

**LICENSING AND SUPERVISION OF
BANKING BUSINESS
DIRECTIVE NO. SBB/1/94**

1. Issuing Authority

These directives are issued by the National Bank of Ethiopia pursuant to the authority vested in it by article 41 of the Monetary and Banking Proclamation No. 83/1994 and by article 36 of the Licensing and Supervision of Banking Business Proclamation No. 84/1994.

2. Definitions

In these directives:

- 2.1 Related parties shall mean directors, founders, principal officers, employees and other businesses in which they have direct interest.
- 2.2 Residence shall have the meaning assigned to it under article 174 of the Commercial Code of Ethiopia.

3. Information Required From Applicants For License.

- 3.1. Evidence for paid up capital which includes certificate of deposit in a blocked subscription account and evidence for valuation of contribution in kind.
- 3.2. Names and occupation (including dates and addresses of previous employment), of the organizers of the bank if these are other than the directors.
- 3.3. Feasibility study document.
- 3.4. Projection of Financial statements for the first three years of operation showing major categories of loans by economic sectors and liabilities.
- 3.5. Disclosure of the identify of shareholders who have acquired more than ten percent of the capital stock, indicating their names, nationality, number and value of shares held.
- 3.6. Separate cost of vault, equipment, furniture and fixture purchased or leased.
- 3.7. Authenticated ownership certificate and/or lease agreement for items listed under Section 11.1 of the application form.

- 3.8. Description of any purchase or proposed purchase of goods and services, or lease of real estate by the bank from related parties.
- 3.9. Proposal of insurance coverage and extent of such coverage.
- 3.10. Curriculum vitae of the proposed Chief Executive, founders and/or directors including their age, marital status, education, employment history for the past ten years, their experience in business and financial affairs, their involvement in civic, social and charitable activities including any leadership position held.
- 3.11. Duty completed application form as prescribed by the Bank and submit enclosures specified therein.
- 3.12. Proposed organizational chart of the bank, and brief description of the functions of the main organizational units.

4. Criteria For Selection Of Chief Executive

4.1. Education

A minimum of first degree or equivalent in relevant field having attended a recognized higher institution of learning.

4.2. Employment

A minimum of 10 years of reputable managerial experience in a financial or related institution at a senior level which can expose him to acquire sufficient banking and management skills.

4.3. Age

A minimum of 35 years

4.4. Marital Status

Preferably married or responsible to a family

5. Criteria For Selection Of Members Of Board Of Directors

5.1. Education

A minimum completion of high school education with ability to read and grasp reports, especially financial statements.

5.2. Employment

Members of Board of Directors shall have adequate managerial experience in business and/or similar organizations.

5.3. Age

A minimum of 30 years of age

6. Fees

- 6.1. A company applying to undertake banking business shall pay investigation fee of Birr750.- (Birr seven hundred and fifty only), that is to be paid at the time of lodging an application.
- 6.2. A company licensed to undertake banking business shall pay initial registration fee currently prescribed by the Ministry of Trade for registration of Memorandum and Articles of Association.
- 6.3. A company licensed to undertake banking business shall pay initial license fee of Birr5,550.- (Birr five thousand five hundred fifty only).
- 6.4. A licensed bank shall pay annual license renewal fee of Birr5,550.- (Birr five thousand five hundred fifty only).

These Directives shall enter into force as of Fifteenth day of May 1994.

Application Form to Undertake Banking Business

Photo of Representative of Applicant
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1. Name of applicant and Designation _____
_____.
2. Proposed Name of the company (under formation) _____
_____.
3. Name of the Spokesperson _____

Address: _____

4. Address of company, and proposed branches

4.1 Head office Address:

Location _____
P.O.Box _____
Tel. _____
Telex _____
Fax _____

4.2 Branch Address: (if any)

4.2.1 Location

Tel. _____
P.O.Box _____

4.2.2 Location _____

Tel. _____
P.O.Box _____

(If there are more than two proposed branches, annex a list in same form).

5. Names and Addresses of the Founders

5.1	Name	Nationality	Occupation	Residence	Address	Number of Shares Held
5.1.1	_____	_____	_____	_____	_____	_____
5.1.2	_____	_____	_____	_____	_____	_____
5.1.3	_____	_____	_____	_____	_____	_____
5.1.4	_____	_____	_____	_____	_____	_____
5.1.5	_____	_____	_____	_____	_____	_____
5.1.6	_____	_____	_____	_____	_____	_____
5.1.7	_____	_____	_____	_____	_____	_____
5.1.8	_____	_____	_____	_____	_____	_____
5.1.9	_____	_____	_____	_____	_____	_____
5.1.10	_____	_____	_____	_____	_____	_____

* (Where the founders are more than ten, annex a list in same form)

6. Names and Addresses of Members of Board of Directors

6.1	Name	Occupation	Residence	Nationality	Address	Number of Shares Held
6.1.1	_____	_____	_____	_____	_____	_____
6.1.2	_____	_____	_____	_____	_____	_____
6.1.3	_____	_____	_____	_____	_____	_____
6.1.4	_____	_____	_____	_____	_____	_____
6.1.5	_____	_____	_____	_____	_____	_____
6.1.6	_____	_____	_____	_____	_____	_____
6.1.7	_____	_____	_____	_____	_____	_____
6.1.8	_____	_____	_____	_____	_____	_____
5.1.9	_____	_____	_____	_____	_____	_____
6.1.10	_____	_____	_____	_____	_____	_____
6.1.11	_____	_____	_____	_____	_____	_____
6.1.12	_____	_____	_____	_____	_____	_____

6.2 (Attach curriculum vitae of each director)

7. Transaction and operation of the bank

7.1 Transactions and operations the bank proposes to carry out

7.1.1 _____

7.1.2 _____

7.1.3 _____

7.1.4 _____

7.2 The manner in which the company proposes to carry out its transactions and operations.

7.2.1 _____

7.2.2 _____

7.2.3 _____

7.2.4 _____

8. Contributions:

8.1 In cash Birr

8.2 In kind (specify the type of property and value)

9. Initial capital of the Company (in Birr)

9.1 Authorized capital _____

9.2 Subscribed capital _____

9.3 Paid up capital _____

10. Shares

10.1 Number of shares issued _____

10.1.1 Number of shares held by founders _____

10.1.2 Number of shares held by subscribers _____

10.2 Par value of each share in Birr _____

11. Provide the following information with respect to:

11.1 Cost of premises' equipment and others where purchased or leased by the applicant.

Item	Manner of Acquisition	Cost
Building		
Land		
Vault		
Equipment		
Fixture		
Professional Services		
Total		

* Lease, purchase, rentetc.

11.2 Indicate if any of the items listed hereinabove are acquired from related parties.

12. Types and extent of the company's proposed insurance coverage

13. Give statements that members of Board of Directors and the Chief Executive are vetted to fulfill requirements stated under Article 30 (1) (a) and (b) of Proclamation 84/1994.

14. Any other statement

15. I hereby confirm that the foregoing statements are true and correct.

Date _____ Signature _____

Name and Official Designation
of the Applicant

The following particulars are attached here to:

ENCLOSURES

1. Four authenticated copies of the Memorandum and Articles of Association by which the Company is constituted.
2. Four copies of bank certificates of deposit for contributions in cash held in subscription blocked account.
3. Four copies of valuation evidence for capital contribution in kind.
4. Two copies of feasibility study documents.
5. Two copies of projected Financial statements for the first three years of operation.
6. Two copies of authenticated ownership certificate for items listed under Section 11.1 of the application form.
7. Two copies of evidence of insurance coverage for premises already acquired or leased.
8. Four copies of curriculum vitae of Chief Executive officer, founders and/or members of Board of Directors.
9. One copy of evidence of payment of investigation fee.
10. Two copies of organizational chart of the proposed insurance company and description of functions of main organizational units.
11. Four passport size photographs of the official designate who applies for the license on behalf of the Company.
12. Two copies of disclosure of the identity of share holders who have acquired more than ten percent of the Capital stock, indicating their names, nationality, number and value of shares held.

**LICENSING AND SUPERVISION OF
BANKING BUSINESS**

Directive No. SBB/3/95

CONTRIBUTION IN KIND

1. Issuing Authority

These directives are issued by the National Bank of Ethiopia pursuant to the authority vested in it by Article 41 of the Monetary and Banking Proclamation No. 83/1994 and by article 5(b)(5) of the Licensing and Supervision of Banking Business Proclamation No. 84/1994.

2. Contribution in Kind

- 2.1. Items like built in vault, buildings, essential vehicles and others that are acceptable to the Bank may be considered as capital contributions.
- 2.2. Contributions in kind should be valued by professional valuers acceptable to the National Bank of Ethiopia.
- 2.3. Capital contributions in kind shall not be considered for the purposes of fulfilling minimum required capital and shall not exceed 25% of paid up capital in excess of minimum required capital.

These Directives shall enter in to force as of 21st day of August 1995.

**LICENSING AND SUPERVISION OF
BANKING BUSINESS**

**Directive No. SBB/4/95
LEGAL RESERVE**

1. Issuing Authority

These directives are issued by the National Bank of Ethiopia pursuant to the authority vested in it by Article 41 of the Monetary and Banking Proclamation No. 83/1994 and by article 13(4) of the Licensing and Supervision of Banking Business Proclamation No. 84/1994.

2. Requirement

- 2.1 Every bank shall transfer annually 25% of its annual net profit to its

Legal Reserve Account until such account equals its capital.

