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**NATIONAL BANK OF ETHIOPIA**  
**ADDIS ABABA**

**LICENSING AND SUPERVISION**  
**OF BANKING BUSINESS**

**Requirements for Persons**  
**with Significant Influence in a Bank**  
**Directives No. SBB/54/2012**

**Whereas**, ensuring sound practices, stability and long-term institutional success in financial system in general and the banking sector in particular is crucial;

**Whereas**, public confidence in the financial system depends, among other things, on whether financial institutions including banks are owned and managed by persons who are fit and proper;

**Whereas**, it is necessary to enhance effectiveness of governance of banks;

**Whereas**, there is a need to ensure that the National Bank of Ethiopia exercises its responsibilities to assess whether banks are soundly and prudently managed and directed;

**Now, therefore**, in accordance with articles 4(1g&h), 14(4a) and 59(2) of Banking Business Proclamation No. 592/2008, the National Bank of Ethiopia hereby issues these directives.

**1. Short Title**

These Directives may be cited as “Requirements for Persons with Significant Influence in a Bank Directives No. SBB/54/2012”.

**2. Definitions**

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

- 2.1 “Bankrupt”** is a person who has been declared bankrupt by the court of law;
- 2.2 “Chief executive officer”** means a person by whatever title that person may be referred to, who is primarily responsible for the day-to-day management of the affairs of a bank;
- 2.3 “Director”** means any member of the board of directors of a bank by whatever title he/she may be referred to;
- 2.4 “Financial institution”** means bank, insurance company, microfinance institution, postal savings, money transfer institution or such other similar institution as determined by the National Bank;
- 2.5 “Fit and proper criteria”** are criteria used to assess and determine whether persons with significant influence possess the integrity, financial soundness and competence and capacity to fulfill the responsibilities of their positions;
- 2.6 “Influential shareholder”** means a person who holds directly or indirectly two percent or more of the total subscribed capital of a bank;
- 2.7 “Managerial position”** means a position whose holder reports directly to a senior executive officer of a bank or higher;
- 2.8 “National Bank”** means the National Bank of Ethiopia;
- 2.9 “Person”** means any natural or juridical person;

- 2.10 **“Persons with significant influence”** are influential shareholders, directors, chief executive officer and senior executive officers of a bank;
- 2.11 **“Senior executive officer”** means any officer of a bank who is deputy to the chief executive officer or is directly reporting to the board of directors;
- 2.12 **“Technically insolvent person”** is a person whose liabilities are greater than assets or whose significant part of assets have been foreclosed by a financial institution or sequestrated by court order.

### 3. Scope of Application

The provisions of these directives shall be applicable to persons with significant influence in a bank.

### 4. General

- 4.1 Persons with significant influence shall meet all respective requirements and considerations set in these directives.
- 4.2 Appointment of directors, chief executive officer and senior executive officers shall be subject to approval by the National Bank.
- 4.3 In appointing chief executive officer and senior executive officers, board of directors shall ensure that such persons fulfill requirement set in these directives.
- 4.4 Any shareholding that makes a person influential shareholder shall be approved by the National Bank.

### 5. Fit and Proper Criteria

#### 5.1 Knowledge, Experience and Age

With respect to knowledge experience and age, directors, a chief executive officer and senior executive officers shall fulfill at a minimum, the following.

##### 5.1.1 Board of Directors

- i) At least seventy five percent of a bank’s board members shall hold a minimum of first degree or equivalent from recognized higher learning institution; and the remaining board members, at a minimum, shall complete general secondary school or its equivalent.
- ii) Members of board of directors shall have adequate experience in business management, preferably in banking business, and/or should take adequate training in banking business management after holding a seat on the board.
- iii) A director shall be at least 30 years old.

##### 5.1.2 Chief Executive Officer

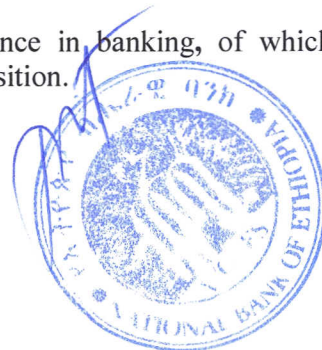
A chief executive officer shall:

- i) hold a minimum of first degree from recognized higher learning institution; and
- ii) have a minimum of 10 years experience in banking, of which, at least 5 years shall be in a managerial position.

