የኢትዮጵያ የተቀማጭ ገንዘብ መድን ፈንድ
Ethiopian Deposit Insurance Fund
Cellphone 0921421531

EDIF/011/2023
July 4, 2023

All Commercial Banks
All Microfinance Institutions
Addis Ababa/Ethiopia

Subject: **Directive No. EDIF/01/2023**

Enclosed herewith, please find "**Initial and Annual Premium Contribution of Member Financial Institutions Directive No. EDIF/01/2023**" for your information and strict implementation.

Sincerely yours,

Merga Wakweya
Chief Executive Officer

Ethiopian Deposit InSurance Fund

CC:

- **H.E. The Governor**
- **Vice Governors**
- **Banking Supervision Directorate**
- **Microfinance Institutions Supervision Directorate**
  National Bank of Ethiopia
- **Ethiopian Bankers Association**
- **Association of Ethiopian Microfinance Institution**
  Addis Ababa

Ethiopian Deposit Insurance Fund

Initial and Annual Premium Contribution of Member Financial Institutions

Directive No. EDIF/01/2023

Whereas, the introduction of a deposit insurance fund as an additional element of a financial safety net boosts the confidence of depositors and contributes to the stability of a financial system;

Whereas, a deposit insurance fund contributes to financial stability when it has a strong financial position to timely refund or reimburse insured depositors of a failed member financial institution;

Now, therefore, in accordance with sub-articles 16 (1), 16 (1, 3, and 5), 24 (3) and 32 of the Establishment and Operation of Ethiopian Deposit Insurance Fund Council of Ministers Regulation No.482/2021, the Ethiopian Deposit Insurance Fund has issued this Directive.

1. Short Title

This Directive may be cited as "**Initial and Annual Premium Contribution of Member Financial Institutions Directive No. EDIF/01/2023.**"

2. Definitions

2.1. "Commercial Bank" means a company or a Government owned public enterprise licensed by the National Bank of Ethiopia to engage in commercial banking business;

2.2. "Conventional Banking Deposits" means deposits mobilized based on interest or in manner consistent with conventional banking principles and practices;

2.3. "Existing Financial Institution" means a commercial bank or a microfinance institution that is in operation, or that is licensed by the National Bank of Ethiopia but has not started operation on the effective date of this directive.

2.4. "Financial Institution" means a commercial bank or a microfinance institution licensed by the National Bank of Ethiopia;

2.5. "Financial Year" means the financial year of a financial institution running from July 1st to June 30th of the following year;

Ethiopian Deposit Insurance Fund

2.6. "Interest-Free Deposits" means deposits mobilized in a manner consistent with Islamic Law or Sharia Principles, including investment accounts, and through full-fledged or window-based interest-free banking;

2.7. "Member Financial Institution" means a financial institution that accepts deposits from general public, and required to pay premium to the Fund;

2.8. "Microfinance Institution" means a microfinance institution licensed by the National Bank of Ethiopia;

2.9. "Total Deposits" means the sum of demand/current deposits, saving deposits, and time deposits, or the sum of conventional and interest-free deposits of a financial institution;

2.10. "The Fund" means the Ethiopian Deposit Insurance Fund;

3. Scope of Application

This Directive shall be applicable to all financial institutions licensed by the National Bank of Ethiopia.

4. Membership Agreement

4.1. An existing financial institution shall sign a membership agreement with the Fund in the form attached to this Directive (**Attachment I**) and deliver it to the Fund not later than 30 days from the effective date of the Directive.

4.2. A financial institution that will be licensed after the effective date of this Directive shall sign the membership agreement and deliver it to the Fund not later than 30 days from the date it obtains its business license.

5. Initial Premium Contribution

5.1. A member financial institution shall pay to the Fund an initial premium of zero point zero four percent (0.04%) of the institution's total deposits reported to the National Bank of Ethiopia for the quarter of March 2023.

5.2. Notwithstanding sub-article 5.1 of this Article:

a) an existing commercial bank with total deposits of less than Birr 8.3 billion or a commercial bank that will be licensed after the effective date of this Directive shall pay to the Fund an initial premium of Birr 2,420,000 (two million four hundred and twenty thousand Birr); and



b) an existing microfinance institution with total deposits of less than Birr 75 million or a microfinance that will be licensed after the effective date of this Directive shall pay to the Fund an initial premium of Birr 30,000 (thirty thousand Birr).