- 2.2 When the legal reserve account equals the capital of the bank, the amount to be transferred to the legal reserve account shall be 10% (ten percent) of the annual net profit.

These Directives shall enter into force as of 21st day of August 1995.

LICENSING AND SUPERVISION OF BANKING BUSINESS

Directive No. SBB/9/95 COMPUTATION OF RISK WEIGHTED ASSET

1. Issuing Authority

These directives are issued by the National Bank of Ethiopia pursuant to the authority vested in it by Article 41 of the Monetary and Banking Proclamation No. 83/1994 and by article 36 of the Licensing and Supervision of Banking Business Proclamation No. 84/1994.

2. Definition

- 2.1 For the purpose of these Directives, the capital of a bank consists of issued and fully paid in shares, legal reserves and other reserves to be approved by the National Bank of Ethiopia and
- 2.2 The minimum capital requirement shall be applied to a bank on a consolidated basis, including subsidiaries and affiliates engaged in banking and financial activities.

3. Manner of computation

Risk weighted assets and percentage weight attached to each asset shall be calculated in the manner as shown in the tables attached herewith which shall be a part hereof.

These Directives shall inter into force as of 21st day of August 1995.

LICENSING AND SUPERVISION OF
BANKING BUSINESS

Directive No. SBB/10/95

LIMITATION ON ACCOMMODATION

1. Issuing Authority

These directives are issued by the National Bank of Ethiopia pursuant to the authority vested in it by Article 41 of the Monetary and Banking Proclamation No. 83/1994 and by article 17(1) of the Licensing and Supervision of Banking Business Proclamation No. 84/1994.

2. Definition

For the purposes of this Directive, 'person' physical (natural) person.

3. Limitation on Accommodation

No bank shall, directly or indirectly, except with the prior written approval of the Bank, grant or permit to be outstanding unsecured loans, advances or credit facilities of an aggregated amount in excess of birr 30,000.=(Thirty Thousand Birr).

- 3.1 to its directors, or any of them, whether severally or jointly with any other person.
- 3.2 To any person of whom or of which it or any one or more of its directors is a guarantor.

These directives shall enter into force as of 1st day of September 1995.

LICENSING AND SUPERVISION OF
BANKING BUSINESS

Directive No. SBB/12/1996

LIMITATION ON INVESTMENT OF BANKS

These directives are issued by the National Bank of Ethiopia pursuant to the authority vested in it by Article 41 of the Monetary and Banking Proclamation No. 83/1994 and by article 36 of the Licensing and Supervision of Banking Business Proclamation No. 84/1994.

1. No bank shall engage in insurance business but may hold up to 20% in an insurance company and up to a total of 10% of the banks equity capital in such business.
2. Banks are prohibited from engaging directly in non-banking businesses such as agriculture, industry, and commerce.
3. A bank may hold shares in a non-banking business only up to 20% of the company's share capital and total holdings in such business shall not exceed 10% of the bank's net worth.
4. A bank's equity participation in another bank shall be subject to prior authorization by National Bank of Ethiopia.
5. No bank shall commit more than 20% of its net worth in real estate acquisition and development other than for own business premises with out prior approval of the National Bank of Ethiopia.
6. A bank may not invest more than 10 %(ten percent) of its net worth in other securities.
7. The aggregate sum of all investments at any one time (excluding investment in government securities) may not exceed 50% of the bank's net worth, with out prior approval by the National Bank of Ethiopia.
8. Dealing in securities shall be done by banks only through a limited liability subsidiary company wherein the holding of the bank shall not exceed 10% (ten percent) of its equity capital.

These Directives shall enter into force as of 8th day of April 1996.

**LICENSING AND SUPERVISION OF
BANKING BUSINESS**

**Directive No. SBB/13/1996
NAMING OF OFFICERS**

1. Issuing Authority

These directives are issued by the National Bank of Ethiopia pursuant to the authority vested in it by Article 41 of the Monetary and Banking Proclamation No. 83/1994 and by article 36 of the Licensing and Supervision of Banking Business Proclamation No. 84/1994.

2. Designation

Unless a General Manager, Chief Executive or Principal Officer of a bank is member of the Board of Directors of the bank, it is prohibited to designate him as a Managing director.

3. Effective date

These Directives shall enter into force as of 8th day of April 1996.

**LICENSING AND SUPERVISION OF
BANKING BUSINESS**

**Directive No. SBB/15/96
AMENDMENT OF LIQUIDITY REQUIREMENT**

1. Issuing Authority

This Directive is issued by the National Bank of Ethiopia pursuant to the authority vested in it by Article 41 of the Monetary and Banking Proclamation No. 83/1994 and by Articles 16, sub-article 1(a) and (b) and 36 of the Licensing and Supervision of Banking Business Proclamation No. 84/1994.

2. Definition

- 2.1. For the purpose of liquidity requirement “liquid asset”, in addition to what has been provided for under 16(2) of Proclamation No. 84/1994, include deposits held in O.E.C.D. currencies and payable by banks of OECD countries and in such other currencies as may be approved by the National Bank of Ethiopia as well as securities issued by OECD countries denominated in currencies of such

countries with tenures as indicated under article 16 2(b) (3,4 and 5) of Licensing and Supervision of Banking Business Proclamation No.84/1994.

2.2. "Current liabilities" shall mean the sum of demand (current) deposits, savings deposits and time deposits and similar liabilities with less than one month maturity period.

3. Total Requirement

Any licensed bank shall maintain liquid assets of not less than 15% (fifteen percent) of its total current liabilities.

4. Specific Requirements

For the purpose of meeting the liquidity requirement, each bank shall maintain:

- 4.1 at least five percent(5%) of the current liabilities in the form of primary reserve assets; and
- 4.2 ten percent(10%) of the current liabilities in the form of secondary reserve assets.

5. Reports

5.1 Banks shall submit to the Supervision Department of the National Bank of Ethiopia properly certified weekly liquidity positions showing the end-of week balances of each Wednesday not later than Tuesday of the following week.

6. Repeal

Directive No.SBB/5/95 is hereby repealed and replaced by this Directive.

This Directive shall enter into force as of 20th day of November 1996.

LCENSING AND SUPERVISION OF BANKING BUSINESS

Directive No. SBB/19/96

Approval of Appointment of an Independent Auditor

1. Issuing Authority

This directive is issued by the National Bank of Ethiopia pursuant to the authority vested in it by Article 41 of the Monetary and banking Proclamation No. 83/1994 and by Article 36 of the Licensing and supervision of Banking Business Proclamation No. 84/1994.

2. Definition

- 1.1 For the purpose of this Directive "associate" shall mean "any company where the independent auditor or his partner(s) has a business interest".
- 1.2 The term "bank shall mean a company licensed under Licensing and Supervision of Banking Business Proclamation 84/1994 to undertake banking business.

3. Application for Approval

- 1.3 After appointing an independent auditor in line with Article 370 of the Commercial Code of Ethiopia, every licensed bank shall annually apply to the National Bank of Ethiopia for approval of the appointed independent auditor.
- 1.4 In the application for approval, the bank should confirm that such an auditor has been properly assessed prior to the appointment and is, in the bank's view, able to comply with the provisions of Article 18 of the Licensing and Supervision of Banking Business Proclamation No. 84/1994. For this purpose the bank must seek a declaration from the auditor which will be submitted together with the application to the effect that:
 - a) The auditor is qualified in terms of Article 18 of the Licensing and Supervision of Banking business Proclamation No. 84/1994.
 - b) The auditor, his partners or associates do not operate an account or have not been granted any type of facilities in the bank except in the normal course of business and at arm's length.

Directive No. SBB/7/95 is hereby repealed and replaced by this Directive. This Directive shall enter into force as of 20th day of November 1996.

LICENSING AND SUPERVISION OF BANKING BUSINESS

Directive No. SBB/21/96

Manner of Reporting Financial Information

2. Issuing Authority

This directive is issued by the National Bank of Ethiopia pursuant to the authority vested in it by Article 41 of the Monetary and Banking Proclamation No. 83/1994

and by Article 19 of the Licensing and supervision of Banking Business Proclamation No. 84/1994.

3. Reports

Reports shall be submitted to the Supervision Department of the National Bank of Ethiopia within twenty days after the end of the period for which the data are reported except the Reserve and Liquidity requirement reports which shall be submitted in accordance with Directives No. SBB/14/96 & SBB/15/96, respectively, in the form and manner as shown in the tables attached herewith which shall be part hereof.

This Directive shall enter into force as of 20th day of November 1996.

LICENSING AND SUPERVISION

OF BANKING BUSINESS

Directive No. SBB/22/96

AMENDMENT OF BRANCHES

4. Issuing Authority

This directive is issued by the National Bank of Ethiopia pursuant to the authority vested in it by Article 41 of the Monetary and Banking Proclamation No. 83/1994 and by Article 5(4) of the Licensing and supervision of Banking Business Proclamation No. 84/1994.

2. Definition

For the purpose of this directive the term "Branch" shall include any branch office, branch agency, additional office, or any place of business at which deposits are received or cheques are paid out or money is lent and other banking business is solicited.

3. Requirement

3.1 To open a branch office an application accompanied by feasibility study shall be submitted to the Bank.

3.2 A bank authorized to open a branch shall open the said branch and commence operation within 6(six) months from the date of the grant of authorization.

4. Duty of the Bank

The Bank shall give a written response within thirty calendar days from the date of receipt of the application and feasibility study under Article 3 hereof.

5. Fee

A bank applying to open a branch shall pay an investigation fee of Birr 1,500.- (One Thousand Five Hundred Birr) for each branch.

