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NATIONAL BANK OF ETHIOPIA
ADDIS ABABA

TELEGRAPHIC ADDRESS
NATIONBANK
TELLEX 21020
CODES USED
PETERSON 3rd & 4th ED.
BENTLEY'S 2nd PHRASE
A. B. C. 6th EDITION

PLEASE ADDRESS ANY REPLY TO
P.O. BOX 5550
ADDIS ABABA

*Licensing and Supervision of
Banking Business
Directive No. SBB/31/2002
Amendment of
Directive for the Proper Operation of
Current Account and Cheque*

Whereas, the proper use of current accounts and the function of cheque as an instrument of payment is crucial in a modern society;

Whereas, cheque as a negotiable instrument is recognized and given legal protection under Ethiopian law;

Whereas, the National Bank of Ethiopia is entrusted with the responsibility of creating and maintaining an efficient and sound financial system;

Now, therefore, the National Bank of Ethiopia has issued these Directives pursuant to the authority vested in it under Article 61 of the Monetary and Banking Proclamation No. 83/1994.

1. Definitions

In these Directives, unless the context otherwise requires,

- 1.1 "Cheque" shall have the meaning ascribed to it under the Ethiopian Commercial Code.
- 1.2 "Current Account" shall mean an active account on which cheques are drawn and to which deposits are made and credits paid.



- 1.3 **"Banks"** shall mean all banks licensed and operating under proclamation No. 84/1994.
- 1.4 **"Delinquent List"** shall mean the register held by the National Bank of Ethiopia, indicating the names of current account holders whose cheques have been dishonored repeatedly and whose accounts are closed by banks.
- 1.5 **"Dishonored Cheque"** shall mean a cheque drawn without sufficient cover and is rejected by banks for this reason.
- 1.6 **"Drawer"** shall mean a person who signs a cheque giving an order to a bank to pay the amount mentioned therein.
- 1.7 **"Persons"** shall include physical and juridical persons.

2. *Banks' Action on Dishonoring Cheques*

- 2.1 Banks shall maintain a register where all cheques dishonored for the first time shall be registered. Banks shall notify drawers of the dishonored cheques of such registration;
- 2.2 The register shall include the name and address of the bank and its branch, the name and address of drawer, the date on which the cheque was dishonored, the amount of the dishonored cheque and the action taken by the bank;
- 2.3 Banks shall regularly check the register under 2.1 above and upon dishonoring a cheque drawn by a current account holder whose name appears on the register, they shall levy a fine of 5% of the amount appearing on the dishonored cheque;
- 2.4 Upon dishonoring a cheque drawn by an account holder fined under 2.3 above, banks shall close the current account of such person at all their branches.



3. *Opening of Current Accounts*

Banks shall, upon opening of current accounts,

- 3.1 verify that the name of the person requesting to open a current account does not appear in the dishonored cheques register or in the list of persons whose current accounts have been closed that is circulated by the National Bank of Ethiopia;
- 3.2 check the memorandum and articles of association of juridical persons to verify that the name of the members do not appear in the delinquent list;
- 3.3 inform their customers about the use and purpose of current account and cheque and the consequences of misusing it; and
- 3.4 include in the current account deposit agreement a clause about the measures that shall be taken when there is misuse of cheque.

4. *Reporting*

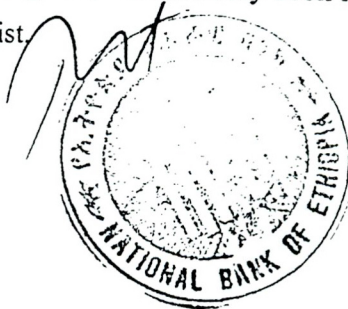
Banks shall send a report to the National Bank of Ethiopia, Supervision Department, regarding customers whose current accounts are closed on the following three working days from the date of such closing. The report shall include the name and address of the drawer, the name of the branch where the account was held and the date on which the account was closed.

5. *Delinquent List*

- 5.1 The National Bank of Ethiopia shall keep a delinquent list of the names of reported misusers of current accounts;



- 5.2 The National Bank of Ethiopia shall send information to Banks about persons whose names appear on the delinquent list;
- 5.3 Banks shall deny service of current account to customers whose names appear on the delinquent list and shall close all already existing current accounts under such names.
6. *Conditions for Deletion of Names of Misusers of Current Accounts from the Delinquent List*
- 6.1 The NBE may delete the name of a current account misuser from the Delinquent List stated under article 5 of this directive if such person fulfills all of the following conditions:
- 6.1.1 Is suspended from use of current account for a minimum of 18 months from the date of closure of the account or produces a guarantee valid for 18 consecutive months from a domestic bank explicitly stating that the bank shall cover and effect full payment against any one cheque drawn by such person at any one time;
- 6.1.2 Presents satisfactory evidence to the NBE with respect to full settlement of all dishonored cheques and penalty charges related to the earlier closure of current account; and
- 6.1.3 Files with the NBE a written application, with a copy to the Federal Police Commission, indicating his/her intention and commitment to operate current account honestly and carefully in the future.
- 6.2 The NBE may authorize all banks to provide current account service to the person whose name has been deleted from the delinquent list.
- 6.3 Banks shall maintain a separate register, wherein they book names of persons deleted from NBE's delinquent list.



- 6.4 Upon dishonoring at any one time a cheque drawn by a person who has been provided with current account service in line with the authorization obtained from the NBE under article 6.2 and recorded in register book established in accordance with article 6.3 of this directive, banks shall i) levy a fine of 10% of the amount appearing on the dishonored cheque, and ii) automatically close current accounts of such person in all their branches and report to the NBE within the following three working days.
- 6.5 The NBE shall reenter the name of a person whose current account has been closed in line with article 6.4 of this directive into its delinquent list and shall inform all banks about the closure of current account of such person for the second time. Banks shall apply all requirements set out under articles 3 and 5.3 of this Directive with respect to such person.
- 6.6 Persons whose names are re-entered in the delinquent list for the second time and subsequently shall be eligible to use current account service if they fulfill the conditions specified in sub-article 6.1 of this directive.

7. *Repeal*

Directive No. SBB/25/2000 is hereby repealed and replaced by this directive.

8. *Effective Date*

These Directives shall enter into force as of the 17th day of June 2002.


TEKLEWOLD ATNAFU
GOVERNOR