5.3. A member financial institution shall pay an initial premium contributed from its:

a) conventional banking deposits to the Fund's account opened and maintained at the National Bank of Ethiopia for this purpose; and

b) interest-free deposits to the Fund's account opened and maintained at the National Bank of Ethiopia for this purpose.

5.4. A member financial institution shall pay its initial premium contribution computed in line with sub-articles 5.1, 5.2 and 5.3 of this Article in three installments as set out below:

a) fifty percent (50%) of the initial premium up until the end of the month of July 2023;

b) twenty-five percent (25%) of the initial premium up until the end of the month of July 2024; and

c) the remaining twenty-five percent (25%) of the initial premium up until the end of the month of July 2025.

5.5. Notwithstanding sub-article 5.4 of this Article:

a) an existing financial institution that is required to pay a total initial premium of Birr 100,000 (One Hundred Thousand Birr) or below shall pay the total amount of required premium at once up until the end of July 2023;

b) a commercial bank that will be licensed after the effective date of this Directive shall pay its initial premium, consistent with sub-article 5.4 of this Article, in three-year installments starting from the day it commences operation; and

c) a microfinance institution that will be licensed after the effective date of this Directive shall fully pay its total initial premium on the date it commences operation.

5.6. In line with sub-articles 5.1 to 5.5 of this Article, the Fund shall compute the initial premium to be paid by:

d) an existing financial institution and shall serve a notice to that effect until July 15, 2023;

e) a financial institution that will be licensed after the effective date of this Directive and shall serve a notice to that effect within 5 days after the institution receives its business license.

Ethiopian Deposit InSurance Fund

5.7. Notwithstanding with sub-article 5.6 (a and b) of this Article, a member financial institution having complaint on the computation of initial premium may lodge its complaint to the Fund in three working days after receiving the notice, and the Fund shall investigate the complaint and provide feedback in three working days after the receipt of the complaint.

5.8. After obtaining the notice or instruction of the Fund in line with sub-article 5.6 (a and b) of this Article, a member financial institution shall effect the payment of the initial premium in line with the payment schedule specified under sub-article 5.4 and 5.5 of this Article and submit its deposit slip to the Fund within 15 working days after the premium payment due date.

6. Annual Premium Contribution

6.1. Each financial year, in line with sub-article 16(5) of the Establishment and Operation of Ethiopian Deposit Insurance Fund Regulation, a member financial institution shall pay to the Fund an annual premium of zero point three percent (0.3%) of the institution's average total deposits computed based on deposit balances of four quarters reported to the National Bank of Ethiopia during the previous financial year.

6.2. Notwithstanding sub-article 6.1 of this Article, if a member financial institution is operated for less than a financial year, the calculation of annual premium shall be made using the average of deposit balances of only the quarters in which the member financial institution was in operation.

6.3. Each financial year, a member financial institution shall pay its annual premium contribution computed in line with sub-article 6.1 and 6.2 of this Article in four installments and in the following manner:

a) twenty percent (20%) of the annual premium up until the end of the month of September;
b) twenty percent (20%) of the annual premium up until the end of the month of December;
c) thirty percent (30%) of the annual premium up until the end of the month of March; and
d) the remaining thirty percent (30%) of the annual premium up until June 15.

6.4. A member financial institution shall pay annual premium contributed from its:

a) conventional banking deposits to the Fund's account opened and maintained at the National Bank of Ethiopia for this purpose; and
b) Interest-free deposit to the Fund's account opened and maintained at the National Bank of Ethiopia for this purpose.

Ethiopian Deposit InSurance Fund

6.5. In line with sub-article 6.1 to 6.4 of this Article, the Fund shall compute annual premium to be paid by a member financial institution and provide annual premium payment schedule notice to each member financial institution until the end of the month of August of each financial year.

6.6. Notwithstanding with article 6.5 of this Article, a member financial institution having complaint on the computation of annual premium may lodge its complaint to the Fund in three working days after receiving the notice, and the Fund shall investigate the complaint and provide feedback in three working days after the receipt of the complaint.