6. Repeal

Directive No. SBB/2/95 is hereby repealed and replaced by this Directive.

This Directive shall enter into force as of 20th day of November 1996.

**LICENSING AND SUPERVISION OF
BANKING BUSINESS**

**Directive No. SBB/24/99
Minimum Paid up Capital to be maintained by Banks**

WHEREAS, it has been necessary to raise the minimum capital required to establish a new bank so that the newly established bank can compete successfully with existing banks;

WHEREAS, it is known that as banks expand their business they must maintain a level of capital commensurate with the volume of their business to withstand adverse operational results;

NOW, THEREFORE, in accordance with Article 13(1) and 36 of Proclamation No. 84/1994, the National Bank of Ethiopia has issued these directives.

1. Minimum paid-up Capital

1.1 The minimum paid up capital that shall be required to obtain a banking business license shall be Seventy Five Million Birr, which shall be fully paid

in cash and deposited in a bank in the name and to the account of the bank under formation.

1.2 Existing banks whose paid up capital is below Seventy Five Million Birr shall raise their paid up capital to the said amount by end of June 2002. In the mean time, they will continue to maintain minimum total capital levels not less than 8% of risk weighted assets.

2. Sanctions for failure to comply with the new capital requirement

2.1 If a bank fails to comply with the capital requirements specified under sub-article 1.2 above, the National Bank of Ethiopia may

- a. prohibit such bank from engaging in any additional business until the deficiency in capital is corrected;
- b. require such bank to merge with another bank;
- c. close such bank; or
- d. take away other measures it considers fit.

3. Effective Date

These Directives shall enter into force as of the first day of June 1999.

Establishment of Special Account for Effecting Payments for Coffee Purchases from the Coffee Auction Center

Directive No. SBB/26/2001

Whereas, issuing cheques without sufficient cover to coffee sellers has become a concerning development;

Cognizant, that the practice of issuing such cheques has far-reaching negative consequences on the supply of Ethiopian coffee to the international market;

Cognizant, that such malpractice erodes public confidence in the overall cheque payment system of banks;

Now, therefore, the National Bank of Ethiopia has issued these directives pursuant to the authority vested in it under Article 61 of the Monetary and Banking Proclamation No. 83/1994.

1. Definition

“Coffee Auction Center” shall mean the Coffee Auction Center operated by Coffee and Tea Authority.

2. Opening of a Special Coffee Auction Account

- 2.1 Upon a written request by a coffee exporter, commercial banks shall open special coffee auction account in the name of the coffee exporter;
- 2.2 Balances in the special coffee auction account opened in accordance with 2.1 above shall be used solely for effecting payments to coffee sellers for coffee purchases won at the coffee auctions conducted by the Coffee Auction Center.

3. Operation of the special coffee auction account

- 3.1 Upon request of the holder of the Special Coffee Auction Account, branches of commercial banks shall issue, on behalf of the concerned bank, original Letter of Undertaking addressed to the Coffee Auction Center, Coffee and Tea Authority, with a copy to the account holder. The contents of the Letter of Undertaking and the signatories shall be as specified in the attachment to these directives which shall be a part thereof;
- 3.2 The Letter of Undertaking which a bank issues to the Coffee auction Center in accordance with 3.1 above shall constitute a commitment on the part of the concerned bank to pay the coffee seller named in the payment authorization the full amount upon receipt of a payment authorization letter from the Coffee Auction Center and corresponding cheque from the holder of the Special Coffee Auction Account;
- 3.3 No cheques shall be drawn on the Special Coffee Auction Account in favor of the holder of the account or in favor of a third party other than the coffee seller(s) specified in the payment authorization issued by the Coffee Auction Center;
- 3.4 In the event that the holder of the Special Coffee Auction Account fails to win at the coffee auction or otherwise disqualified from participation in the coffee auction(s) or the amount payable by the account holder is less than the amount blocked in his/her/their special account, the concerned bank may release the original or the excess amount to the account holder provided that the bank receives a written blocked account release authorization letter from the Coffee Auction Center;
- 3.5 Commercial banks may charge their customers fees for the special service they render in connection with the opening and operation of the Special Coffee Auction Account.

4. Scope of Application

The provisions of these directives are applicable only to the purchase of, and payment for, coffee at the coffee auctions conducted by the Coffee Auction Center.

5. Effective Date

These directives shall come into force as of 1 March 2001.

COFFEE AUCTION CENTER

(Addis Ababa/Dire Dawa, as Applicable)

PAYMENT AUTHORIZATION

Date _____

To: The Branch Manager
_____ Branch
_____ Bank

Dear Sir/Madam:

Re: Your Ref. No. _____ **dated** _____

We hereby authorize you to honour and pay the under listed cheque(s) from Mr./Mrs./M/S _____ (name of the buyer) Special Coffee Auction Account to the under listed coffee seller(s).

No.	Name of Seller	Cheque No.	Amount to be paid	Remaining balance
	Total	XXXXXXXX		

(Total amount in words _____)

Sincerely yours,

Signature _____ Name & Title _____ Date _____

Signature _____ Name & Title _____ Date _____

COFFEE AUCTION CENTER

(Addis Ababa/Dire Dawa, as Applicable)

BLOCKED ACCOUNT REALEASE AUTHORIZATION

Date _____

To: The Branch Manager
_____ Branch
_____ Bank

Dear Sir/Madam:

Re: Your Ref. No. _____ **dated** _____

You are hereby authorized to release any unutilized balance blocked in the Special Coffee Auction Account of Mr./Mrs./M/S _____ maintained with your Branch.

Sincerely yours,

Signature _____ Name & Title _____ Date _____

Signature _____ Name & Title _____ Date _____

ቡና ጨረታ
የመተማመኛ ሠነድ

ቁ. _____

ቀን _____

ለቡና ጨረታ ማዕከል
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(አዲስ አበባ/ድሬዳዋ፣ ተገቢውን ይጠቀሙ)

----- ባንክ ----- ቅርንጫፍ አቶ/ወ/ሮ ----- ለቡና ጨረታ ብቁ የሚያደርጋቸውን ብር -----) በልዩ የቡና ጨረታ ሂሳባቸው ውስጥ በኢትዮጵያ ብሔራዊ ባንክ መመሪያ ኤስቢቢ/26/2001 አንቀጽ 2 መሠረት ያገደ መሆኑን የረጋግጣል። -----

(የባንኩ ስም) በዚህ መተማመኛ ሰነድ ላይ እስከተጠቀሰው የገንዘብ መጠን ድረስ ከቡና ጨረታ ማዕከሉ በሚቀርበው የክፍያ ፍቃድ ደብዳቤና በተገቢው መንገድ የተፈረመ ተመጣጣኝ ቼክ መሠረት ከላይ ከተጠቀሰው ሂሳብ ወጪ በማድረግ ለቡና ሻጭ ለመክፈል በዚህ የመተማመኛ ሰነድ ግዴታ ገብቷል። ይህ የመተማመኛ ሰነድ በሁለት የባንኩ ባለሥልጣናት ሲፈረምና የባንኩ ማህተም ሲያርፍበት ብቻ ዋጋ ይኖረዋል። በመተማመኛ ሰነዱ ውስጥ ከተጠቀሰው የገንዘብ መጠን በላይ ለሆነ ክፍያ ባንኩ ተጠያቂ አይሆንም።

ከሰላምታ ጋር

ፊርማ ----- ስምና የሥራ መደብ ----- ቀን -----
 ፊርማ ----- ስምና የሥራ መደብ ----- ቀን -----

COFFEE AUCTION

LETTER OF UNDERTAKING

To: Coffee Auction Center
 Coffee and Tea Authority
 (Addis Ababa/Dire Dawa, as applicable)

Dear sirs:

The _____ (name of the bank), _____ Branch confirms that it has blocked Birr _____ (Amount in words) _____ in the Special Coffee Auction Account of Mr./Mrs./M/S _____ as per Article 2 of the National Bank of Ethiopia's Directive No. SBB/26/2001 to enable him/her/them/participate in coffee auction. The _____ (name of bank) undertakes to pay coffee seller(s) up to the limit of this blocked amount from the account of the holder mentioned above upon presentation of letter of payment authorization from Coffee Auction Center and corresponding duly signed cheque(s) drawn against the aforementioned account. This undertaking will be valid only if signed by two authorized signatories of the Bank and bears the Bank's stamp. The Bank is not liable for amounts exceeding this undertaking.

Truly yours,

Signature _____ Name & Title _____ Date _____

Signature _____ Name & Title _____ Date _____

LICENSING AND SUPERVISION

OF BANKING BUSINESS

Directive No. SBB/27/96

Limitation on Open Foreign Currency Position of Banks

Directive No. SBB/23/97

1. Issuing Authority

This directive is issued by the National Bank of Ethiopia pursuant to the authority vested in it by Article 41 of the Monetary and Banking Proclamation No. 83/1994 and by Article 36 of the Licensing and supervision of Banking Business Proclamation No. 84/1994.

2. Definitions

- 2.1 An "Open foreign Currency Position" shall mean a situation where assets denominated in foreign currencies do not equal liabilities denominated in the same currencies and vice versa.

- 2.2 A "Long Position in a foreign currency" shall mean a situation where assets denominated in a particular foreign currency exceed liabilities denominated in the same currency.

- 2.3 A "Short Position in a foreign currency" shall mean a situation where liabilities denominated in a particular foreign currency exceed assets denominated in the same currency.

