



LICENSING AND SUPERVISION **OF BANKING BUSINESS**

Requirements for Licensing and Renewal of Banking Business Directives No. SBB/56/2013

Whereas, promoting strong and viable banking sector in Ethiopia is crucial for macroeconomic stability and growth;

Whereas, proper licensing and supervision of banks and the banking system is important to ensure the safety and soundness of the sector;

Whereas, establishing clear, objective and transparent requirements for licensing and renewal is essential to promote the sector;

Now, therefore, in accordance with, Articles 4(1), 4(3), 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 Licensing and Renewal of Banking Business Directives No. SBB/56/2013”

2. Definitions

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

2.1 “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;

2.2 “director” refers to any member of the board of directors of a bank, by whatever title he may be referred to;

2.3 “influential shareholder” means a person who holds directly or indirectly two percent or more of the total subscribed capital of a bank;

2.4 “National Bank” refers to the National Bank of Ethiopia;

2.5 “organizers” means persons who have initiated plans or facilitated the formation of the bank and who shall jointly and severally be liable to third parties in respect of commitments entered into during bank formation process;

2.6 “persons with significant influence” are influential shareholders, senior executive officers, directors, and chief executive officer of a bank;

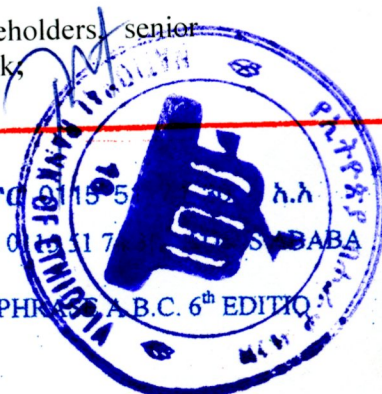
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2.7 “project manager” means a person who shall be in charge of the whole process of obtaining business license of a bank;

2.8 “related party of a bank or a bank under formation” means

On the one hand,

an organizer, a project manager, a shareholder, a director, chief executive officer or senior executive officer of that bank and/or the spouse or relation in the first degree of consanguinity or affinity of such organizer, project manager, shareholder, director, chief executive officer or senior executive officer, and

On the other,

a partnership, a common enterprise, a private limited company, a share company, a joint venture, or any other business in which the organizer, project manager, shareholder, director, chief executive officer or senior executive officer of the bank and/or the spouse or relation in the first degree of consanguinity or affinity of such organizer, project manager, shareholder, director, chief executive officer or senior executive officer has a business interest as owner, partner, shareholder, director chief executive officer, senior executive officer or in any other way or form;

2.9 “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.

3. Scope of Application

The provisions of these directives shall be applicable to those who desire to obtain or renew banking business license.

4. Organizers and Project Manager

4.1 Organizers shall appoint a project manager.

4.2 The project manager shall have:

4.2.1 first degree from recognized higher learning institution, and

4.2.2 business experience preferably in designing banking project.

4.3 The project manager and the organizers shall be honest, reputable and diligent. In determining integrity of the organizers and project manager, all relevant factors shall be considered, including but not limited to:

4.3.1 whether the person has a record or evidence of previous conduct and activities where he/she/it has been convicted for a criminal offence under any law designed to protect members of the public from dishonesty or fraud whether in Ethiopia or elsewhere;



- 4.3.2 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 authorities; and
- 4.3.3 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. Licensing Requirements

Requirements to obtain bank business license include the following.

