-article (5) of Article 3 of this Proclamation, and fails or refuses to submit the documents described therein shall be punished with a fine from Birr 50,000 to Birr 100,000 and with a rigorous imprisonment from 7 to 10 years.
- 3/ Where the offence under sub-article (1) or (2) of this Article is committed by a legal entity, the penalty of imprisonment shall be imposed on the relevant official/s of the bank.
- 4/ Any person who contravenes the provisions of sub-article (1) or (2) of Article 16 or Article 17 of this Proclamation shall be punished with a fine from Birr 50,000 to Birr 100,000 and with a rigorous imprisonment from 10 to 15 years.

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- 5/ Any director of a bank who contravenes the provisions of sub-article (6) of Article 28 of this Proclamation shall be punished with a fine from Birr 50,000 to Birr 100,000 and with a rigorous imprisonment from 7 to 10 years.
- 6/ Any director or employee of a bank who:
- a) obstructs the proper performance by an auditor of his duties in accordance with the provisions of this Proclamation or examination of a bank by an examiner duly authorized by the National Bank; or
 - b) with intent to deceive, makes any false or misleading statement or entry or omits any statement or entry that should be made in any book, account, report or statement of a bank;
 - c) knows or ought to know the insolvency of the bank and receives or authorizes or permits the acceptance of a deposit;
- shall be punished with a fine from Birr 50,000 to Birr 100,000 and with a rigorous imprisonment from 10 to 15 years.
- 7/ Any person who contravenes or obstructs the provisions of this Proclamation or regulations or directives issued to implement this Proclamation shall be punished with a fine up to Birr 50,000 and with an imprisonment up to 3 years.

90. Power to Issue Regulations and Directives

- 1/ The Council of Ministers may issue regulations necessary for the implementation of this Proclamation.
- 2/ The National Bank may issue directives necessary for the implementation of this Proclamation and regulations issued pursuant to sub-article (1) of this Article.

91. Transition Provision

Notwithstanding the provisions of this proclamation, Foreign Nationals of Ethiopian Origin who have acquired shares in bank in accordance with the Banking Business Proclamation No 592/2008 (As amended by Proclamation No 1159/2019) shall be entitled to be treated as a domestic investor, in accordance with relevant laws.

92. Saving Provision

Existing directives issued by the National Bank under the Banking Business Proclamation No. 592/2008 (as amended by Proclamation No. 1159/2019) and other relevant laws will remain in effect, provided they do not contradict with the provisions of this Proclamation. These directives will continue to apply until necessary amendments are made accordingly.

93. Repealed and Inapplicable Laws

- 1/ The Banking Business Proclamation No. 592/2008 and Banking (Amendment) Proclamation No. 1159/2019 are hereby repealed.
- 2/ Issues related to bank in sub-article 4(1) of the Investment Regulation No. 474/2020 are hereby repealed.
- 3/ No law, regulation, directive or practice may, in so far as it is inconsistent with the provisions of this Proclamation, be applicable with respect to matters provided for by this Proclamation.
- 4/ Without prejudice to the provisions of sub-article (3) of this Article, nothing in this Proclamation shall be construed so as to relieve a bank from compliance with the provisions of the Commercial Code, the Public Enterprises Proclamation or other relevant laws, as appropriate.

94. Effective Date

This Proclamation shall enter into force up on the date of publication in the Federal Negarit Gazeta.

Done at Addis Ababa, this _____th day of _____, 2024

SAHLEWORK ZEWDE

PRESIDENT OF THE FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA

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