- 2.4 An "Overall Open Foreign Currency Position" shall mean the greater of the amount of the total long positions or the total short positions in all foreign currencies.
- 2.5 The "Inter-bank foreign Exchange Rate" shall mean the rate determined in the inter-bank foreign exchange market daily.
- 2.6 "Total Capital" shall include paid-up capital, legal reserve and any other unencumbered reserves acceptable to the National Bank of Ethiopia.
- 2.7 "Squaring a foreign currency position" shall mean the buying from or selling of foreign exchange to any other participant in the inter bank foreign exchange market in order to eliminate any positions above the limit set under article 4 herein below.
- 2.8 "Peg balance" shall mean the minimum foreign currency balance required by a correspondent bank as a condition for establishing a correspondent relationship.

3. Scope of Application

- 3.1 In computing the overall open foreign currency position all foreign currency denominated assets and liabilities shall be taken into account, including all memorandum items denominated in foreign currency except:
- a) peg balances;
 - b) expired import letters of credit;
 - c) import letters of credit issued by the bank with the condition that payment of the foreign currency amount under the letter of credit will be paid by (i) external donors, or (ii) external borrowings by the importer;
 - d) inward bills for collection, unless Birr equivalent of the value of the documents is actually collected;
 - e) outward document bills for collection (ODBC) and outward bills for collection (OBC), unless foreign currency value of the bills is actually collected; and
 - f) unsold travelers checks.

3.2 The overall open foreign currency position of each bank shall be assessed on a consolidated basis, that is, including its forex bureax and its subsidiaries, if any.

4. Limitation

The overall open foreign currency position of each bank at the close of business each day shall not exceed 15% (fifteen percent) of its total capital.

5. Computation of Overall Open Foreign Currency Position

The overall open foreign currency position shall be computed in the following manner:

- a) the difference between the assets and the liabilities denominated in each foreign currency shall be determined and categorized either as long or as short position;
- b) open positions in each foreign currency as determined and categorized under "a" herein above shall be converted into their Birr equivalents by using the buying rate prevailing at th3e close of business each day;.
- c) the birr equivalents of open positions in each foreign currency obtained under "b" herein above are added to arrive at the total long and the total short position;
- d) the greater of the total long or the total short position total capital to determine the ratio;
- e) the ratio determined under "d" herein above is compared with the limit on overall open foreign currency position laid down under article 4 herein above.

6. Squaring of Excess Foreign Exchange Position

Banks are required to monitor their open foreign currency positions on a continuous basis. Any excess foreign exchange position must be squared without delay.

7. Penalty

7.1 Any bank that is in breach of the provisions of article 4 of this directive shall pay a financial penalty. The financial penalty shall be assessed on the excess amount

using a 10 percent annual interest rate. The penalty so assessed will be automatically deducted on the next business day from a bank's account maintained with the NBE.

7.2 Any bank that fails to comply with the reporting requirement specified under article 8 herein below shall pay a penalty of Birr 1,000 per day of delay. The penalty so assessed will be automatically deducted from the bank's account maintained with the NBE.

8. Submission of Daily Reports to the National Bank

Each bank shall submit to the Supervision Department of the National Bank of Ethiopia a daily report, showing the amounts of foreign currency positions as of the close of business each day, on the next business day before 12 a.m. The report shall be submitted in accordance with the table attached herewith, which shall be a part hereof.

9. Repeal

Directive No. SBB/23/1997 is hereby repealed and replaced by this Directive.

10. Effective Date

This Directive shall enter into force as of the 24th day of October 2001.

Report on Foreign Currency Positions
 In Thousands of Birr
 At close of Business _____

Reporting Bank:			Contact Person					Phone	Fax		
Foreign Currency (1)	Balance Sheet Items		Memorandum Items			Open Position (2-3+4-5)-6		Closing Buying Rate (9)	Birr Equivalent Open Position		Percent of Total C (12)
	Assets(+)* (2)	Liabilities (-) (3)	Assets(+) (4)	Liabilities (-) (5)	Peg balance (6)	Long (+) (7)	Short (-) (8)		Long (+) (7x9=10)	Short (-) (8x9=11)	
Total Capital (13)						Total Long Positions (total column 10=15)					
						Total Short Positions (total Column 11=16)					
Overall Open Foreign Currency Position Limit (15% of Line 13=14)						Overall Open foreign Currency Position (the grater of 15 or 16=17)					

LICENSING AND SUPERVISION OF
BANKING BUSINESS

Directive No. SBB/29/2002
Amendment of Single Borrower Loan Limit

1. Issuing Authority

This Directive is issued by the National Bank of Ethiopia pursuant to the authority vested in it by Article 41 of the Monetary and Banking Proclamation No. 83/1994 and by Articles 36 of the Licensing and Supervision of Banking Business Proclamation No. 84/1994.

2. Definition

2.1 “Affiliated Financial Institution” means a Company:

2.1.1 In which a bank, directly, owns or controls 10% or more of the voting shares or controls in any manner the election of a majority of its directors or other persons exercising similar function;

2.1.2 Which owns or controls in any manner, directly or indirectly, 10% or more of the voting shares of a bank or controls in any manner the election of a majority of the directors, or persons exercising similar function of a bank;

2.1.3 In which 50% or more of the voting shares is held, or control is held directly or indirectly, through stock ownership or in any other manner, by the shareholders of a bank who own or control 50% or more of the voting shares of a bank; or

2.1.4 In which a majority of its directors, or other persons exercising similar functions, are directors of a bank.

The term “company” as used in this definition means a bank or insurance company and “indirect ownership or control” refers to ownership or control exercised through ownership or control of entities that are shareholders in the same financial institution or through similar arrangements.

2.2 “Cash collateral” means credit balances on accounts in the books of the lending bank over which the customers have given the lending bank a formal letter of cession and which the bank at its discretion has transferred from the customer’s account(s) to a specific or general cash collateral account(s) or blocked.

2.3 “Cash-substitutes” shall mean:

2.3.1 A security issued by the Federal Government of Ethiopia;

2.3.2 An unconditional obligation or guaranty issued in writing by the Federal Government of Ethiopia or a non-affiliated domestic financial institution, where the beneficiary bank maintains a current written and wee-documented

evaluation evidencing that the non-affiliated financial institution is financially sound and capable of honoring the guaranty on demand with respect to repayment of the both principal and interest, or a specific amount, and the lending bank has not been advised of any determination by the guarantor to deny payment under the terms of the obligation or guarantee; and

- 2.3.3 An unconditional obligation or guaranty issued in writing by a foreign bank with an A or above rating by Standards and Poor's Corporation and/or by Moody's Investor Services in their latest rating.
- 2.4 "Loan" or "Advances" means any financial assets of a bank arising from a direct or indirect advance (i.e. unplanned overdrafts, participation in loan syndication, the purchase of loans from another lender, etc.) or commitment to advance funds by a bank to a person that are conditioned on the obligation of the person to repay the funds, either on a specified date or dates or on demand, usually with interest. The term includes a contractual obligation of a bank to advance funds to or on behalf of a person, claim evidenced by a lease financing transactions in which the bank is the lessor, overdraft facility to be funded by the bank on behalf of a person, revocable or irrevocable documentary letters of credit, standby letters of credit, and guarantees or sureties issued on behalf of a borrower.

The term "person" as used in this definition and elsewhere referred in this Directive, includes individuals, groups of individuals, partnerships, common enterprises, share companies, joint ventures, private limited companies, public enterprises, corporate entities or other similar business groups and companies.

- 2.5 "Majority-owned Subsidiaries" means a subsidiary controlled by a business entity holding over 50% of its capital.
- 2.6 "Total capital" shall mean the paid up capital, legal reserve and any other unencumbered reserve acceptable to the National Bank of Ethiopia held by a bank.

3. Combination of Loans

For the purpose of this Directive, a loan or extension of credit to one or more borrowers in each of the companion categories listed below shall be combined and shall be subject to the credit limit to one borrower:

- i) A corporation, a share company, a public enterprise or any business entity and its majority-owned subsidiaries;
- ii) One or more private limited companies and
 - A) individuals who fully own such companies and/or spouses or relations in the first degree of consanguinity or affinity of such individuals,

- B) individuals who are majority-owners of such companies and/or spouses or relation in the first degree of consanguinity or affinity of such individuals, and
- C) businesses which have a majority ownership in such companies;
- iii) A partnership or joint venture and its individual general partners or venturers;
- iv) A partnership or joint venture and its limited liability partners or venturers;
- v) A common enterprise and the participants therein who borrow for that enterprise.

4. Single Borrower loan limit

The aggregate loan or extension of credit by a bank to any one borrower, whether a natural person or business organization, shall at no time exceed 25% of the total capital of the bank

5. Exclusion

For the purpose of this Directive, the following types of loans or extensions of credit shall not be subject to the credit limit prescribed under article 4 hereinabove:

- i) Loans fully secured by cash collateral; and
- ii) Loans fully secured by cash substitutes.

6. Reporting Requirement

Reports showing month-end exposures to every single borrower that exceed 10% of total capital of a bank shall be submitted to the Supervision Department of the National Bank of Ethiopia with in twenty days after the end of the period for which the data are reported. The report shall be submitted in accordance with the table attached herewith which shall be a part thereof.

