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NATIONAL BANK OF ETHIOPIA
 ADDIS ABABA

COPY

FIS/BSD/1226/16
 November 01, 2016

All Banks
Addis Ababa

Dear Sirs;

Please find enclosed Guideline No.FIS/01/2016 for your information and implementation.

Sincerely yours,

Solomon Desta
 Director, Banking Supervision Directorate



cc.

H.E. The Governor
 V/Governors
 Senior Advisors
 Advisors
 All Directorates
National Bank of Ethiopia

➤ **Diaspora Affairs Directorate General**
Ministry of Foreign Affairs
Addis Ababa



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NATIONAL BANK OF ETHIOPIA
ADDIS ABABA

Manner of Relinquishing
Shareholdings of Foreign Nationals of Ethiopian
Origin in a Bank or an Insurer
Guideline No.FIS/01/2016

WHEREAS, the law prohibits non-Ethiopian citizens from investing in Ethiopian financial institutions;

WHEREAS, some foreign nationals of Ethiopian origin were found holding shares in Ethiopian banks and insurers against the law of the land;

WHEREAS, although acts against the law carries criminal liabilities, the Government has waived such charges against foreign nationals of Ethiopian origin who invested in Ethiopian banks and insurers;

WHEREAS, the Government further decided that 1) foreign nationals of Ethiopian origin shall disinvest from banks and insurers; and 2) banks and insurers who originated the shares held by foreign nationals of Ethiopian origin shall refund such shareholders at par value of the shares and pay dividends thereof until June 30, 2016;

WHEREAS, there is a need to implement the decision of the Government;

NOW, THEREFORE, the National Bank of Ethiopia has issued this guideline pursuant to the authority vested in it by Article 59(2) of Banking Business Proclamation No. 592/2008 and Article 58(2) of Insurance Business Proclamation No. 746/2012.

1. Short Title

This Guideline may be cited as “Manner of Relinquishing Shareholdings of Foreign Nationals of Ethiopian Origin in a Bank or an Insurer Guideline No.FIS/01/2016”



2. Definition

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

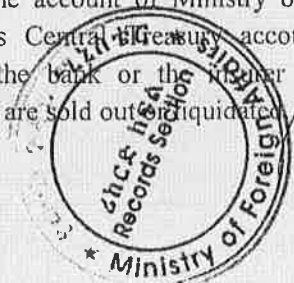
- 2.1. “**Bank**” means a company licensed by the National Bank to undertake banking business;
- 2.2. “**Foreign national of Ethiopian origin**” means a foreign national, other than a person who forfeited Ethiopian nationality and acquired Eritrean nationality, who had been Ethiopian national, before acquiring a foreign nationality; or at least one of his parents or grandparents or great grandparents was an Ethiopian national;
- 2.3. “**Dividend**” means whole or part of the profit that is declared to be distributed to shareholders of a bank or an insurer as per the decision of the general assembly in line with the relevant law of the country and articles and memorandum of association of the bank or the insurer ;
- 2.4. “**Insurer**” means a company licensed by the National Bank to undertake insurance business;
- 2.5. “**National Bank**” means the National Bank of Ethiopia;
- 2.6. “**Par value**” means face value of a share issued by a bank or an insurer as specified in the memorandum and articles of association of the issuing bank or insurer;
- 2.7. “**Person**” means natural or juridical person;
- 2.8. Any expression in the masculine gender includes the feminine.

3. Scope of the Guideline

This guideline shall apply to all privately owned banks and insurers.

4. Payment of Dividend

- 4.1. A bank or an insurer shall pay dividend to its shareholders of foreign national of Ethiopian origin only until June 30, 2016. No dividend shall be paid to such shareholders thereafter. Dividends may be deposited into birr bank account, or paid in birr, or kept in any form of birr payable account; but they shall not be ploughed back into paid up capital of the bank or the insurer.
- 4.2. Dividend accrued on shares held by foreign national of Ethiopian origin after June 30, 2016 shall be paid to the account of Ministry of Finance and Economic Cooperation by crediting its Central Treasury account maintained with the National Bank every time the bank or the insurer declares dividend to its shareholders until such shares are sold out or liquidated.



