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NATIONAL BANK OF ETHIOPIA

**LICENSING AND SUPERVISION OF BANKING BUSINESS
REQUIREMENTS FOR LICENSING A BANK BRANCH TO OPERATE IN SPECIAL
ECONOMIC ZONE
DIRECTIVE NO. SBB/.../2025 (DRAFT)**

Whereas, special economic zone regime is setup in order to attain higher economic diversification and experiment on an efficient and conducive investment and business environment reforms which may be scaled to the wider economy where appropriate;

Whereas, delivery of financial services in the special economic zones play crucial role to the overall development and success of the economic zones in general and the performance of company's operating in the zones in particular;

Whereas, the National Bank is mandated to set criteria, standards and requirements for a bank branch to engage in the Special Economic Zone;

Now therefore, in accordance with Article 34(2) of the Special Economic Zone Proclamation No. 1322/2024 and Article 59(2) of Banking Business Proclamation No. 592/2008 (as amended by Proclamation No. 1159/2019), the National Bank of Ethiopia has issued this Directive.

1. Short Title

This Directive may be cited as “Requirements for Licensing a Bank Branch to Operate in Special Economic Zone Directive No. SBB/ /2025”.

2. Definitions

For the purpose of this Directive, the term:

- 2.1 **“Bank”** shall mean a private or state-owned entity, licensed by the National Bank to undertake banking business.
- 2.2 **“Branch”** shall mean any place of banking business set up in a special economic zone in which deposits are received or withdrawn, cheques are paid, money is lent, foreign exchange services and other banking business are delivered as defined under article 2(2) of Banking Business Proclamation No. 592/2008 (as amended by Proclamation No. 1159/2019).
- 2.3 **“National Bank”** means the National Bank of Ethiopia.
- 2.4 **“Special Economic Zone”** shall have the meaning provided in Special Economic Zone Proclamation No. 1322/2024 or amended version thereof.
- 2.5 **“Total Capital”** shall include paid-up capital, legal reserve and any other unencumbered reserves acceptable to the National Bank.

3. Scope of the Directive

This Directive shall apply to a bank which intends to operate a banking business in Special Economic Zones.

4. Requirements to Open a Branch and Operate in a Special Economic Zone

- 4.1 A bank shall not operate in special economic zone without its branch being licensed by the National Bank.
- 4.2 A bank that intends to open a branch in a special economic zone shall ensure that the branch provides foreign exchange services in the zone.
- 4.3 A bank applying to operate in a special economic zone shall provide confirmation to the National Bank that all its banking services will be available to individuals and business entities within the zone.

- 4.4 A bank, in order to open a branch in a special economic zone, shall comply with all requirements of the National Bank Branch Opening Directive No. SBB/66/2018 or amendments made thereof.
- 4.5 Unless otherwise stated in other relevant laws, regulations and National Bank Directives, a bank that operates in special economic zone(s) shall comply with all regulatory requirements.
- 4.6 Notwithstanding the provisions under sub-articles 4.1 to 4.5 herein above, a bank shall meet the following minimum criteria to open a branch and operate a banking business in a special economic zone:
- 4.6.1 Market share of a bank in terms of total assets shall be at least two percent of the total assets of the banking sector as calculated for the latest fiscal year end.
- 4.6.2 The capital adequacy ratio of the bank shall be two percentage points higher than the minimum requirement as stated in pertinent National Bank Directive for the past four consecutive quarters preceding the date of application.
- 4.6.3 Liquidity ratio of the bank shall be three percentage points above the minimum liquidity requirement as stated in pertinent National Bank Directive for the past three consecutive months preceding the week of application.
- 4.6.4 Non-performing loans ratio of the bank shall not exceed the 5% maximum regulatory requirement, as stated in Asset Classification and Provisioning Directive No. SBB/90/2024 or amendments made thereof, for the past four consecutive quarters preceding the date of application.

4.7 A bank licensed to operate in a special economic zone(s) shall fulfill all the requirements provided under article 4.6 of this Directive on ongoing basis.

4.8 The National Bank may take or require to be taken rectification measures on a bank that fails to meet the requirement provided under article 4.7 of this Directive.

4.9 A bank that intends to open additional branch in special economic zone shall meet all the criteria listed under sub-article 4.6 of this Directive.

5. Licensing Fees

A bank applying to operate in a special economic zone shall pay licensing fee as stipulated under article 4.4 of the National Bank Directive No. SBB/85/2022 or amendments made thereof.

6. Transitory Provisions

6.1 A bank currently operating banking business in the now special economic zone(s) designated area(s) shall fully comply with the provisions of this Directive within one year from the effective date of this Directive.

6.2 A bank that does not comply with the provisions of this Directive within one year, as provided under sub-article 6.1 hereinabove, shall submit to the National Bank a plan for relocation or closure of its banking business in the zone(s).

7. Effective Date

This Directive shall enter into force as of **day of 2025.**