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NATIONAL BANK OF ETHIOPIA

ADDIS ABABA

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NATIONBANK
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PLEASE ADDRESS ANY REPLY TO
P.O. BOX 5550
ADDIS ABABA

Licensing and Supervision of Banking Business
Minimum Capital Requirement for Banks
Directives No. SBB/50/2011

WHEREAS, it has become necessary to raise the minimum capital required to establish a new bank so that the newly established bank can compete successfully with existing banks;

WHEREAS, it is known that as banks expand their business they must maintain a level of capital commensurate with the volume of their business to withstand adverse operational results;

NOW, THEREFORE, in accordance with Articles 18(1) and 59(2) of Proclamation No. 592/2008, the National Bank of Ethiopia has issued these directives.

1. **Short Title**

These directives may be cited as "Minimum Capital Requirement for Banks No. SBB/ 50/2011"

2. Definitions

For the purpose of these directives, unless the context provides otherwise:

2.1 "existing banks" refers to banks licensed by the National Bank of Ethiopia before the effective date of these directives;

2.2 "a bank under formation" means a banking share company under formation which fulfills all of the following as of the effective date of these directives:

a) its capital has been fully subscribed,

b) collected in cash from its founding shareholders a minimum capital of Birr75 million (Birr seventy five million) and deposited in an existing bank in the name and to the account of the bank under formation,

c) held its founding shareholders general meeting which elected board of directors and approved articles and memorandum of associations, and

d) submitted final application for banking business to the National Bank of Ethiopia.

3. Scope of Application

These directives shall be applicable to existing banks and applicants for new banking business including those under formation.

4. Minimum Paid-up Capital

4.1 The minimum paid up capital required to obtain a banking business license shall be Birr 500 million (birr five hundred million), which shall be fully paid in cash and deposited in a bank in the name and to the account of the bank under establishment.

4.2 Existing banks whose paid up capital is below Birr 500 million (birr five hundred million) shall raise their paid-up capital to the said amount by June 30, 2016. Such banks are required to submit action plan for capital increase to the National Bank of Ethiopia within 30 days after the effective date of these directives.

4.3 Banks under formation are required to comply with sub article 1 of this article within five years after commencement of banking operation.

4.4 Notwithstanding the provisions of sub-article 2 of this article, all licensed banks shall at a minimum maintain capital to risk weighted assets ratio of 8% at all times.

5. Sanctions

If a licensed bank fails to comply with the minimum paid up capital requirements specified under article 4 of these directives, the National Bank of Ethiopia may:

5.1 Prohibit such bank from accepting new deposits, underwriting new loans and conducting international banking business until the deficiency in capital is corrected;

5.2 Require such bank to merge with another bank;

5.3 Close such bank; or

5.4 Take any other measures it considers fit.

6. Repeal

Minimum paid up capital to be maintained by banks Directives Number SBB/24/99 is hereby repealed and replaced by these Directives.

7. Effective Date

These Directives shall enter into force as of 19th day of September 2011.

TEKLEWOLD ATNAFU
GOVERNOR

NATIONAL BANK OF ETHIOPIA