##### 5.1.3 Senior Executive Officers

A senior executive officer:

- i) shall hold a minimum of first degree from recognized higher learning institution; and
- ii) shall have a minimum of 8 years experience in banking, of which, at a minimum 4 years shall be in a managerial position.





## 5.2 Integrity

Persons with significant influence shall be honest, reputable and diligent. In determining integrity of persons with significant influence, all relevant factors shall be considered, including but not limited to:

- 5.2.1 whether the person has a record or evidence of previous conduct and activities where he/she/it has been convicted for a criminal offense under any law designed to protect members of the public from dishonesty or fraud whether in Ethiopia or elsewhere;
- 5.2.2 whether the person has a record of withholding information from public authorities, submission of incorrect financial or other statements, prior refusal of regulatory/supervisory approval and failure to comply with requirements of regulatory/supervisory body, other corrective actions or interventions by public authority; and
- 5.2.3 in case of chief executive officer and senior executive officers, whether the person has a record of disciplinary measures or any dispute with previous employers, or compliance with a code of conduct which has led to the imposition of a penalty under employment law or any other disciplinary measures imposed by trade or professional associations.

## 5.3 Financial Soundness

Persons with significant influence shall be financially sound. In determining financial soundness of persons with significant influence, all relevant factors shall be considered, including but not limited to:

- 5.3.1 whether he/she or the legal person in which he/she is a director or chief executive officer or senior executive officer or owner has instituted bankruptcy proceedings or declared bankrupt, whether in Ethiopia or elsewhere, or his/her or the company's assets have been sequestered because of bankruptcy or been foreclosed by a bank because of failure to repay a loan;
- 5.3.2 whether he/she or the legal person in which he/she is a director or chief executive officer or senior executive officer or owner has been convicted of default on repayments of bank or other credits or tax payment;
- 5.3.3 whether he/she or the legal person in which he/she is a director or chief executive officer or senior executive officer or owner carries non-performing loans, as defined by directives of the National Bank, from any financial institution;
- 5.3.4 whether the person's purchase of shares in a financial institution has been funded or to be funded by another person who is actually bankrupted or technically insolvent because of irresponsible or reckless management, fraud or illegal business practice;
- 5.3.5 whether the person's minimum net worth at the time of acquisition of shares is at least greater than shares acquired or to be acquired from a financial institution; and
- 5.3.6 whether a person's account has been closed and not reinstated by any bank, in line with relevant directives of the National Bank, because of drawing checks without sufficient funds.

## 6. Ongoing Fitness and Propriety Test, and Action by the National Bank

The National Bank may conduct fitness and propriety test on persons with significant influence of a bank on an ongoing basis. Where such a test indicates that a person with



significant influence has failed to fulfill the fitness and propriety test as set out in these directives, the National Bank may:

6.1 suspend voting rights of influential shareholder;

6.2 suspend and/or remove a director, chief executive officer or senior executive officer.

## **7. Subsequent Notification Requirements**

7.1 Persons with significant influence are required to immediately notify the National Bank any events that might change their assessment as fit and proper.

7.2 If board of directors, chief executive officer, senior executive officers or external auditors of a bank, during the course of performing their duties, have reasonable doubt that a person with significant influence has failed to fulfill the criteria in these directives, they shall immediately report the matter to the National Bank.

## **8. Documents to be Submitted on Application**

8.1 Written request shall be submitted to the National Bank along with the following documents in order to conduct fitness and propriety test.

8.1.1 For directors, chief executive officer and senior executive officers:

- i) an updated and signed curriculum vitae (including name, nationality, birth date, education, recent photograph, employment history, experience in business and financial affairs, involvement in civic, social and charitable activities including any leadership position held) accompanied with authenticated copies of documents signifying educational qualification and work experience; and
- ii) copies of identification card and /or passport;

8.1.2 For all persons with significant influence:

- i) completed and signed fitness and propriety test questionnaire which is part hereof;
- ii) copy of tax identification number card; and
- iii) any other document that the National Bank deems necessary.

8.2 In case of corporate directors and influential shareholders, the following documents shall be submitted:

8.2.1 copy of the company's memorandum and articles of association;

8.2.2 copies of audited statements of the legal entity concerned, for three consecutive years (immediately preceding its application) or for each year it has been in operation, if less than three years; and

8.2.3 any other documents the National Bank deems necessary.