7. Repeal

Directive No. SBB/16/1996 is hereby repealed and replaced by this directive

8. Effective Date

This Directive shall enter into force as of 13th day of May 2002

Monthly Return on Loans to Related Parties

*List of All Related Borrowers
(in millions of Birr)*

Name of Bank: _____

Reporting month _____

Borrower	Type of Loan/facility ²	Approved Loan Limit		Collateral		Outstanding Balance	Status (classification) ⁴
		Amount	Percent of Capital	Type ³	Estimated/Face Value		

- 1) Include all facilities extended to the borrower, be it on or off balance-sheet (i.e. overdrafts, term loans, mercandize loans, L/C facilities, guarantees, etc.) and whether secured or clean.
- 2) In case the collateral is financial guarantee bond, indicate whether it is issued by affiliated or non affiliated financial institution as defined in this directive.
- 3) Classified in line with provisions of article 6 of NBE Directive No. SBB/28/2002.

Prepared by: _____
(name and signature)

Telephone: _____

Approved by: _____
(name and signature)

Telephone: _____

LICENSING AND SUPERVISION OF
BANKING BUSINESS

Directive No. SBB/30/2002
Amendment of Limitation on Loans to Related Parties

1. Issuing Authority

This Directive is issued by the National Bank of Ethiopia pursuant to the authority vested in it by Article 41 of the Monetary and Banking Proclamation No. 83/1994 and by Articles 36 of the Licensing and Supervision of Banking Business Proclamation No. 84/1994.

2. Definition

2.1 “Affiliated Financial Institutions” shall mean a company:

- 2.1.1 In which a bank, directly, owns or controls 10% or more of the voting shares or controls in any manner the election of a majority of its directors or other persons exercising similar function;
- 2.1.2 Which owns or controls in any manner, directly or indirectly, 10% or more of the voting shares of a bank or controls in any manner the election of a majority of the directors, or persons exercising similar function of a bank;
- 2.1.3 In which 50% or more of the voting shares is held, or control is held directly or indirectly, through stock ownership or in any other manner, by the shareholders of a bank who own or control 50% or more of the voting shares of a bank; or
- 2.1.4 In which a majority of its directors, or other persons exercising similar functions, are directors of a bank.

The term “company” as used in this definition means a bank or insurance company and “indirect ownership or control” refers to ownership or control exercised through ownership or control of entities that are shareholders in the same financial institution or through similar arrangements.

2.2 “Cash collateral” means credit balances on accounts in the books of the lending bank over which the customers have given the lending bank a formal letter of cession and which the bank at its discretion has transferred from the customer’s account(s) to a specific or general cash collateral account(s) or blocked.

2.3 “Cash-substitutes” shall mean:

- 2.3.1 A security issued by the Federal Government of Ethiopia;
 - 2.3.2 An unconditional obligation or guaranty issued in writing by the Federal Government of Ethiopia or a non-affiliated domestic financial institution, where the beneficiary bank maintains a current written and wee-documented evaluation evidencing that the non-affiliated financial institution is financially sound and capable of honoring the guaranty on demand with respect to repayment of the both principal and interest, or a specific amount, and the lending bank has not been advised of any determination by the guarantor to deny payment under the terms of the obligation or guarantee; and
 - 2.3.3 An unconditional obligation or guaranty issued in writing by a foreign bank with an A or above rating by Standards and Poor’s Corporation and/or by Moody’s Investor Services in their latest rating.
- 2.4 “Loan” or “Advances” means any financial assets of a bank arising from a direct or indirect advance (i.e. unplanned overdrafts, participation in loan syndication, the purchase of loans from another lender, etc.) or commitment to advance funds by a bank to a person that are conditioned on the obligation of the person to repay the funds, either on a specified date or dates or on demand, usually with interest. The term includes a contractual obligation of a bank to advance funds to or on behalf of a person, claim evidenced by a lease financing transactions in which the bank is the lessor, overdraft facility to be funded by the bank on behalf of a person, revocable or irrevocable documentary letters of credit, standby letters of credit, and guarantees or sureties issued on behalf of a borrower.

The term “person” as used in this definition and elsewhere referred in this Directive, includes individuals, groups of individuals, partnerships, common enterprises, share companies, joint ventures, private limited companies, public enterprises, corporate entities or other similar business groups and companies.

2.5 “Majority-owned Subsidiaries” means a subsidiary controlled by a business entity holding over 50% of its capital.

2.6 “Related Party” to a bank shall mean,

On the one hand,

A share holder, a director or a principal officer of that bank and/or the spouse or relation in the first degree of consanguinity or affinity of such share holder, director or principal officer; and

On the other,

A partnership, a common enterprise, a private limited company, a share company, a joint venture, a corporation, or any other business in which the share

holder, director or principal officer of the bank and/or the spouse or relation in the first degree of consanguinity or affinity of such share holder, director or principal officer has a business interest as shareholder, director, owner or partner.

2.7 “Total capital” shall mean the paid up capital, legal reserve and any other unencumbered reserve acceptable to the National Bank of Ethiopia held by a bank.

3. Threshold for Treatment of Shareholders as Related Party

As regards shareholders, only those shareholders of a bank with holdings of 5% or more of a bank’s subscribed capital shall be treated as related party and shall be subject to the provisions of this Directive.

4. Limitations

4.1 Banks shall not extend loans to related parties on preferential terms with respect to conditions, interest rates and repayment periods other than the terms and conditions normally applied to other borrowers.

4.2 The aggregate sum of loans extended or permitted to be outstanding directly or indirectly to one related party at any one time shall not exceed 15% of the total capital of the bank.

4.3 The aggregate sum of loans extended or permitted to be outstanding directly or indirectly to all related parties at any one time shall not exceed 35% of the total capital of the bank.

5. Exclusion

For the purpose of this Directive, the following types of loans or extensions of credit shall not be subject to the credit limit prescribed under article 4 hereinabove:

- iii) Loans fully secured by cash collateral; and
- iv) Loans fully secured by cash substitutes.

6 Responsibility of Identifying Related Parties

Identification of related parties shall be responsibility of each individual bank.

7. Reporting Requirement

Reports showing month-end exposures to each related party shall be submitted to the Supervision Department of the National Bank of Ethiopia with in twenty days after the end of the period for which the data are reported. The report shall be submitted in accordance with the table attached herewith which shall be a part thereof.

8. Repeal

Directive No. SBB/17/96 is hereby repealed and replaced by this directive

9. Effective Date

This Directive shall enter into force as of 13th day of May 2002

Monthly Return on Loans to Related Parties

*List of All Related Borrowers
(in millions of Birr)*

Name of Bank: _____

Reporting month _____

Borrower	Type of Loan/facility ²	Approved Loan Limit		Collateral		Outstanding Balance	Status (classification) ⁴
		Amount	Percent of Capital	Type ³	Estimated/Face Value		

1) Defined in line with Article 2.6 of NBE Directive No. Sbb/30/2002.

2) Include all facilities extended to the borrower, be it on or off balance-sheet (i.e. overdrafts, term loans, mercandize loans, L/C facilities, guarantees, etc.) and whether secured or clean.

3) In case the collateral is financial guarantee bond, indicate whether it is issued by affiliated or non affiliated financial institution as defined in this directive.

4) Classified in line with provisions of article 6 of NBE Directive No. SBB/28/2002.

Prepared by: _____
(name and signature)

Approved by: _____
(name and signature)

Telephone: _____

Telephone: _____

Directive No. SBB/31/2002

Amendment of

Directive for the Proper Operation of

Current Account and Cheque

Whereas, the proper use of current accounts and the function of cheque as an instrument of payment is crucial in a modern society;

Whereas, cheque as a negotiable instrument is recognized and given legal protection under Ethiopian law;

Whereas, the National Bank of Ethiopia is entrusted with the responsibility of creating and maintaining an efficient and sound financial system;

Now, therefore, the National Bank of Ethiopia has issued these Directives pursuant to the authority vested in it under Article 61 of the Monetary and Banking Proclamation No. 83/1994.

1. Definitions

In these Directives, unless the context otherwise requires,

- 1.1 "**Cheque**" shall have the meaning ascribed to it under the Ethiopian Commercial Code.
- 1.2 "**Current Account**" shall mean an active account on which cheques are drawn and to which deposits are made and credits paid.
- 1.3 "**Banks**" shall mean all banks licensed and operating under proclamation No. 84/1994.
- 1.4 "**Delinquent List**" shall mean the register held by the National Bank of Ethiopia, indicating the names of current account holders whose cheques have been dishonored repeatedly and whose accounts are closed by banks.
- 1.5 "**Dishonored Cheque**" shall mean a cheque drawn without sufficient cover and is rejected by banks for this reason.

1.6 "Drawer" shall mean a person who signs a cheque giving an order to a bank to pay the amount mentioned therein.

1.7 "Persons" shall include physical and juridical persons.

2. Bank' Action on Dishonoring Cheques

2.1 Banks shall maintain a register where all cheques dishonored for the first time shall be registered. Banks shall notify drawers of the dishonored cheques of such registration;

2.2 The register shall include the name and address of the bank and its branch, the name and address of drawer, the date on which the cheque was dishonored, the amount of the dishonored cheque and the action taken by the bank;

2.3 Banks shall regularly check the register under 2.1 above and upon dishonoring a cheque drawn by a current account holder whose name appears on the register, they shall levy a fine of 5% of the amount appearing on the dishonored cheque;

2.4 Upon dishonoring a cheque drawn by an account holder fined under 2.3 above, banks shall close the current account of such person at all their branches.

