



**LICENSING AND SUPERVISION OF**  
**THE BUSINESS OF MICROFINANCE INSTITUTIONS**  
**Investment in Equities of Allied Activities Directives No. MFI/24/2013**

**Whereas**, investment related activities of microfinance institutions require sound and prudent practices to effectively manage risks;

Now, therefore, in line with the powers vested in it by article 27(2) of Micro-financing Business Proclamation No. 626/2009, the National Bank of Ethiopia has issued these directives.

**1. Short Title**

These directives may be cited as “Investment in Equities of Allied Activities Directive No. MFI/24/2013”.

**2. Definitions**

For the purpose of these Directives:

**2.1 “agriculture”** means business that includes cultivating soil, producing crops, raising livestock, bee-keeping, fishery and other related activities;

**2.2 “capital goods finance business”** refers to a leasing business in which the lessor provides a lessee with the use of a specified capital goods, against payment of mutually agreed installments over a specified period, on the basis of financial lease or hire purchase lease agreement;

**2.3 “financial infrastructure”** refers technological platforms and services that include recording, clearing and settlement of payments, securities, and other financial transactions;

**2.4 “interest free banking business”** refers to a banking business offered through interest free banking window, which is a unit within a conventional microfinance institution exclusively offering interest free banking services;

**2.5 “microfinance institution”** refers to a company licensed by the National Bank to undertake micro financing business;

**2.6 “National Bank”** refers to the National Bank of Ethiopia;

**2.7 “restricted investment account”** means an account in which restrictions are placed by the account holder on where, how and for what purpose the funds placed in the account can be invested.

### **3. Investment in Allied Activities**

3.1 Microfinance institutions are not allowed to invest in allied activities or business areas other than the following:

- a) banks, insurance companies, and other financial institutions as may be defined by the National Bank;
- b) warehousing and other pre/post harvest facilities;
- c) agricultural inputs and farm equipment distribution;
- d) trucking and transportation of agricultural products; and
- e) other activities as may be determined by the National Bank.

3.2 The equity investment of a microfinance institution in any single enterprise engaged in allied activities listed under sub article 1 of this article shall not exceed three percent (3%) of the total capital of the microfinance institution.

3.3 A microfinance institution’s equity participation in all allied activities listed under sub article 1 of this article shall not exceed ten percent (10%) of the total capital of the institution.

### **4. Exemptions**

The prudential limits set under article 3 of these directives shall not apply to equity investments made in:

- 4.1 businesses related to financial infrastructure;
- 4.2 companies engaged in capital goods finance business; and
- 4.3 interest free baking business funded by restricted investment account.

### **5. Reporting Requirement**

Every microfinance institution shall report, on quarterly basis, to the National Bank its investment activities as per the format attached to these directives.

### **6. Repeal**

Investment in Equities of Allied Activities Directive No. MFI/06/96 is hereby repealed and replaced by these Directives.

### **7. Effective Date**

These Directives shall enter into force as of the 1<sup>st</sup> day of October 2013.

**NATIONAL BANK OF ETHIOPIA**  
**Investment Activities Reporting Format (Quarterly)**

**Name of the Institution:** \_\_\_\_\_

**Investment Activities Reporting Format (Quarterly):** \_\_\_\_\_

**Period Ending:** \_\_\_\_\_

No.	List/Description of Investment per Entity	Amount of Equity Investment	% of Total Capital
1.	<b>Investment in Allied Activities</b>		
1.1	(Name of the enterprise)		
1.2			
1.3			
	<b>Sub Total 1</b>		
2	Investments in capital goods lease finance business or interest free banking business		
2.1	Equity investments made in capital goods finance companies		
	<b>Sub Total 2</b>		
	<b>Grand Total</b> (sub Total 1+ subtotal 2)		

Authorized Signature \_\_\_\_\_