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NATIONAL BANK OF ETHIOPIA
ADDIS ABABA

**LICENSING AND AUTHORIZATION OF PAYMENT INSTRUMENT
ISSUER AND PAYMENT SYSTEM OPERATOR**

**Manner of Equity Investment by Foreign Nationals of Ethiopian Origin
and Organizations in Payment Instrument Issuance & Payment System
Operator Directive No.ONPS/04/2021**

Whereas, Foreign Nationals of Ethiopian Origin or Organizations have been allowed to invest in the payment instrument issuance and payment system operator businesses in Ethiopia;

Whereas, there is a need to put in place implementation modality for investment by Foreign Nationals of Ethiopian Origin or Organizations in payment instrument issuance and payment operator businesses in Ethiopia;

Now, therefore, in accordance with article 4/2a and article 37/2 of National Payment System Proclamation No.718/2011 and articles 9 (1&2) and 58 of Banking Business (as amended) Proclamation no.1159/2019 and articles 20 (2) and 27 (2) of the National Bank of Ethiopia Establishment (as Amended) Proclamation No. 591/2008, the National Bank of Ethiopia has issued this Directive.

1. Short Title

This Directive may be cited as “Manner of Equity Investment by Foreign Nationals of Ethiopian Origin or Organizations in Payment Instrument Issuer or Payment System Operator Business Directive No.ONPS/04/2021”.

2. Definitions

For the purpose of this Directive, unless the context requires otherwise, the term:

- 2.1. **“Acceptable Foreign Currency”** means foreign currency which is declared to be acceptable for payment in Ethiopia by the National Bank and shall include United States Dollar, Great Britain Pound Sterling, Euro and other currencies that the National Bank may specify to be acceptable for this purpose from time to time.
- 2.2. **“Foreign National of Ethiopian Origin”** means a person with a valid identification card obtained pursuant to Proclamation No. 270/2012 attesting that he/she is a Foreign National of Ethiopian Origin;
- 2.3. **“Mid exchange rate”** means exchange rate between buying and selling rate of a day set by the National Bank;
- 2.4. **“National Bank”** means the National Bank of Ethiopia;
- 2.5. **“Organization”** means an entity that is fully owned by Foreign Nationals of Ethiopian origin or jointly by Foreign Nationals of Ethiopian Origin and Ethiopian Nationals, located within or outside Ethiopia.
- 2.6. **“Payment Instrument Issuer”** means a Payment Instrument Issuer licensed by the National Bank to undertake payment instrument issuance business in Ethiopia;
- 2.7. **“Payment Instrument Issuer (under formation)”** means a Payment Instrument Issuer that has applied for a payment instrument issuance business license from the National Bank;
- 2.8. **“Payment System Operator”** means a Payment System Operator licensed by the National Bank to undertake payment system operator business in Ethiopia;
- 2.9. **“Payment System Operator (under formation)”** means a Payment System Operator that has applied for a payment system operator business license from the National Bank.

3. Scope of Application

The provisions of this Directive shall be applicable to existing Payment System Operator and Payment Instrument Issuer and Payment System Operator (under formation) and Payment Instrument Issuer (under formation).



4. Share Subscription

4.1. Place of Share Subscription

- 4.1.1 All subscriptions including initial and subsequent sales of shares to Foreign Nationals of Ethiopian Origin or Organizations shall take place only in the geographical territory of Ethiopia.
- 4.1.2 Notwithstanding the provision stated under sub-article 4.1.1 of this article, a Payment Instrument Issuer or a Payment System Operator or a Payment Instrument Issuer (under formation) or a Payment System Operator (under formation) may conduct promotional and other related preliminary activities needed for share subscription outside Ethiopia.