3. Opening of Current Accounts

Banks shall, upon opening of current accounts,

3.1 verify that the name of the person requesting to open a current account does not appear in the dishonored cheques register or in the list of persons whose current accounts have been closed that is circulated by the National Bank of Ethiopia;

3.2 check the memorandum and articles of association of juridical persons to verify that the name of the members do not appear in the delinquent list;

3.3 inform their customers about the use and purpose of current account and cheque and the consequences of misusing it; and

3.4 include in the current account deposit agreement a clause about the measures that shall be taken when there is misuse of cheque.

4. Reporting

Banks shall send a report to the National Bank of Ethiopia, Supervision Department, regarding customers whose current accounts are closed on the following three working days from the date of such closing. the report shall include the name and address of the drawer, the name of the branch where the account was held and the date on which the account was closed.

5. Delinquent List

- 5.1 The National Bank of Ethiopia shall keep a delinquent list of the names of reported misusers of current accounts;
- 5.2 The National Bank of Ethiopia shall send information to Banks about persons whose names appear on the delinquent list;
- 5.3 Banks shall deny service of current account to customers whose names appear on the delinquent list and shall close all already existing current accounts under such names.

6. Conditions for Deletion of Names of Misusers of Current Accounts from the Delinquent List

- 6.1 The NBE may delete the name of a current account misuser from the Delinquent List stated under article 5 of this directive if such person fulfills all of the following conditions;
 - 6.1.1 Is suspended from use of current account for a minimum of 18 months from the date of closure of the account or produces a guarantee valid for 18 consecutive months from a domestic bank explicitly stating that the bank shall cover and effect full payment against any one cheque drawn by such person at any one time;
 - 6.1.2 Presents satisfactory evidence to the NBE with respect to full settlement of all dishonored cheques and penalty charges related to the earlier closure of current account, and
 - 6.1.3 Files with the NBE a written application, with a copy to the Federal Police Commission, indicating his/her intention and commitment to operate current account honestly and carefully in the future.
- 6.2 The NBE may authorize all banks to provide current account service to the person whose name has been deleted from the delinquent list.
- 6.3 Banks shall maintain a separate register, wherein they book names of persons deleted from NBE's delinquent list.

- 6.4 Upon dishonoring at any one time a cheque drawn by a person who has been provided with current account service in line with the authorization obtained from the NBE under article 6.2 and recorded in register book established in accordance with article 6.3 of this directive, banks shall i) levy a fine of 10% of the amount appearing on the dishonored cheque, and ii) automatically close current accounts of such person in all their branches and report to the NBE within the following three working days.
- 6.5 The NBE shall reenter the name of a person whose current account has been closed in line with article 6.4 of this directive into its delinquent list and shall inform all banks about the closure of current account of such person for the second time. Banks shall apply all requirements set out under articles 3 and 5.3 of this Directive with respect to such person:
- 6.6 Persons whose names are re-entered in the delinquent list for the second time and subsequently shall be eligible to use current account service if they fulfill the conditions specified in sub-article 6.1 of this directive.

7. Repeal

Directive No. SBB/25/200 is hereby repealed and replaced by this directive.

8. Effective Date

These Directives shall enter into force as of the 17th day of June 2002.

**LICENSING AND SUPERVISION OF
BANKING BUSINESS**

Directive No. SBB/32/2002

AMENDMENT OF PROVISIONS

1. Issuing Authority

This Directive is issued by the National Bank of Ethiopia pursuant to the authority vested in it by Article 41 of the Monetary and Banking Proclamation No. 83/1994 and by Articles 15(1) and 36 of the Licensing and Supervision of Banking Business Proclamation No. 84/1994.

2. Purpose of Directive

The purpose of this Directive is to provide uniform guidelines to banks to assure that:

- 2.1 Loans or advances are regularly reviewed and classified in a manner consistent with regulatory standards;
- 2.2 Loans or advances which are not performing in accordance with contractual repayment terms are recognized and reported as past due in a manner consistent with regulatory standards;
- 2.3 Accrued but uncollected interest on loans or advances is accounted for in accordance with international accounting and regulatory standards; and
- 2.4 Timely and adequate provisions are made to the Provisions for Loan Losses Account in order to accurately reflect the risk inherent in lending activities and to ensure that disclosed capital and earnings performance are accurately reflected.

3. Definitions

- 3.1 **“Affiliated Financial Institution”** means a “company”:
 - 3.1.1 In which a bank, directly or indirectly, owns or controls 10% (ten percent) or more of the voting shares or controls in any manner the election of a majority of its directors or other persons exercising similar functions;
 - 3.1.2 In which 50% (fifty percent) or more of the voting shares is held, or control is held, directly or indirectly, through stock ownership or in any other manner, by the shareholders of a bank who own or control 50% (fifty percent) or more of the voting shares of a bank;
 - 3.1.3 In which a majority of its directors, or other persons exercising similar functions, are directors of a bank; or
 - 3.1.4 Which owns or controls in any manner, directly or indirectly, 10% (ten percent) or more of the voting shares of a bank or controls in any manner the election of a majority of the directors, or persons exercising similar functions of a bank.

The term “company” as used in this definition means a bank or insurance company and “indirect ownership or control “ refers to ownership or control

exercised through ownership or control of entities that are shareholders in the same financial institution or through similar arrangements.

3.2 **“Capitalized Interest”** means any accrued and uncollected interest that has been added to the principal amount of loans or advances at a payment date or maturity; it also includes uncollected interest that is rolled-over into new loans or advances.

3.3 **“Cash Collateral”** means credit balances on accounts in the books of the lending bank over which customers have given the lending bank a formal letter of cession and which the bank at its discretion has transferred from the customer’s account(s) to a specific or general cash collateral account(s) or blocked.

3.4 **“Cash-substitutes”** include:

3.4.1 A security issued by the Federal Government of Ethiopia;

3.4.2 An unconditional obligation or guaranty issued in writing by the Federal Government of Ethiopia or a non-affiliated domestic financial institution, where the beneficiary bank maintains a current written and well-documented evaluation evidencing that the non-affiliated financial institution is financially sound and capable of honoring the guaranty on demand with respect to repayment of both principal and interest, or a specific amount, and the lending bank has not been advised of any determination by the guarantor to deny payment under the terms of the obligation or guarantee; and

3.4.3 An unconditional obligation or guaranty issued in writing by a foreign bank with an **A** or above rating by Standard and Poor's Corporation and/or by Moody's Investor Services in their latest rating.

3.4.4 Other liquid and readily marketable securities approved in writing by the National Bank of Ethiopia and which are held in the vaults of the lending bank.

Provided, any loan or advance unconditionally guaranteed in writing by an affiliated financial institution as of the issuance of this Directive shall continue to be treated as a “cash-substitute” until the maturity of the loan or advance as stated in the loan contract/agreement, or the loan or advance is otherwise restructured, or has its terms or maturity modified, or the loan or advance is renewed. At which time, such affiliated financial institution guarantee shall no longer be considered a “cash-substitute” for purposes of this Directive.

3.5 **“Current”** as used in reference to “current written,” or similar uses, means information or documentation having an issuance date not more than 12 (twelve) calendar months old.

3.6 **“In Process of Collection”** means that the collection of loans or advances is proceeding in due course in a timely manner either through:

3.6.1 Enforcement of judgments against the borrower that is reasonably assured to result in full repayment of the loan or advance (principal plus accrued interest) within 360 (three-hundred-sixty) days from the date the loan or advance first became past due; or

3.6.2 Commencement of collection efforts not involving legal action but which are reasonably assured to result in full repayment of the loan or advance (principal plus accrued interest) within 180 (one-hundred-eighty) days from the date the loan or advance first became past due; or

3.6.3 Restoration of the loan or advance to a current status through payment, in cash, of all past due amounts within 180 (one-hundred-eighty) days from the date the loan or advance first became past due is reasonably assured.

3.7 **“Loans” or “Advances”** means any financial assets of a bank arising from a direct or indirect advance (i.e. unplanned overdrafts, participation in loan syndication, the purchase of loans from another lender, etc.) or commitment to advance funds by a bank to a person that are conditioned on the obligation of the person to repay the funds, either on a specified date or dates or on demand, usually with interest. The term includes a contractual obligation of a bank to advance funds to or on behalf of a person, claim evidenced by a lease financing transaction in which the bank is the lessor, and an overdraft facility to be funded by the bank on behalf of a person. The term does not include accrued but uncollected interest or discounted interest.

The term “person” as used in this definition and elsewhere referenced in this Directive, includes individuals, groups of individuals, partnerships, and corporate entities or other similar business groups and companies.

3.8 **“Net Recoverable Value”** means the most probable value of a loan or advance which will be realized from the sale of collateral securing the loan or advance in a competitive and open market. For purposes of this Directive, the most probable value of a loan or advance recoverable from the sale of collateral securing a loan or advance shall be the outstanding principal balance of a loan multiplied by the “average recovery rate” of a bank for loans or advances secured by collateral.

3.8.1 For purposes of determining the outstanding principal balance of a loan, accrued interest (limited to 90 days) may be added to the outstanding principal balance.

3.8.2 The term “average recovery rate” as used in this definition means the ratio of (i) aggregate net cash receipts (after deduction of any expenses associated with the sale of the collateral which may have been necessary to place the collateral in a saleable condition) of a bank over the preceding 12 (twelve) consecutive months from the sale of collateral which have been seized, foreclosed, repossessed or otherwise acquired by a bank in satisfaction of loans or advances previously granted to (ii) the aggregate outstanding principal balance of the loans or advances backed by the

collateral at the time the collateral was seized, foreclosed, repossessed or otherwise acquired by the bank.

