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NATIONAL BANK OF ETHIOPIA  
ADDIS ABABA

LICENSING AND SUPERVISION OF INSURANCE BUSINESS

Manner of Equity Investment by Foreign Nationals of Ethiopian Origin  
or Organizations in an Insurance Company  
Directive No. SIB/49/2020

Whereas, foreign nationals of Ethiopian origin or organizations have been allowed to invest in the insurance sector;

Whereas, it become necessary to put in place an implementation modality for investment by foreign nationals of Ethiopian origin or organizations in an insurance company;

Now, therefore, in accordance with article 4(4) of the Insurance Business Proclamation No. 746/2004 as amended by the Insurance Business (Amendment) Proclamation No.1163/2019 and articles 20(2) and 27(2) of the National Bank of Ethiopia Establishment (as Amended) Proclamation No.591/2008, the National Bank of Ethiopia has issued this Directive.

1. Short Title

This Directive may be cited as “**Manner of Equity Investment by Foreign Nationals of Ethiopian Origin or Organizations in an Insurance Company Directive No. SIB/49/2020**”.

2. Definitions

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

- 2.1. “**acceptable foreign currency**” means a foreign currency which is acceptable for payment by the National Bank and shall include United States Dollar, Great Britain Pound Sterling, Euro and other currencies that the National Bank may specify from time to time;
- 2.2. “**bank**” means a bank licensed by the National Bank to undertake banking business;
- 2.3. “**company**” means insurance company, micro insurance provider and reinsurance company;
- 2.4. “**foreign national of Ethiopian origin**” means a person with valid identification card obtained pursuant to Proclamation No. 270/2002 attesting that he/she is a foreign national of Ethiopian origin;



- 2.5. “**insurance company** ” means a privately owned insurance company licensed by the National Bank to undertake insurance business;
- 2.6. “**insurance company under formation**” means a privately owned insurance company that has applied for an insurance business license from the National Bank;
- 2.7. “**micro-insurance providers**” means privately owned insurance companies, including those dedicated to deal in micro insurance business and micro finance institutions;
- 2.8. “**mid exchange rate**” means exchange rate between buying and selling rate of a day set by the National Bank;
- 2.9. “**National Bank**” means the National Bank of Ethiopia;
- 2.9 “**organization**” means an entity fully owned by foreign nationals of Ethiopian origin or jointly by foreign nationals of Ethiopian origin and Ethiopian nationals, located within or outside Ethiopia; and
- 2.10 “**reinsurance company**” means a company licensed by the National Bank to undertake reinsurance business.

### 3. Scope of Application

This Directive shall be applicable to all companies specified under sub-article 2.3 of article 2 of this Directive and an insurance company under formation.

### 4. Share Subscription

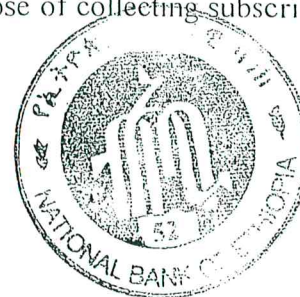
#### 4.1. Place of Share Subscription

- 4.1.1 All subscriptions as well as initial and subsequent sales of share to foreign nationals of Ethiopian origin or organizations shall take place only in the geographical territory of Ethiopia.
- 4.1.2 Notwithstanding the provision stated under sub-article 4.1.1 of this article, an insurance company or an insurance company under formation may conduct promotional and other related preliminary activities needed for share subscription outside Ethiopia.

#### 4.2. Share Subscription and Surrender Requirement

- 4.2.1. An insurance company under formation shall submit a written application to the National Bank to open foreign currency escrow account for the purpose of collecting subscription

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indicating the name of the bank branch(es); and shall report the account number(s) so opened to the National Bank.

- 4.2.2. A bank instructed by the National Bank to surrender 30%(thirty percent) of the foreign currency that is maintained under sub-article 4.2.1 of this article to the National Bank shall surrender within 5 working days from the receipt of the order.
- 4.2.3. Upon receipt of the foreign currency surrendered as per sub-article 4.2.2 of this article and the summary of the share subscription as per Annex I, the National Bank shall credit the payment and settlement account of the bank with the equivalent amount of Ethiopian Birr at the prevailing mid exchange rate.
- 4.2.4. A bank instructed by the National Bank to unblock the foreign currency escrow account of a newly licensed insurance company shall transfer the Birr equivalent of the full amount of the foreign currency collected and maintained in the escrow account at the prevailing buying rate to the account of the newly licensed insurance company.
- 4.2.5. Notwithstanding the provisions stated under sub-article 4.2.1-4.2.4 herein above, an insurance company shall open a foreign currency bank account with the National Bank's approval for accepting share payment and share premium (if any) from foreign nationals of Ethiopian origin or organizations.
- 4.2.6. The bank that maintained the foreign currency account as per sub-article 4.2.5 of this article, shall surrender 30% of the foreign currency collected from subscription of shares to the National Bank in accordance with Foreign Exchange Surrender Requirements of Banks (as amended) Directive No. FXD/54/2018 and transfer the Birr equivalent of full amount of the foreign currency collected to the account of the insurer at the prevailing buying rate.

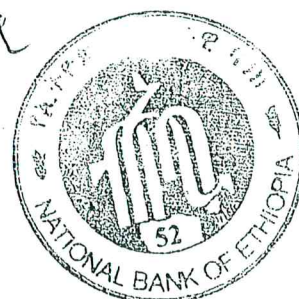
#### **4.3. Payment of Share Subscriptions**

- 4.3.1. Payment of the full value of initially subscribed shares and share premium (if any) by Foreign Nationals of Ethiopian Origin or organizations shall be made in an acceptable foreign currency.