4.2. Manner of Share Subscriptions and Surrender Requirement

- 4.2.1. A Payment Instrument Issuer or a Payment System Operator or a Payment Instrument Issuer (under formation) or a Payment System Operator (under formation) shall submit a written application to the National Bank to open foreign currency escrow account for the purpose of accepting share payment indicating the name of the bank and branch (es) where the account is to be opened; and shall report the account number so opened to the National Bank.
- 4.2.2. A bank instructed by the National Bank to surrender 30% (thirty percent) of the foreign currency that is maintained in line with sub-article 4.2.1 of this article shall surrender, to the National Bank, with in **five working days** from the receipt of the order.
- 4.2.3. Upon receipt of the foreign currency surrendered as per sub-article 4.2.2 of this article and the summary of the share subscription as per **Annex-I**, the National Bank shall credit the payment and settlement account of the bank with the equivalent amount of Ethiopian Birr at the prevailing mid exchange rate.
- 4.2.4. A bank instructed by the National Bank to unblock the foreign currency escrow account of a newly licensed Payment Instrument Issuer or Payment System Operator shall transfer the Birr equivalent of the full amount of the foreign currency collected and maintained in



the escrow account at a prevailing buying rate to the account of the newly licensed Payment Instrument Issuer or Payment System Operator.

4.2.5. Notwithstanding the provisions stated under sub-article 4.2.1 herein above, a Payment Instrument Issuer or Payment System Operator shall open a foreign currency bank account with the National Bank's approval for accepting share payment and share premium (if any) from Foreign Nationals of Ethiopian Origin or Organizations.

4.2.6. The bank that maintained the foreign currency account as per sub-article 4.2.5 of this article, shall surrender 30% (thirty percent) of the foreign currency collected from subscription of shares to the National Bank in accordance with Foreign Exchange Surrender Requirements of Banks (as amended) Directives No. FXD/54/2018 and transfer the Birr equivalent of full amount of the foreign currency collected to the account of the payment instrument issuer or payment system operator at the prevailing buying rate.

4.3. Payment of Share Subscriptions

4.3.1. Payment of the full value of initially subscribed shares and share premium (if any) by Foreign Nationals of Ethiopian Origin or Organizations shall be made in acceptable foreign currency.

4.3.2. Dividend generated from investment activities of Foreign Nationals of Ethiopian Origin or Organizations in other sectors and deemed eligible for repatriation by the National Bank can be used for the purpose of share purchase in a Payment Instrument Issuer or a Payment System Operator or a Payment Instrument Issuer (under formation) or a Payment System Operator (under formation).

4.3.3. The funds to be paid by Foreign Nationals of Ethiopian Origin or Organizations for the purpose of share purchase shall be transferred to the account opened and maintained in a bank for this purpose only through banking system.

4.3.4. Notwithstanding the provision stated under sub-article 4.3.3 hereinabove, Foreign Nationals of Ethiopian Origin or Organizations having a Non-Resident Foreign Currency



Account with local banks may transfer the foreign currency deposited in this account for the purpose of share purchase.

- 4.3.5. Transfer of funds made by Foreign Nationals of Ethiopian Origin or Organizations for the purpose of share purchase through foreign payment cards, cash whether declared or not and international money transfer organizations that cannot generate credit advice at individual level showing the identity, amount and purpose of the transfer, shall not be allowed.
- 4.3.6. In the case of investment in a Payment Instrument Issuer or Payment System Operator or a Payment Instrument Issuer (under formation) or Payment System Operator (under formation) by an organization owned by Ethiopian Nationals and Foreign Nationals of Ethiopian Origin, payment of share subscription in foreign currency shall be made to the extent of percentage shareholding of Foreign Nationals of Ethiopian Origin in that organization while the remaining subscription balance can be paid in Ethiopian Birr.

4.4. Verification and Validation of Subscribed Shares

- 4.4.1. A Payment Instrument Issuer or a Payment System Operator or a Payment Instrument Issuer (under formation) or a Payment System Operator (under formation) that floats the shares shall assume the responsibility of ensuring compliance with sub-article 4.3 of this Directive.
- 4.4.2. A Payment Instrument Issuer or a Payment System Operator or a Payment Instrument Issuer (under formation) or a Payment System Operator (under formation) shall ensure matters related to proper identification of the Foreign Nationals of Ethiopian Origin or Organizations (including its shareholders), proper execution of bank transfer detail and documentation and submission of documents including list of subscribers, subscriber's nationality identification documents and foreign currency credit advice and any other related documents to the National Bank.
- 4.4.3. To ensure that the share subscription has been made in line with this Directive and other relevant laws, Payment Instrument Issuer (under formation) or Payment System Operator (under formation) that sold shares to Foreign Nationals of Ethiopian Origin or



Organizations shall ensure that the share subscriptions and related payments are audited along with the audit of pre-establishment costs and submit the report to the National Bank accordingly.