5.1 Pre-application phase

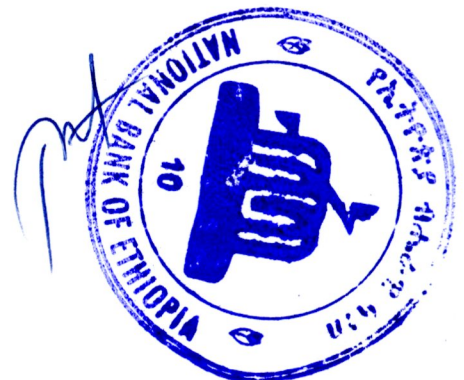
- 5.1.1 Evidence of registration of trade name from Ministry of Trade and/or Regional Trade Bureau.
- 5.1.2 Signed minutes of first meeting of organizers along with attendance sheet.
- 5.1.3 Submission of prospectus, which is a printed statement that describes and forecasts the course or nature of the company along with expected risks, distributed to prospective investors.
- 5.1.4 Written application requesting to open blocked subscription account indicating the name of the bank(s)/branch(es).
- 5.1.5 Duly completed application form, as specified under **Attachments I and II** of these Directives, for organizers and project manager.
- 5.1.6 Properly completed propriety test questionnaire, as specified under Attachment **III** of these Directives, for organizers and project manager.
- 5.1.7 Evidences of payment of investigation fee.

5.2 Application phase

- 5.2.1 Duly completed application form, as specified under **Attachment IV** of these Directives, shall be submitted, together with all enclosures as stated herein, to the Banking Supervision Directorate.
- 5.2.2 Evidence of paid-up capital which includes certificate of deposits in a blocked account and evidence for valuation of contribution in kind (if any).
- 5.2.3 Signed minutes of subscribers meeting with attendance sheet.



- 5.2.4** List of names, nationality, address, number and value of subscribed shares of founders to be published in newspaper.
- 5.2.5** Articles and memorandum of associations written in Amharic.
- 5.2.6** Authenticated ownership certificate and/or lease agreement for building, land, vault, equipment, fixtures and professional services.
- 5.2.7** Evidence for insurance coverage for premises acquired or leased.
- 5.2.8** Description of actual purchases made or proposed purchase of goods and services or lease of real estate by the bank from related parties and organizers.
- 5.2.9** Duly completed general information, and propriety test questionnaires for influential shareholders, directors, chief executive officer and senior executive officer as per **ANNEXES I and II** of these Directives.
- 5.2.10** Disclosure of names, nationality, address, numbers and values of subscribed capital of influential shareholders who have acquired 2% or more.
- 5.2.11** Business plan stating at least the following:
- a) executive summary,
 - b) introduction,
 - c) macroeconomic analysis,
 - d) financial sector analysis,
 - e) banking sectoral analysis,
 - f) business environments,
 - g) organization charts of the institution with brief description of the functions of the main organizational units,
 - h) strategic and operational plans,
 - i) source of capital and finances,
 - j) products and services,
 - k) technological competency,
 - l) accounting policies,
 - m) assumptions for financial projections,



- n) financial projections for the first three years including balance sheet, income statement, cash flow projections and sensitivity analysis, and
- o) conclusion /recommendation.

5.2.12 Evidence of payment of licensing fee.

6. Conditions for Commencement of Operation

To commence operation, a licensed bank shall:

6.1 put in place at a minimum comprehensive policies, procedure manuals, programs and guidelines for:

- 6.1.1 credit,
- 6.1.2 human resource management,
- 6.1.3 investment,
- 6.1.4 domestic and foreign banking operation,
- 6.1.5 liquidity management,
- 6.1.6 internal audit/control,
- 6.1.7 management information system/MIS,
- 6.1.8 planning and budgeting,
- 6.1.9 finance,
- 6.1.10 risk management,
- 6.1.11 fixed assets,
- 6.1.12 corporate governance,
- 6.1.13 detection and prevention of criminal activities,
- 6.1.14 outsourcing, and
- 6.1.15 procurement;

6.2 hire, train and place adequate and appropriate staff;

6.3 ensure that the bank meets the following requirements:

- 6.3.1 outer doors of the building housing the bank shall be of heavy duty metal,