## **9. Rotation**

9.1 A person shall not serve on a board of a bank for more than six consecutive years; however, he/she may be re-elected after a lapse of six.

9.2 Notwithstanding provisions of article 9.1 herein above, if the shareholders of a bank wish to maintain continuity in the board and re-elect some of the existing board members, they may re-elect such persons for only one more term. The number of board members so re-elected shall, however, be limited to a maximum of one-third (1/3) of the outgoing board members.



#### **10. Period of Limitation for Acting Officers**

A person shall not assume chief executive officer or senior executive officer position on acting basis for more than six months.

#### **11. Exemption**

Provisions of article 5.1.3 of these directives shall not apply to the incumbent senior executive officers as long as they hold their current positions with their present employers.

#### **12. Repeal**

Articles 4 and 5 of Directive No SBB/39/2006 are hereby repealed and replaced by these directives.

#### **13. Effective Date**

These directives shall enter into force as of 1<sup>st</sup> day of June 2012.

  
**TEKLEWOLD ATNAFU**  
**GOVERNOR**





NATIONAL BANK OF ETHIOPIA

ANNEX 1: GENERAL INFORMATION (Influential shareholder, director, chief executive officer or senior executive officer - Underline)

NB: In case the space provided is inadequate, use additional paper.

1. Name of bank.....

2. Personal Information

a) Full Name: \_\_\_\_\_

b) Date of Birth: \_\_\_\_\_

c) Place of Birth: \_\_\_\_\_

d) Nationality: \_\_\_\_\_

e) Identification Card Number and Date of Issue: \_\_\_\_\_

f) Passport Number and Date of Issue: \_\_\_\_\_

g) Tax Payer Identification Number: \_\_\_\_\_

h) h) Address: City: \_\_\_\_\_ Sub-City: \_\_\_\_\_ Kebele: \_\_\_\_\_ House No: \_\_\_\_\_  
Postal Address: \_\_\_\_\_ Telephone No: \_\_\_\_\_

i) Educational Qualification: \_\_\_\_\_  
\_\_\_\_\_

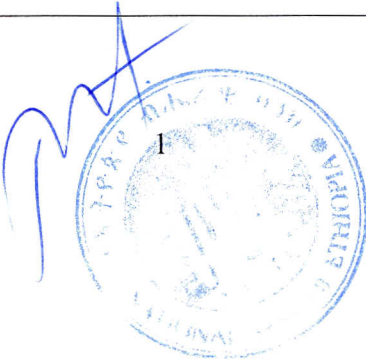
j) Summary of Work Experience:

No.	Organization	Position	Duration	Number of years

k) Name(s) of your **bankers** for the last 5 years  
\_\_\_\_\_  
\_\_\_\_\_

3. Please list financial institutions in which you currently (as of completing this form) own shares in the following table.

Name of the financial institution	Subscribed Shares owned		Remarks
	In number	Share in the financial institution's total subscribed capital (%)	



4. Description of your past and current business activities in Ethiopia and abroad (if applicable)

a) Current shareholding or ownership in non- financial institution companies

Company name	Date of incorporation	Amount of shareholding	% of shareholding (in total shares of the company)	Remark

b) Past shareholding or ownership in a company (shares you owned in the past but had been relinquished) including financial institutions

Company name	Date of incorporation	Amount of shareholding	% of shareholding (in total shares of the company)	Reason for termination of shareholding	Remark

c) Borrowings (directly or indirectly)

Name of borrower*	Name of lending institution	Type of facility	Amount borrowed	Date of approval	Security offered (type)	Value of security	Current outstanding balance	Status of the loan (pass, s. mention, doubtful ...)	Remark

\*Including all companies 10% or more owned by the applicant, the applicant’s spouse and children less than 18 years.

5. If legal person (only for influential shareholders in a bank), please complete the following table for the recent three financial years (Please also attach audited financial statements)

Year	Assets	Liabilities	Net worth	Remarks

6. If you are new shareholder to the bank or existing shareholder planning to increase your shareholding above what you currently own, please provide details of the actual source(s) of funds that you, as a shareholder, would like to invest or use in the acquisition of the shares in the bank.

