



## **Licensing and Supervision of Banking Business**

### **Limits on Board Remuneration and Number of Employees Who Sit on a Bank Board (as Amended) Directive No. SBB/67/2018**

**WHEREAS**, a sound corporate governance is vital for the health of individual banks and the banking sector as a whole;

**WHEREAS**, it is necessary to periodically review that remunerations paid by banks to directors are fair and contribute to safety and soundness of the banking system;

**WHEREAS**, there is a need to separate board and executive functions, so as to ensure proper checks and balances, in banks;

**NOW, THEREFORE**, in accordance with paragraphs “e” and “f” of sub-article 4 of article 14 of Banking Business Proclamation No. 592/2008, the National Bank of Ethiopia hereby issues this directive.

#### **1. Short Title**

This Directive shall be cited as “Limits on Board Remuneration and Number of Employees Who Sit on Bank Board (as Amended ) Directive No. SBB/67/2018”.

#### **2. Definitions**

For the purpose of this Directive, unless the context provides otherwise:

2.1 “**Bank**” means a company licensed by the National Bank of Ethiopia to undertake banking business or a bank owned by the Government;

2.2 “**Board allowance**” refers to an amount of money that is paid in kind or in cash from any account of the bank to directors to cover incidental costs related to their board membership;





የኢትዮጵያ ብሔራዊ ባንክ  
NATIONAL BANK OF ETHIOPIA  
ADDIS ABABA

የኢትዮጵያ ብሔራዊ ባንክ  
NATIONAL BANK OF ETHIOPIA  
/.

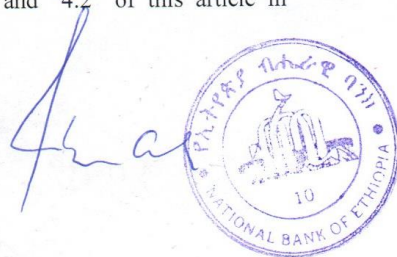
- 2.3 “**Board compensation**” refers to any money other than board allowance that is paid, in cash or otherwise, to a director from the bank’s net profit;
- 2.4 “**Director**” means any member of the board of directors of a bank, by whatever title he may be referred to;
- 2.5 “**Employee**” means a chief executive officer, a senior executive officer or any other person who is appointed or hired by a bank to carry out its day-to-day operational activities; and
- 2.6 “**Remuneration**” includes board compensation and allowance paid to each director.

**3. Scope of the Directive**

This directive shall apply to all banks operating in Ethiopia.

**4. Remuneration of Directors**

- 4.1 Annual board compensation to a director shall not exceed Birr 150,000 (One Hundred Fifty Thousand Birr).
- 4.2 Monthly allowance paid to a director shall not exceed Birr 10,000 (Ten Thousand Birr).
- 4.3 No bank shall pay any financial or otherwise remuneration or benefits other than those stated under sub-articles “4.1” and “4.2” of this article in whatsoever form to its directors any time.





የኢትዮጵያ ብሔራዊ ባንክ  
**NATIONAL BANK OF ETHIOPIA**  
ADDIS ABABA

የኢትዮጵያ ብሔራዊ ባንክ  
NATIONAL BANK OF ETHIOPIA  
/.

5. **Number of Employees Who Sit on Bank Board**

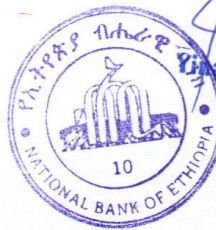
No employee of a bank be it permanent or contractual, shall sit on the board of any bank.

6. **Repealed Directive**

Directive No. SBB/63/2016 is hereby repealed and replaced by this directive.

7. **Effective Date**

This Directive shall enter into force as 29th day of August, 2018.



*Dessie*  
Dessie (PhD)  
Governor