- 6.3.2 all windows and glass walls of the building housing the bank shall be reinforced with metal grills,
- 6.3.3 cash loading and unloading area should be suitable,
- 6.3.4 the staff operating area and the banking hall include:
 - a) proper ventilation and circulation of fresh air,
 - b) suitable and clean sanitary service,
 - c) sufficient and suitable lightening,
 - d) displays of working hours,
 - e) cashier's till which is restricted to authorized persons,
 - f) fire extinguishers at appropriate places,
 - g) strong room (vault) with a minimum carrying capacity of 224 cubic meters,
- 6.3.5 having insurance policy for the following at a minimum:
 - a) fire and other perils,
 - b) burglary and theft,
 - c) fidelity, and
 - d) cash and valuables in premise and in transit.

7. Display of License

A licensed bank shall at all time display in a conspicuous place its valid original business license in its head office and copy of the business license in its branches.

8. Renewal of License

- 8.1 A bank shall renew its business license every year between July 1 and September 30.
- 8.2 A bank applying for renewal of business license shall present the following:
 - 8.2.1 application requesting renewal of business license and any changes in the particulars of the existing license;
 - 8.2.2 original business license of the bank; and
 - 8.2.3 evidence of payment of renewal fee and/or penalty.



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9. Fees

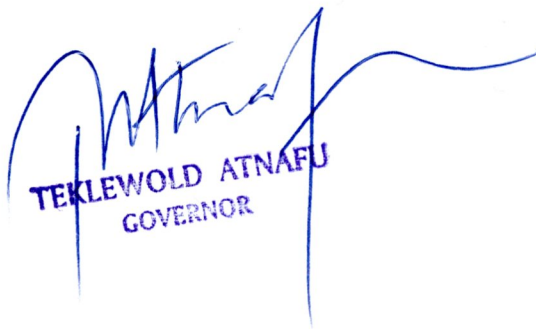
- 9.1** A company applying to obtain new banking business license shall pay:
- 9.1.1** investigation fee of birr 3,000; and
 - 9.1.2** licensing fee of birr 6,000.
- 9.2** A bank applying for renewal of its business license shall pay renewal fee of birr 6,000.

10. Repeal

The provisions of articles 1-3, and 6-12 of the NBE Directives No. SBB/39/2006 are hereby repealed and replaced by these directives.