- 4.3.2. Dividend generated from investment by Foreign Nationals of Ethiopian Origin or organizations in other sectors and deemed eligible for repatriation by the National Bank can be used for the purpose of share purchase in an insurance company or an insurance company under formation.
- 4.3.3. The foreign currency to be paid by foreign nationals of Ethiopian origin or organizations for the purpose of share purchase shall be transferred to the account opened and maintained in a bank for this purpose only through bank transfer.
- 4.3.4. Notwithstanding the provision stated under sub-article 4.3.3 hereinabove, foreign nationals of Ethiopian origin or organizations having a Non-Resident Foreign Currency Account with local banks may utilize the foreign currency deposited in this account for the purpose of equity investment in an insurance company or an insurance company under formation.
- 4.3.5. Transfer of foreign currency made by foreign nationals of Ethiopian origin or organizations for the purpose of share purchase through foreign payment cards, cash whether declared or not and international money transfer organizations that cannot generate credit advice at individual level showing the identity, amount and purpose of the transfer, shall not be allowed.
- 4.3.6. An Ethiopian national, who after acquiring shares in an insurance company changes his/her nationality after the effective date of this Directive, may continue holding the existing paid up shares and pay the outstanding shares in Ethiopian Birr. However, subscription of new shares shall be made in an acceptable foreign currency.
- 4.3.7. In the case of investment in an insurance company or an insurance company under formation by an organization owned by Ethiopian nationals and foreign nationals of Ethiopian origin, payment of share subscription in foreign currency shall be made in proportion to the shareholding of the foreign national of Ethiopian origin in the organization.

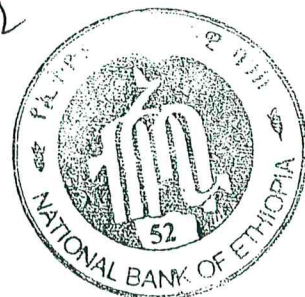
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#### 4.4. Verification and Validation of Subscribed Shares

- 4.4.1. An insurance company or an insurance company under formation that float shares shall assume the responsibility of ensuring compliance with sub-article 4.3 of this Directive.
- 4.4.2. An insurance company or an insurance company under formation shall ensure that matters related to proper identification of the foreign nationals of Ethiopian origin or organizations (including its' shareholders), proper execution of bank transfer detail and documentation and submission of documents including list of subscribers', subscribers' nationality identification documents, foreign currency credit advice and any other related documents to the National Bank.
- 4.4.3. To ensure that share subscription has been conducted in line with this Directive and other relevant laws, an insurance company under formation that issued shares to foreign nationals of Ethiopian origin or organizations shall ensure that the share subscription and related payments are audited along with the audit of the pre-establishment costs and submit the report to the National Bank accordingly.
- 4.4.4. An insurance company shall develop comprehensive policies and procedures for the handling of equity investment by foreign nationals of Ethiopian origin or organizations. Accordingly, the policy and procedure, among others, shall address:
- promotion and share subscription process;
  - identification of foreign nationals of Ethiopian origin or organizations(including its' shareholders);
  - payment details and modalities of share subscription; and
  - share transfers involving foreign nationals of Ethiopian origin or organizations(including its' shareholders).
- 4.4.5 An insurance company or an insurance company under formation shall ensure that a person or a shareholder of an organization who acquires shares through transfer and/or purchase holds a valid document.

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## 5. Share Transfer

- 5.1. A share can be transferred from Ethiopian nationals to foreign nationals of Ethiopian origin or organizations through sell in an acceptable foreign currency that would be transferred through banks at a price that shall not be less than the par value.
- 5.2. Shares shall not be acquired by foreign nationals of Ethiopian origin or organizations through donation.
- 5.3. Shares can be transferred from Ethiopian nationals to foreign nationals of Ethiopian origin through succession.

## 6. Dividend

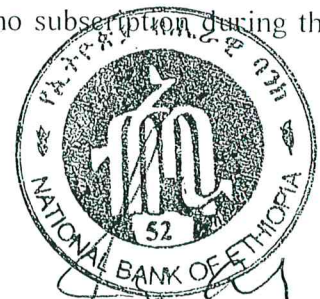
- 6.1. Dividends earned on investment in an insurance company by foreign nationals of Ethiopian origin or organizations shall be paid in Ethiopian Birr.
- 6.2. Dividends earned in accordance with sub-article 6.1 of this article may be used for the payment of newly issued and subscribed shares in the same insurance company.

## 7. Reporting

- 7.1. An insurance company under formation shall report summary of share subscription by foreign nationals of Ethiopian origin or organizations, as per sub article 4.4.2 of article 4 and **Annex I** of this Directive, along with application for insurance business license.
- 7.2. An insurance company shall quarterly submit summary of shares subscribed by foreign nationals of Ethiopian origin or organizations to the National Bank, as per sub article 4.4.2 of article 4 and **Annex II and III** of this Directive. In case of no subscription during the quarter, an insurance company may report same.

## 8. Effective Date

This Directive shall be effective as of the 5<sup>th</sup> day of March 2020.



*Yinager Dessie (PhD)*  
**Yinager Dessie (PhD)**  
**Governor**