5. Relinquishing Shareholdings of Foreign Nationals of Ethiopian Origin

- 5.1. Within 30 calendar days of the effective date of this guideline, a bank or an insurer shall at least once a week for a period of four consecutive weeks, publish a notice in widely circulating newspapers requesting its shareholders of foreign nationals of Ethiopian origin to collect their investment by surrendering all their shares to the bank or the insurer at par value.
- 5.2. A shareholder of foreign national of Ethiopian origin in a bank or an insurer shall surrender his shareholding to the bank or the insurer that issued the shares at par value by submitting share certificates within 60 calendar days from the date of first appearance of the notice stipulated under 5.1 hereinabove.
- 5.3. Upon receiving the share certificates from a shareholder of foreign national of Ethiopian origin, a bank or an insurer shall immediately pay par value of the shares in birr to the person who surrendered the shares.
- 5.4. Shares whose value was paid by shareholder of foreign national of Ethiopian origin to the bank or insurer without receiving share certificates in return shall be deemed surrendered to the bank or insurer effective from the deadline set under 5.2 hereinabove.
- 5.5. The par-value of shares held by all shareholders of foreign nationals of Ethiopian origin, be it those who appeared or failed to show up in line with the calls made under 5.1 or deemed surrendered as stipulated under 5.4 hereinabove, shall be transferred to an account opened in line with provisions of sub-article 6.1 herein under within two working days after the deadline set under sub article 5.2 hereinabove is elapsed.
- 5.6. All share certificates held by shareholders of foreign nationals of Ethiopian origin not surrendered after the deadline set in accordance with sub article 5.2 hereinabove shall be deemed cancelled and details (such as name of issuing bank or insurer, name of shareholder, certificate number, and face value) of such cancelled share(s) shall be notified, by the bank or the insurer, to the public at least once in two widely circulating newspapers within 15 calendar days of the cancellation of the shares. However, holders of such cancelled shares may collect, any time, the par value of the shares and dividends thereof, accounted until June 30, 2016, from the bank or the insurer who issued them as long as they are legally authorized to do so.
- 5.7. Notwithstanding the preceding sub-articles hereinabove, a foreign national of Ethiopian origin who continues to hold a share of a bank or an insurer by



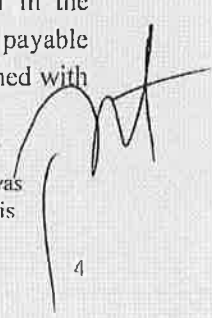
intentionally disguising the change of his Ethiopian nationality by any means¹ may not be entitled to receive the par value reimbursement of his share(s) and the dividend accrued there from. A bank or an insurer aware of such intentional disguising efforts by a foreign national of Ethiopian origin shall report the fact, with all appropriate evidences, to the National Bank within five working days.

- 5.8. Within 60 calendar days after the shares have been transferred in line with provision of 5.5 hereinabove to the account opened under 6.1 herein under, a bank or an insurer shall sell out the transferred shares by putting them for open public auction following its internal policies and procedures. Sale of such shares through negation is not allowed.
- 5.9. The price at which a share is sold in the market through open auction shall not be less than its par value. Price quotations less than par value shall be rejected.
- 5.10. All costs related to public notices stipulated in this guideline and the auction process to sell out shares of foreign nationals of Ethiopian origin shall be covered by a bank or an insurer causing the publication of the notice or conducting the auction.
- 5.11. The National Bank may review the auction process on-site any time as it may deem necessary.
- 5.12. All subscriptions to buy shares made by shareholders of foreign nationals of Ethiopian origin but not paid until June 30, 2016 shall be cancelled and be considered as unsubscribed.

6. Manner of Accounting Surrendered Shares

- 6.1. A bank or an insurer shall open a temporary asset account titled “shares for resale” with appropriate subsidiary account for each person who surrendered the shares, or whose shares were deemed surrendered or cancelled. Upon collecting, deeming surrendered or cancelling the shares as stipulated under 5.3, 5.4 and 5.6, respectively, hereinabove, a bank or an insurer shall debit this account and credit cash or any appropriate account.
- 6.2. Upon selling relinquished shares through open public auction, a bank or an insurer shall credit relevant account stated under 6.1 hereinabove by the amount maintained in the same account.
- 6.3. Any excess amount collected over and above the balance maintained in the account opened under 6.1 hereinabove shall be credited to an appropriate payable account until such fund is transferred to Central Treasury account maintained with the National Bank.