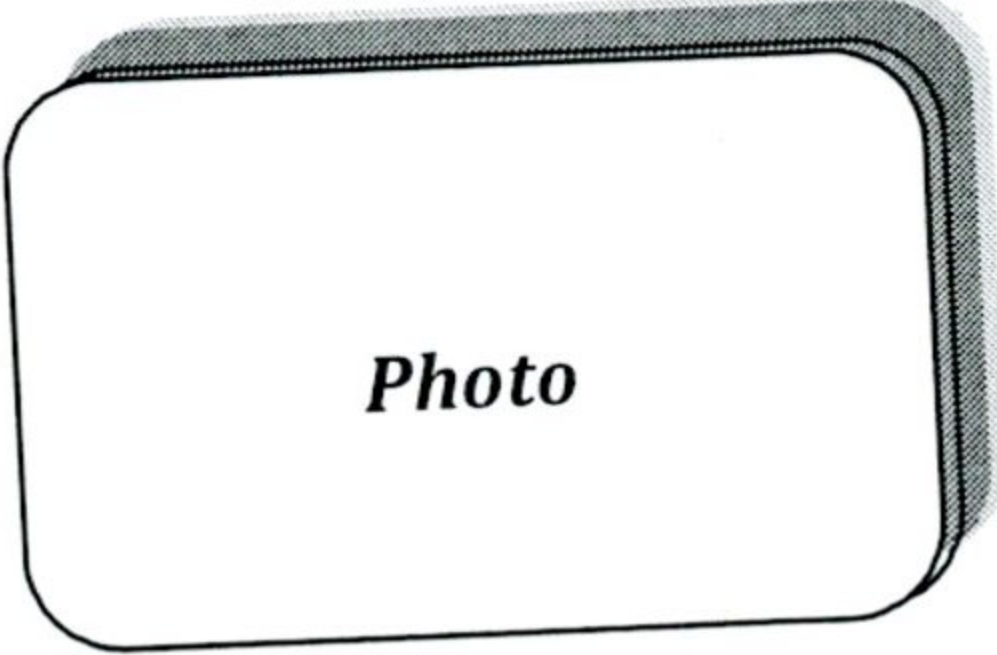
11. Effective date

These Directives shall enter into force as of the 1st day of March 2013


TEKLEWOLD ATNAFU
GOVERNOR



Attachment II



Application form for project manager

General information		Address				
Full ¹ name	Nationality	City	Sub-city	Wereda	House No.	Tel.

1. Proposed name of the bank (under formation) _____
2. Present position of the project manager _____
3. I hereby confirm that the above particulars and the information provided in the attached enclosure are true and correct.

Date _____ Signature _____

¹ Including grand father



Attachment III: PROPRIETY TEST QUESTIONNAIRE (Organizer, project manager-underline)

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

Full Name: _____
(Organizer, project manager - Underline)

Name of bank: _____

- | | <u>Yes</u> | <u>No</u> |
|--|--------------------------|--------------------------|
| 1. Have you been charged or convicted of any criminal offence, particularly an offence relating to dishonesty or fraud under any law whether in Ethiopia or elsewhere? | <input type="checkbox"/> | <input type="checkbox"/> |
| If yes, please give particulars _____
_____ | | |
| 2. Have you ever been imposed with corrective actions or interventions by public authority due to withholding information or submission of incorrect financial or other statements? | <input type="checkbox"/> | <input type="checkbox"/> |
| If yes, please give particulars _____
_____ | | |
| 3. Have you ever been refused approval by any regulatory/supervisory body or failed to comply with requirements of regulatory/supervisory body? | <input type="checkbox"/> | <input type="checkbox"/> |
| If yes, please give particulars _____
_____ | | |
| 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? | <input type="checkbox"/> | <input type="checkbox"/> |
| If yes, please give particulars _____
_____ | | |
| 5. Have you ever been refused, whether in Ethiopia or elsewhere, the right to carry on any trade, business or profession for which a special license, registration or other authority is required? | <input type="checkbox"/> | <input type="checkbox"/> |
| If yes, please give particulars _____
_____ | | |
| 6. Have you been declared bankrupt whether in Ethiopia or elsewhere or have your assets been sequestrated because of bankruptcy or foreclosed by a bank due to failure to repay a loan? | <input type="checkbox"/> | <input type="checkbox"/> |
| If yes, please give particulars _____
_____ | | |

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Attachment I

Application form for Organizers

*Photo of
organizing
committee's
chairperson*

General information

No.	Full name	Nationality	Address				
			City	Sub-city	Wereda	House No.	Tel.
1							
2							
3							
.							

1. Proposed name of the bank (under formation) _____
2. Name of organizing committee's chairperson _____
2.1 Address _____
3. I hereby confirm that the above particulars and the information provided in the attached enclosure are true and correct.

Signature of organizing committee's chairperson _____
Date _____

Including grand father



7. Have you ever been convicted of default on repayment of bank or other credits or tax payment?

☐☐

If yes, please give particulars _____

8. Have you ever been carrying non-performing loans or account been closed and not reinstated by any bank in line with relevant directives of the National Bank?

☐☐

If yes, please 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 would be aware. I also undertake to inform the National Bank of any changes material to the application.

