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NATIONAL BANK OF ETHIOPIA

PRESS RELEASE

The Council of Ministers today approved the draft NBE Proclamation and Banking Business Proclamation

14 June 2024 | Addis Ababa, Ethiopia

The Council of Ministers today has approved the draft NBE Proclamation and Banking Business Proclamation. **The draft proclamations will shortly be referred to the House of Peoples Representatives for review, comment and final ratification.** These legislations represent a significant step in laying a strong foundation for growth and enhancing the credibility, accountability, transparency, and governance of the National Bank of Ethiopia.

The National Bank of Ethiopia, (NBE), has prepared these Proclamations, taking into account the current and future level of development and policy direction as well as the rapid technological advancement, international principles and best practices and experiences of peer Central Banks. These Proclamations are an integral part of the NBE reform agenda as indicated in the Bank's strategic plan. Key policy changes being addressed by these Proclamations includes the following:

I. National Bank of Ethiopia Proclamation

- It gives the NBE an opportunity to set hierarchy to its monetary policy objectives and to choose appropriate monetary policy instruments to achieve its goals;
- It provides for the establishment of a Monetary Policy Committee to ensure the quality and effectiveness of its monetary policy;
- It provides for the Bank to set price stability target in consultation with concerned government entities;
- It provides for increasing the Bank's capital;
- It provides for establishing National Financial Stability Committee to ensure the soundness of the financial sector;
- It defines the number, composition, tenor and eligibility criteria for NBE Board members;
- It defines the tenor and employment criteria for the Governor and Vice Governors;
- It defines the Bank's relationship with the government particularly in terms of the amount of government borrowing and modalities of loan repayment;
- It defines the role of macro prudential policy formulation on risk management of the financial sector;
- It sets clear legal basis for financial services consumer protection;
- It establishes a legal framework for introduction of central bank digital currency, as necessary.



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II. Banking Business Proclamation

- It provides for opening up the banking sector to foreign investment;
- Foreign banks can invest in the banking business through opening foreign bank subsidiary, branch or invest in shares of existing domestic banks;
- Representatives of foreign banks will be under the regulatory umbrella of the National Bank;
- Introduced a range of prompt corrective actions to be taken on problem banks by the National Bank;
- It sets regulatory sandbox framework for introducing new and innovative financial services;
- It gives resolution authority to the National Bank of Ethiopia to deal with likely to fail or a failed bank to minimize the cost to customers;
- It introduces changes to the composition of commercial banks' Board of Directors.

The National Bank of Ethiopia looks forward to the further review of these draft legislations by the members of the House of Peoples Representatives.