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NATIONAL BANK OF ETHIOPIA
ADDIS ABABA

LICENSING AND SUPERVISION OF
The BUSINESS OF CAPITAL GOODS FINANCE COMPANIES

Minimum Paid Up Capital Requirement Directives No. CGFB/07/2017

(2nd replacement)

Whereas, promoting strong and viable capital goods finance companies in the country is essential for supporting investment in all businesses;

Whereas, there is a need to ensure the smooth and sustainable operation of capital goods finance companies in a manner that best supports the activities of enterprises and other lessees;

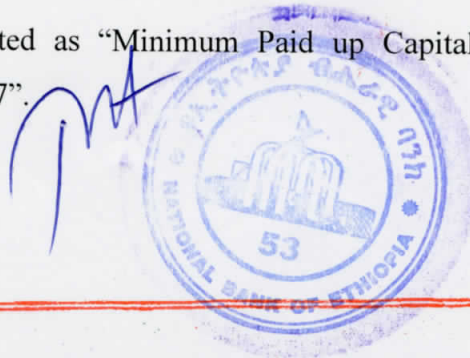
Whereas, capital goods finance business by its nature is capital intensive business;

Whereas, there is a need to set a minimum paid up capital requirement for capital goods finance companies that is proportional to the type of market segment they address and also the level of capital goods finance that they make;

Now, therefore, pursuant to the authority vested in it under article 4 (4)(c) of the Capital Goods Leasing Business (Amendment) Proclamation No.807/2013 and article 18 (4) of Capital Goods Leasing Business Proclamation No. 103/1998 as amended by article 6 of the Capital Goods Leasing Business (Amendment) Proclamation No.807/2013, the National Bank has issued these directives.

1. **Short Title**

These directives may be cited as “Minimum Paid up Capital Requirements Directives No. CGFB/07/2017”.



2. **Definition**

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

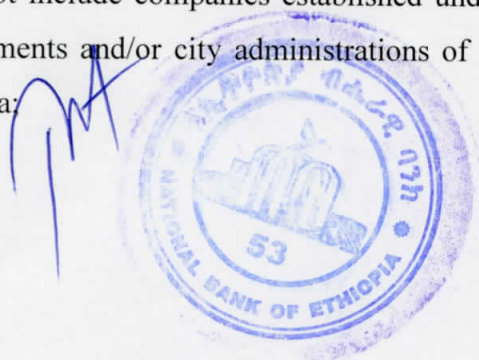
- 2.1 “**Company**” means a capital goods finance company licensed by the National Bank;
- 2.2 “**Capital Goods Finance**” includes financial lease and hire-purchase;
- 2.3 “**Lessee**” means a person who, under a lease agreement, obtains capital goods from a lessor and has the right to use the capital goods, against payment of rent for an agreed period of time;
- 2.4 “**National Bank**” refers to the National Bank of Ethiopia.

3. **Scope of Application**

The provisions of these directives shall be applicable on all capital goods finance companies licensed by the National Bank.

4. **Minimum Paid-up Capital**

- 4.1 The minimum initial paid up capital required to establish a company that targets lessees having capital goods finance requirement up to Birr 1,000,000 (Birr one million) per single lessee and to obtain a capital goods finance business license shall be **Birr 200,000,000 (Birr two hundred million)**.
- 4.2 The minimum initial paid up capital required to establish a company that targets lessees having capital goods finance requirement not exceeding Birr 30,000,000 (Birr thirty million) and to obtain a capital goods finance business license shall be **Birr 400,000,000 (Birr four hundred million)**.
- 4.3 Notwithstanding the provision stated above, a capital goods finance company to be formed in line with the provision stated under article 4.2 of these directives shall not include companies established under the equity investment of regional governments and/or city administrations of the Federal Democratic Republic of Ethiopia:



4.4 The minimum initial paid up capital requirements set out under article 4.1 and 4.2 of these directives shall be fully paid in cash and deposited in a bank in the name and to the account of the capital goods finance company under formation.

4.5 A company under formation that has completed at a minimum the pre-application phase of the licensing procedure as of the effective date of these directives and that intends to serve lessees having a capital goods finance requirement not exceeding Birr 30,000,000 (Birr thirty million) may be established with a minimum paid up capital of Birr 200,000,000 (Birr two hundred million). However, such company shall comply with article 4.2 of these directives and meet the minimum paid up capital requirement of Birr 400,000,000 (Birr four hundred million) within two years after commencement of operation while serving lessees having capital goods finance requirement not exceeding Birr 30,000,000 (Birr thirty million) as set out in the relevant National Bank directives.

5. **Sanction**

If a licensed company fails to comply with the minimum paid up capital requirements specified under article 4.2 of these directives, the National Bank may:

5.1 require such company to serve only lessees having a capital goods financing requirement up to Birr 1,000,000 (Birr one million);

5.2 temporarily suspend the license;

5.3 require such company to merge with another company;

5.4 close such company;

5.5 take any other measures that it considers necessary.

6. **Repeal**

Minimum Paid up Capital Requirement Directive No. CGFB/01/2013 is hereby repealed and replaced by these directives.

7. **Effective Date**

These directives shall be effective as of the 12th day of June 2017.


TEKLEWOLD ATNAFU
GOVERNOR