Name _____

Signature _____

Date _____



Attachment IV

*Photo of the
organizing
committee's
chairperson*

APPLICATION FORM TO UNDERTAKE BANKING BUSINESS

1. Name of organizing committee's chairperson _____
2. Name of the bank (under formation) _____
3. Address of the bank (under formation)
 - Street (location): _____
 - Building: _____
 - Postal address: _____
 - Telephone no.: _____
 - Fax: _____
 - E-mail _____



5. Names and Address of Board Members

No.	Full name ²	Nationality	City	Sub-city	Wereda	House No.	Tel.	Subscribed capital		Paid up Capital	
								Number of shares	Amount in birr	Number of shares	Amount in birr
1											
2											
.											
.											
.											
Grand Total											

[Handwritten signature]



² Including grandfather

6. Products and Services of the bank

6.1 Products and services the bank intends to carry out:

- 6.1.1 _____
- 6.1.2 _____
- 6.1.3 _____
- 6.1.4 _____
- 6.1.5 _____

6.2 The manner in which the company proposes to carry out its transactions and operations:

- 6.2.1 _____
- 6.2.2 _____
- 6.2.3 _____
- 6.2.4 _____
- 6.2.5 _____

7. Paid-up capital contribution

- 7.1 In cash birr _____
- 7.2 In kind (specify the type of property and value in birr and the manner of valuation, if any) _____

8. Initial capital of the bank (under formation) in birr _____

- 8.1 Subscribed capital birr _____. (_____ birr)
- 8.2 Paid-up capital birr _____. (_____ birr)

9. Shares

- 9.1 Number of shares subscribed _____
- 9.2 Par value of the share in birr _____



4. List of shareholders who own 2% or more

No.	Full name ¹	Nationality	City	Sub-city	Wereda	House No.	Tel.	Subscribed capital			Paid up capital	
								Number of shares	Amount in birr	% of Subscribed Shares	Number of shares	Amount in birr
1												
2												
.												
.												
.												
Grand Total												

[Handwritten signature]



¹ Including grandfather

10. Provide the following with respect to:

10.1 In cash birr _____

Item	Manner of acquisition ³	Cost
a. Building		
b. Land		
c. Vault		
d. Equipment		
e. Fixture		
f. Professional services		
Total		

10.2 Indicate if any of items herein above is acquired from related parties.

11. Types and extent of proposed insurance coverage _____

12. Please give statement that members of board of directors, chief executive officers, senior executive officers and influential shareholders are vetted to fulfill the requirements stated in Articles 4(h) and 15 of Banking Proclamation No. 592/2008, and Requirements for Persons with Significant Influence in a Bank Directives No. SBB/54/2012.

13. Any additional comments:

14. I hereby confirm that the foregoing statements, particulars, enclosures, and information are true and correct to the best of my knowledge.

Date _____

Signature _____

Name and official designation of the applicant

³ Lease, purchase, rent . . . etc, and attach agreements as per the manner of acquisition



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ANNEX I: 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. 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 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

[Handwritten signature]



- 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 (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 II: PROPRIETY TEST QUESTIONNAIRE (Influential shareholder, director, chief executive officer or senior executive officer – underline)

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:

Yes No

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, fraud, under any law whether in Ethiopia or elsewhere? ☐ ☐

If yes, please give particulars _____

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? ☐ ☐

If yes, please give particulars _____

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? ☐ ☐

If yes, please give particulars _____

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? ☐ ☐

If yes, please give particulars _____

5. Have you ever been refused, whether in Ethiopia or elsewhere, the right to carry on any trade, business or profession for which a special license, registration or other authority is required? ☐ ☐

If yes, please give particulars _____



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 your assets been sequestrated because of bankruptcy or foreclosed by a bank due to failure to repay a loan? ☐ ☐

If yes, please give particulars _____

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 repayment of bank or other credits or tax payment? ☐ ☐

If yes, please give particulars _____

8. Have you or the legal person in which you were a director, 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 directives of the National Bank? ☐ ☐

If yes, please 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, please 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, please give particulars _____

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

If yes, please 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 would be aware. I also undertake to inform the National Bank of any changes material to the application.

Name _____

Signature _____

Date _____