- 3.8.3 In determining the average recovery rate as set out under 3.8.2 herein above, the net cash receipt from the sale of collateral backing each outstanding non-performing loan that shall be used in the computation shall not exceed 100% of the outstanding non-performing loan.
- 3.9 **“Non-accrual Status”** means that a loan or advance has been placed on a cash basis for financial reporting purposes. Interest on such loans or advances accrued on the books of the bank, or for which a specific reserve (such as a suspended interest account) has been established by the bank to offset the full amount of interest being accrued, shall not be taken into income unless as otherwise provided in this Directive.
- 3.10 **“Non-performing”** means loans or advances whose credit quality has deteriorated such that full collection of principal and/or interest in accordance with the contractual repayment terms of the loan or advance is in question.
- 3.10.1 For purposes of this Directive, loans or advances with pre-established repayment programs are non-performing when principal and/or interest is due and uncollected for 90 (ninety) days or more beyond the scheduled payment date or maturity.
- 3.10.2 For purposes of this Directive, overdrafts and loans or advances that do not have a pre-established repayment program shall be considered as non-performing when:
- a) The debt remains outstanding for 90 (ninety) consecutive days or more beyond the scheduled payment date or maturity;
 - b) The debt exceeds the borrower’s approved limit for 90 (ninety) consecutive days or more;
 - c) Interest is due and uncollected for 90 (ninety) days or more; or
 - d) For overdrafts, the account has been inactive for 90 (ninety) consecutive days and/or deposits are insufficient to cover the interest capitalized during the period;
- 3.10.3 For purposes of this Directive, the entire principal balance of loans or advances outstanding exhibiting the characteristics described under 3.10.1 and 3.10.2 shall be considered as non-performing.
- 3.11 **“Overdraft”** means a deposit account on the books of the bank with a debit balance.
- 3.12 **“Provisions for Loan Losses Account”** means a balance sheet valuation account established through charges to provision expense in the income statement in respect of possible losses in the loans or advances portfolio.
- 3.13 **“Renegotiated Loans or Advances”** means loans or advances which have been refinanced, rescheduled, rolled-over, or otherwise modified at favorable terms and

conditions for the borrower because of weaknesses in the borrower's financial condition and/or ability to repay.

3.14 **“Suspended Interest Account”** means an account where previously accrued but uncollected interest on loans or advances required to be placed on non-accrual status is reserved out of the income of the bank.

3.15 **“Total capital”** shall mean the paid up capital, legal reserve and any other unencumbered reserve acceptable to the National Bank of Ethiopia held by a bank

3.16 **“Well-Secured”** means that a loan or advance is secured by:

3.16.1 Cash collateral or cash-substitutes sufficient to repay the full debt (principal plus accrued interest); for purposes of this Directive, sufficiency shall include proper legal documentation evidencing the bank's claim on the collateral; and/or

3.16.2 A guaranty from a financially responsible third party where the beneficiary bank maintains a current written and well-documented evaluation evidencing that the guarantor is capable of honoring the guaranty on demand; for purposes of this Directive, a guaranty must be (i) independently confirmed in writing by the guarantor, (ii) unconditional, and (iii) payable on demand.

4. Responsibility for Loan Review and Specific Requirements

4.1 The board of directors of each bank is responsible for establishing a loan review system which provides for the accurate and timely recognition of problem or deteriorating loans or advances, assuring the adequacy of the Provisions for Loan Losses Account, and assuring that accrued but uncollected interest reflected on the books of the bank are in accordance with the requirements laid out in this Directive.

4.2 The board of directors of each bank shall assure that a review is made of the quality of the bank's loans or advances portfolio on a regular basis, but no less than once each calendar quarter. At the end of each calendar quarter, or more frequently if warranted, the board of directors shall require the principal officer(s) of the bank to take appropriate measures in response to the findings of the loan review function to:

4.2.1 Accurately reflect earnings by assuring that all loans or advances categorized as non-performing in accordance with the requirements laid out in this Directive are placed on non-accrual status and accrued but uncollected interest has been reversed out of the bank's income;

4.2.2 Assure that the Provisions for Loan Losses Account is adequate to absorb potential losses in accordance with the requirements laid out in this Directive; and

4.2.3 Correct problems, either in individual loans or advances, loan underwriting practices, compliance with prudent lending standards and the board-approved lending policy, or other credit administration weaknesses as may be identified by the loan review function, within a specified time frame.

4.3 The board of directors of each bank shall maintain adequate records supporting its evaluation of potential losses in the loans or advances portfolio and the entries made to reflect earnings and the adequacy of the Provisions for Loan

Losses Account; such records shall be made available to examining personnel of the National Bank of Ethiopia upon request.

4.4 The loan review function shall assure on an on-going basis, at a minimum, that:

4.4.1 Lending activities are in compliance with prudent written lending standards as approved and adopted by the board of directors;

4.4.2 The board of directors is adequately informed of the risks and potential loss exposure in outstanding loans or advances;

4.4.3 Problem or deteriorating loans or advances are properly and timely identified, classified, and placed on non-accrual status in accordance with the requirements laid out in this Directive;

4.4.4 Appropriate provisions are made to the Provisions for Loan Losses Account for loans or advances classified in accordance with the requirements laid out in this Directive; and

4.4.5 Uncollectible non-performing loans or advances are written off as appropriate.

4.5 The loan review function shall regularly and on an ongoing basis review all loans or advances which exceed 5% (five percent) of a bank's total capital to a single borrower, calculated in accordance with in the Single Borrower Loan Limit, all loans or advances required to be placed on non-accrual status in accordance with the requirements laid out in this Directive, and a sampling of the remaining loans or advances portfolio to determine that loans or advances reflected as performing on the books of the bank are in fact performing pursuant to the requirements and definitions laid out in this Directive.

4.6 The loan review function shall be performed by the board of directors of each bank or a group of individuals to be designated by the board of directors, who are knowledgeable in credit analysis methodologies and who are not involved in the lending activities of the bank. In the latter case the group shall on a regular basis, but not less than once each calendar quarter, report its findings directly to the board of directors in writing.

5. Placement of Loans or Advances on Non-accrual Status

5.1 All loans or advances categorized under 6.1.3, 6.1.4 and 6.1.5 in accordance with the requirements laid out in this Directive shall be placed on non-accrual status effective January 1, 2004 unless the loans or advances are (i) well-secured and (ii) in process of collection. Notwithstanding this provision a bank which has already placed its non-performing loans on non-accrual status shall continue to do so.

5.2 Accrued but uncollected interest being carried on the books for loans or advances which are required to be placed on non-accrual status in accordance with the requirements laid out in this Directive shall be eliminated by the end of the calendar quarter in which the loans or advances are required to be placed on non-accrual status, but in no event later than the fiscal year-end date of the bank, whichever is sooner.

5.3 A non-performing loan or advance placed on non-accrual status may be restored to accrual status only when:

5.3.1 None of the outstanding principal and/or interest is past due; and,

- 5.3.2 For renegotiated loans or advances, where all past due interest is paid by the borrower in cash at the time of renegotiation and the loan or advance is not classified as Substandard in accordance with 6.1.6. of this Directive; and
- 5.3.3 The bank expects full repayment of the remaining contractual principal and interest as evidenced by a current written and well-documented evaluation of the borrower's creditworthiness.

- 5.4 Banks shall report to the National Bank of Ethiopia on a quarterly basis loans or advances which exceed 5% (five percent) of the bank's capital that have been restored from non-accrual to accrual status.
- 5.5 If a bank has multiple loans outstanding to a single borrower as calculated in accordance with the Single Borrower Loan Limit, and one loan or advance meets the criteria for non-accrual status, then the bank shall prepare a current written evaluation of the borrower's creditworthiness evidencing that repayment prospects for the other loans or advances are reasonably assured; should such written creditworthiness evaluation suggest that repayment prospects for the other loans or advances are in question or otherwise uncertain, then all such loans or advances to the borrower shall be placed on non-accrual status regardless of any requirements laid out in this Directive.

6. Classification of Loans or Advances

- 6.1. For purposes of this Directive, banks shall classify all loans and advances, whether such loans or advances have pre-established repayment programs or not, into the following five classification categories using the criteria described below:

6.1.1 Pass

Loans or advances in this category are fully protected by the current financial and paying capacity of the borrower and are not subject to criticism. In general, any loan or advance, or portion thereof, which is fully secured, both as to principal and interest, by cash or cash-substitutes, shall be classified under this category regardless of past due status or other adverse credit factors.

6.1.2 Special Mention

Any loan or advance past due 30 (thirty) days or more, but less than 90(ninety) days shall be classified Special Mention.

6.1.3 Substandard

Non-performing loans or advances past due 90 (ninety) days or more but less than 180 (one-hundred-eighty) days shall, at a minimum, be classified Substandard;

6.1.4 Doubtful

Non-performing loans or advances past due 180 (one-hundred-eighty) days or more but less than 360 (three-hundred-sixty) days shall be classified, at a minimum, as Doubtful.

6.1.5 Loss

Non-performing loans or advances past due 360 (three-hundred-sixty) days or more shall be classified Loss.