6.7. After obtaining the notice or instruction of the Fund in line with sub-article 6.5 of this Article, a member financial institution shall effect the payment of the periodic annual premium installments in line with the payment schedule specified under sub-article 6.3 of this Article and submit its deposit slip to the Fund within 15 working days after the premium payment due date.

7. Penalty

7.1. A member finance institution that fails to comply with a provision of this Directive shall be penalized with a fine of Birr 10,000 (Ten Thousand Birr) and shall be subjected to a daily penalty of Birr 1,000 (One Thousand Birr) for the period the institution continues to violate the provision.

7.2. Notwithstanding sub-article 7.1 of this Article, a member financial institution that violates sub-article 5.8 of this Directive and fails to pay its initial premium and default for more than thirty (30) consecutive days shall pay a default penalty assessed at the National Bank of Ethiopia's short term-loan facility rate, computed on the unpaid amount and for the period the amount remained unpaid.

7.3. Notwithstanding sub-article 7.2 of this Article, the default penalty for premiums related to interest-free deposits is computed based on the maximum cost that the defaulting institution is charging on its Murabaha financing.

7.4. The Fund may issue waiver of penalty by taking into account the explanations or justifications provided by a member financial institution that contravenes the provisions of this Directive.

8. <u>Effective Date</u>

This Directive shall be effective as of the **4th day of July 2023**.

Merga Wakweya
Chief Executive Officer

Ethiopian Deposit InSurance Fund

Attachement-1: Membership Agreement/Contract

Ethiopia Deposit Insurance Fund
Membership Agreement/Contract

This membership agreement is entered into by and between:

The **Ethiopian Deposit Insurance Fund (hereinafter, "the Fund")**, hereby represented by its Chief Executive Officer, as appointed in accordance with article 13 of the "Establishment and Operation of Ethiopian Deposit Insurance Fund Council of Ministers Regulation No.482/2021" (hereinafter, the "Regulation"), and

The **Member Financial Institution**, as identified in the end of this document, a licensed financial institution hereby represented by its Chief Executive Officer, President or General Manager, and is governed by the following clauses:

1. The Member Financial Institution hereby undertakes to participate in the Ethiopian Deposit Insurance Fund, in accordance with the provisions set forth in the Regulation.

2. The Member Financial Institution agrees to abide by the Regulation, and all the Directives to be issued by the Fund, including, but not limited to, those related to the payment of premiums, reporting requirements and engagement in public awareness activities.

3. The Member Financial Institution hereby authorizes the Fund to exchange, with the National Bank of Ethiopia, any information regarding the Member Financial Institution,

Ethiopian Deposit InSurance Fund

provided, however, that the Fund shall maintain confidentiality of information about the Member Financial Institution it received from the National Bank of Ethiopia.

4. The Member Financial Institution shall notify in writing any change of its name, brand or logo and address to the Fund.

5. The Member Financial Institution shall assign its contact person and inform the Fund in writing, and immediately replace and notify the Fund in case the assigned contact person has been changed for any reason.

6. The Fund shall timely provide feedback to any explanation or assistance request of a Member Financial Institution, and cooperate with the Institution to ensure proper implementation of the Regulation and Directives issued by the Fund.

7. This agreement shall enter into force on the date of its signature, and shall remain in force for an indefinite period of time, until (i) expressly replaced by a new agreement regulating the Member Financial Institution's membership with the Fund or (ii) it is terminated in accordance with Article 25 of the Regulation.

8. This agreement is executed in two copies of identical content.

The Member Financial Institution:

Name of the Member Financial Institution	
Address of the Institution	
Name of Contact Person	
Address of Contact Person	

Ethiopian Deposit InSurance Fund

For **Member Financial Institution**

Name: _____

Position: _____

Signature: _____

Date: _____

Stamp:

For **Ethiopian Deposit Insurance Fund**

Name: _____

Position: _____

Signature: _____

Date: _____

Stamp:

Witnesses

1. Name _____

   Address _____

   Signature _____

2. Name _____

   Address _____

   Signature _____