¹ For example through presenting Kebele identification card or any other government document that was intentionally prepared and submitted to acquire a bank's or an insurer's share, while he had changed his Ethiopian Nationality.



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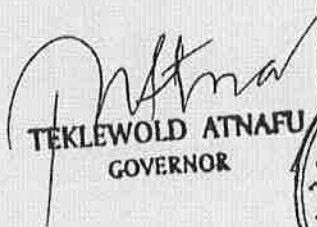
6.4. A bank or an insurer shall transfer a balance maintained in payable account opened under 6.3 hereinabove, net of related tax, to Central Treasury account of Ministry of Finance and Economic Cooperation maintained with the National Bank within 5 working days of collecting such excess fund.


7. Reporting Requirement

A bank or an insurer shall submit a report on dividends paid, shares relinquished, amounts debited to relevant subsidiary account, and funds transferred to of Ministry of Finance and Economic Cooperation account, to Banking or Insurance Supervision Directorate of the National Bank, as the case may be, within five working days after dividends are paid, or shares are surrendered/cancelled or the sales process is completed using tables attached herewith along with all relevant supporting documents depicting the whole process for verification.

8. Effective Date

This Guideline shall enter into force as of the 28th day of October 2016.


TEKLEWOLD ATNAFU
GOVERNOR




Ministry of Foreign Affairs
Records Section

**Report on Shareholdings Relinquished by Foreign Nationals
of Ethiopian Origin in a Bank or Insurer and Related Transactions**

Table 1: Surrendered and Cancelled Shares

Name of Bank/Insurer: _____
Date: _____

No.	Name of Shareholder	Nationality	Number of shares held as of June 30, 2016		Par value	Total face value of paid up shares	Face value of paid up surrendered shares	Face value of unpaid subscriptions cancelled	Amount paid against surrendered shares	Face value of cancelled Paid up shares	Total shares ready for sale
			Subscribed	Paid							
		B	C	D	E	F = DxE	G	H	I	J	K = G+J



Prepared by: _____

Approved by: _____

Signature: _____

Date: _____

Signature: _____

Date: _____

Note: This table shall be completed and submitted to Banking or Insurance Supervision of the National Bank, as the case may be, within 5 working days after accounting entries under 6.1 of the Guideline have been made.

**Report on Shareholdings Relinquished by Foreign Nationals
of Ethiopian Origin in a Bank or Insurer and Related Transactions**

Table 2: Shares Sold

No.	Name of Shareholder	Value of total shares ready for sale. (Column K of table 1)	Number of shares auctioned	Shares Sold			Amount transferred to MoFEC A/C with the National Bank ²
				Number	Unit price set by auction	Total price	
	A	B	C	D	E	F=DxE	H=F-G



Prepared by: _____
Signature: _____
Date: _____

Approved by: _____
Signature: _____
Date: _____

² Note: This table shall be completed and submitted to Banking or Insurance Supervision of the National Bank, as the case may be, within 5 working days after the sales process is completed, that is, after accounting entries under 6.2-6.4 of the Guideline have been made.

² Please attach credit ticket or transfer evidence.

**Report on Shareholdings Relinquished by Foreign Nationals
of Ethiopian Origin in a Bank or Insurer and Related Transactions**

Table 3: Dividends Paid and Accrued to MoFEC

No.	Name of Shareholder	Dividends Accrued	Dividends paid to the shareholder	Dividends paid to MoFEC ³	Dividends kept in suspense a/c



Prepared by: _____
Signature: _____
Date: _____

Approved by: _____
Signature: _____
Date: _____

Note: This table shall be completed and submitted to Banking or Insurance Supervision of the National Bank, as the case may be, within 5 working days after dividend payments under article 4 have been made.

³ Please attach credit ticket or transfer evidence.