4.4.4. A Payment Instrument Issuer and Payment System Operator shall develop comprehensive policies and procedures for handling of share subscription by Foreign Nationals of Ethiopian Origin or Organizations. Accordingly, the policies and procedures, among others, shall address:

- promotion and share subscription process;
- identification of Foreign Nationals of Ethiopian Origin or Organizations (including its shareholders);
- payment details and modalities of share subscription;
- foreign currency surrender to the National Bank; and
- share transfer involving Foreign Nationals of Ethiopian Origin or Organizations (including its shareholders).

4.4.5. A Payment Instrument Issuer or Payment System Operator or a Payment Instrument Issuer (under formation) or a Payment System Operator (under formation) shall ensure that a person or shareholders of an organization who acquires a share through transfer or any means holds a valid document evidencing his/her nationality and other related status.

5. Share Transfer

5.1. A share may be transferred from Ethiopian Nationals to Foreign Nationals of Ethiopian Origin or Organizations through sell in acceptable foreign currency transferred through banks at a share price not less than par value.

5.2. Shares shall not be acquired by Foreign Nationals of Ethiopian Origin or Organizations through donation.

5.3. Shares may be transferred from Ethiopian Nationals to Foreign Nationals of Ethiopian Origin through succession.



6. Dividend Payment

- 6.1. Dividends earned as a result of investment in a Payment Instrument Issuer or a Payment System Operator by Foreign Nationals of Ethiopian Origin or Organizations shall be paid in Ethiopian Birr, and shall not be repatriated.
- 6.2. Dividends earned in accordance with sub-article 6.1 of this article may be used for purchase and payment of newly issued and subscribed shares in the same Payment Instrument Issuer or Payment System Operator.

7. Reporting

- 7.1. A Payment Instrument Issuer or a Payment System Operator or a Payment Instrument Issuer (under formation) or a Payment System Operator (under formation) shall report summary of share subscription by Foreign Nationals of Ethiopian Origin or Organizations to, the National Bank with supporting documents, as per sub article 4.4.2 and **Annex I** of this Directive along with application for Payment Instrument Issuer or Payment System Operator business license.
- 7.2. A Payment Instrument Issuer or Payment System Operator shall submit summary of share subscribed by Foreign Nationals of Ethiopian Origin or Organizations to the National Bank, as per sub article 4.4.2 and **Annex II and III** of this Directive, on a quarterly basis. In case of no subscription during the quarter, a Payment Instrument Issuer or Payment System Operator may submit a “Nil” report.

8. Effective Date

This Directive shall be effective as of 1st day of July 2021.


Yinager Dessie (PhD)
Governor

Annex I (For Payment Instrument Issuer or Payment System Operator or Payment Instrument Issuer (under formation) or Payment System Operator (under formation))

National Bank of Ethiopia

Summary of Share Subscription by Foreign Nationals of Ethiopian Origin or Organization

Name of the Payment Instrument Issuer (under formation) or Payment System Operator (under formation):
 Reporting Period:

No.	Name of the Subscriber	Nationality	Passport No.	Number of Shares subscribed (A)	Par Value of Each Share (B)	Subscription Amount (in Birr) C= (A*B)	Paid up Amount (in Birr) (D)	Outstanding Shares E=(C-D)	Prevailing Buying Rate ¹	Remitted & deposited through SWIFT/NR/FCFA /MTO ²
Total										
Total Surrendered amount										

Prepared By.....
 Position
 Signature
 Date

Approved By
 Position
 Signature
 Date

¹ Prevailing buying rate is the rate on the date of deposit by the subscriber.
² Non-resident Foreign Currency Account/Money Transfer Organizations