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## ANNEX 2: PROPRIETY TEST QUESTIONNAIRE

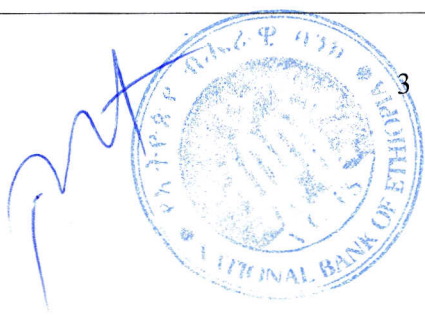
Please give yes or no answers for the following questions and if your answer is "yes" please give particulars.

Full Name: \_\_\_\_\_

(Influential shareholder, director, chief executive officer or senior executive officer - Underline)

Name of bank: \_\_\_\_\_

- |   | <u>Yes</u>               | <u>No</u>                |
|---|--------------------------|--------------------------|
| 1. Have you or the legal person in which you were a director, chief executive officer or senior executive officer or owner been charged or convicted of any criminal offence, particularly an offence relating to dishonesty or fraud, under any law whether in Ethiopia or elsewhere?<br>If yes, give particulars _____<br>_____   | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Have you or the legal person in which you were a director, chief executive officer or senior executive officer or owner ever been imposed with corrective actions or interventions by public authority due to withholding information or submission of incorrect financial or other statements?<br>If yes, give particulars _____<br>_____   | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Have you or the legal person in which you were a director, chief executive officer or senior executive officer or owner been refused approval by any regulatory/supervisory body or failed to comply with requirements of regulatory/supervisory body?<br>If yes, give particulars _____<br>_____  | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. Have you ever been in dispute with previous employers concerning fulfillment of position or compliance with a code of conduct which has led to the imposition of a penalty under employment law or ever been dismissed or requested to resign from any office of employment or disciplinary measures imposed by trade or professional associations?<br>If yes, give particulars _____<br>_____ | <input type="checkbox"/> | <input type="checkbox"/> |
| 5. Have you been refused, whether in Ethiopia or elsewhere, the right to carry on any trade, business or profession for which a specific license, registration or other authority is required;<br>If yes, give particulars _____<br>_____   | <input type="checkbox"/> | <input type="checkbox"/> |
| 6. Have you or the legal person in which you were a director, chief executive officer or senior executive officer or owner been declared bankrupt whether in Ethiopia or elsewhere or have its assets been sequestrated because of bankruptcy or foreclosed by a bank due to failure to repay a loan?<br>If yes, give particulars _____<br>_____  | <input type="checkbox"/> | <input type="checkbox"/> |





7. Have you or the legal person in which you were a director, chief executive officer or senior executive officer or owner been convicted of default on repayments of bank or other credits or tax payment ? ☐ ☐

If yes, give particulars \_\_\_\_\_  
\_\_\_\_\_

8. Have you or the legal person in which you were a director or chief executive officer or senior executive officer or owner been carrying non-performing loans or account been closed and not reinstated by any bank in line with relevant directive of the National Bank? ☐ ☐

If yes, give particulars \_\_\_\_\_  
\_\_\_\_\_

9. Has your purchase of shares in a financial institution been funded or to be funded by another person or legal entity who is actually bankrupted or technically insolvent because of irresponsible or reckless management, fraud or illegal business practice? ☐ ☐

If yes, give particulars \_\_\_\_\_  
\_\_\_\_\_

10. Has your minimum net worth at the time of acquisition of shares at least greater than the shares acquired or to be acquired from a financial institution? ☐ ☐

If yes, give particulars \_\_\_\_\_  
\_\_\_\_\_

11. Are you currently member of board of directors or chief executive officer in any of the financial institutions? ☐ ☐

If yes, give particulars \_\_\_\_\_  
\_\_\_\_\_

#### Declaration

I am aware that under sub-article 6(b) of Article 58 of Banking Business Proclamation No. 592/2008, it is an offense to provide false or misleading statement.

I certify that the information and/or statements given above are complete and accurate to the best of my knowledge, and that there are no other facts relevant to this application of which the National Bank should be aware. I also undertake to inform the National Bank of any changes material to the application.

Name \_\_\_\_\_

Signature \_\_\_\_\_

Date \_\_\_\_\_