6.1.6 Without prejudice to the classification criteria used for the Sub-Standard

category set out under 6.1.3 herein above, the following non-performing

loans and advances shall be categorized as Substandard:

- a) Renegotiated term loans unless equivalent of all past due interest is paid by the borrower in cash at the time of renegotiation and the following payments are made by the borrower on a consistent and timely basis in accordance with the restructured terms of the loan or advance:
 - i) in the case of term loans with monthly installment repayments, at least 3 (three) consecutive repayments;
 - ii) in the case of term loans with quarterly installment repayments, at least 3 (three) consecutive repayments;
 - iii) in the case of loans with semi-annual installment repayments, at least 2 (two) consecutive repayments.
- b) Renegotiated non-performing overdraft facilities unless equivalent of all past due interest is paid by the borrower in cash at the time of renegotiation and the account shows at a minimum:
 - i) a nil balance at least once; or
 - ii) a turnover rate of once the approved limit.
- c) Renegotiated non-performing merchandize loans unless physical inventory of the merchandize taken by the bank at the time of renegotiation shows that the outstanding principal loan and interest thereof are fully covered and the safety margin determined following the inventory is at least not lower than the margin stated in the loan contract entered into by the bank and the borrower at the time of initial extension of the loan.

6.2 Notwithstanding the classification criteria laid out under 6.1 herein above, loans or advances may be subject to more severe classification by examiners of the National Bank of Ethiopia if the actual condition of the loan or advance warrants such classification. Conditions that warrant more severe classification may include, but are not limited to: (i) significant departure from the primary source of repayment; (ii) repayment terms which are too liberal or inconsistent with the purpose and nature of the loan or advance and/or collateral held; (iii) delinquencies which have been technically cured by modifying the repayment terms, refinancing or renewing the loan or advance, or advancing additional funds for the purpose of meeting repayment requirements on an existing loan or advance.

7. Provisioning Requirements for Loans or Advances

7.1 All banks shall maintain a Provisions for Loan Losses Account which shall be created by charges to provision expense in the income statement and shall be maintained at a level adequate to absorb potential losses in the loans or advances portfolio. In determining the adequacy of the Provisions for Loan Losses Account, provisions may be attributed to individual loans or advances or groups of loans or advances.

7.2 The Provisions for Loan Losses Account shall always have a credit balance. Additions to or reductions of the Provisions for Loan Losses Account shall be made only through charges to provisions in the income statement

7.3 Banks shall maintain the following minimum provision percentages against the outstanding principal amount of each loan or advance classified in accordance with the criteria for the classification of loans or advances as laid out under 6.1 herein above:

Classification Category:

Minimum Provision:

7.3.1. "Pass" (in accordance with the following build up in minimum required provisions)

	(a)	by December 31, 2002	0.5%
	(b)	by June 30, 2003	0.75%
	(c)	Effective January 2004	1%
7.3.2.	“Special Mention” (in accordance with the following build up in minimum required provisions)		
	(a)	by December 31, 2002	1%
	(b)	by June 30, 2003	2%
	(c)	Effective January 2004	3%
7.3.3.	“Substandard”		
	(a)	Until December 31, 2003	25%
	(b)	Effective January 2004	20%
7.3.4.	“Doubtful”		50%
7.3.5.	“Loss”		100%

7.4 Where reliable information, such as (i) historical loan loss experience, (ii) current economic conditions, (iii) delinquency trends, (iv) ineffectiveness of lending policies and/or collection procedures, or (v) lack of timeliness and accuracy in the loan review function, suggests that losses are likely to be more than the above minimum provision percentages, banks may be required to maintain larger provisions.

7.5 The minimum provision requirements for each classification category here in above shall be applied against the total outstanding principal balance, not against the amount of past due payments, for each loan or advance, or portion thereof, classified regardless of whether the loan or advance is analyzed and provided for individually or as part of a group.

7.6 Before applying the minimum provision percentages laid out under 7.3.3, 7.3.4 and 7.3.5 herein above, banks may deduct from the outstanding non-performing loans or advances:

7.6.1 any accrued but uncollected interest held in a suspended interest

account (by debiting this account), cash collateral and cash substitutes held as collateral; and

7.6.2 in the case of loans secured by physical collateral:

- a) Until 31 December 2003, 67% (sixty-seven percent) of the estimated value of the collateral backing the non-performing loan, provided the estimated value of the collateral used for this purpose shall not exceed 100% (one hundred percent) of the outstanding non-performing loan;
- b) starting from 1 January 2004, net recoverable value.

7.7 Required provisions computed in accordance with 7.6.2.a. herein above shall be set aside in the following manner:

- 7.7.1 at least 50% (fifty percent) of the required provisions by June 30, 2002;
- 7.7.2 at least 70% (seventy percent) of the required provisions by December 31, 2002;
- 7.7.3 at least 85% (eighty five percent) of required provisions by June 30, 2003; and
- 7.7.4 100% (hundred percent) of the required provisions by December 31, 2003.

7.7.5 Notwithstanding the percentages set under items 7.7.1, 7.7.2 and 7.7.3 herein above, the provisions to be set aside shall not be lower than those held prior to the coming into force of this Directive.

7.8 Provisions required to be maintained against non-performing loans or advances classified in accordance with the requirements of this Directive may only be reduced by a bank when:

7.8.1 Cash payments on the loan or advance are received in full; or

7.8.2 A current written and well-documented evaluation of the borrower's creditworthiness clearly and unquestionably demonstrates that repayment

prospects have improved and are reasonably assured; and repayment terms on the loan or advance are consistent with other loans or advances being made by the bank and in accordance with guidelines laid out in the board-approved loan policy; or

7.8.3 The loan is not classified as Substandard in accordance with article 6.1.6. of this Directive.

8. Examiner Review

8.1 Each bank shall maintain adequate records in support of its evaluation of potential loss exposure in the loans or advances portfolio and of the entries made to ensure an adequate Provisions for Loan Losses Account which shall be made available to examining personnel of the National Bank of Ethiopia upon request to assess the reasonableness of the bank's loss estimation procedures, the reliability of the information on which estimates are based, and the adequacy of the Provisions for Loan Losses Account.

8.2 Should examining personnel in applying the requirements of this Directive and after discussions with the principal officer(s) of the bank find the Provisions for Loan Losses Account to be inadequate by more than 10% (ten percent) when compared to the findings of an on-site examination, the board of directors shall within 30 (thirty) days of such notice by the National Bank of Ethiopia of any deficiency in the Provisions for Loan Losses Account require the principal officer(s) to record the appropriate entries to increase the balance of the Provisions for Loan Losses Account to a level which is within 10% (ten percent) of the estimated amount of the Provisions for Loan Losses Account determined by examining personnel of the National Bank of Ethiopia.

8.3 In the event of material disagreements between examining personnel of the National Bank of Ethiopia and the principal officer(s) of the bank regarding the appropriateness of additional provisions needed to the Provisions for Loan Losses Account, the board of directors may appeal to the National Bank of Ethiopia. Notwithstanding this appeal, it is incumbent on the principal officer(s) of the bank to attend all loan discussions and meetings during on-site inspections in order to be fully apprised of examiner concerns with respect to all classified loans or advances.

9. Other Provisioning Requirements

9.1 Provision for depreciation of fixed assets shall be made out of the annual income of a bank in accordance with the law.

9.2 Operating and accumulated losses shall be provided for from the annual net profit until such losses are fully covered.

9.3 The value of any assets lodged or pledged to secure a liability, as indicated under Article 15(1)(d) of Proclamation No. 84/1994, shall be fully provided for upon the lodging or pledging of any asset.

9.4 Preliminary expenses representing expenses relating to organization or extension or the purchase of business or good will and including share underwriting commission shall be fully provided for within 5 (five) years.

9.5 Any uncollectible claims, other than loans or advances, shall be written off as other operating expense of the bank as they are identified.

10. Application and Interpretation of Directive

All loans or advances held by a bank must be accounted for and categorized in accordance with the requirements laid out in this Directive. No interpretation of this Directive shall be permitted unless confirmed in writing by the National Bank of Ethiopia. In recording a loan or advance not covered in principle by the requirements laid out in this Directive, a bank shall make a written request to the National Bank of Ethiopia to confirm the proper application of the requirements laid out in this Directive.

11. Reporting

Banks shall submit to the Supervision Department of the National Bank of Ethiopia a quarterly report on loan classification and provisioning in accordance with the table attached with this Directive which shall be part of the Directive.

12. Repeal

Directive No. SBB/28/2002 is hereby repealed and replaced by this Directive.

13. Effective Date

This Directive shall enter into force as of the 1st day of September 2002.

***LICENSING AND SUPERVISION OF
BANKING BUSSINESS***

Directive No. SBB/35/2004

Amendment of

Penalty for Non-compliance with the

Directives of the National Bank of Ethiopia

Directive No. SBB/20/96

1. Issuing Authority

These directives are issued by the National Bank of Ethiopia pursuant to the authority vested in it by Article 41 of the Monetary and Banking Proclamation No. 83/1994 and

Article 20(3) (d) of the Licensing and Supervision of Banking Business Proclamation No. 84/1994.

2. Penalty

2.1 Any bank that fails to comply with the requirements of any of the Directives of the National Bank of Ethiopia, excluding Directive No. SBB/14/96, shall be subject to a penalty of Birr10,000 (ten Thousand Birr) for each violation.

2.2 The National Bank of Ethiopia may, in addition to the penalty indicated under 2.1 above, take any other measures it considers necessary.

3. Waiver

The National Bank of Ethiopia may waive the penalty on grounds that it considers to be reasonable.

4. Repeal

Directive No. SBB/20/96 is hereby repealed and replaced by these directives.

These Directives shall enter into force as of 1st day of March 2004.

Licensing and Supervision of Banking Business

Credit Information Sharing

Directive No. SBB/36/2004

Whereas adequate and timely information that enables a satisfactory assessment of the creditworthiness of borrowers applying for a bank loan is crucial for making prudent lending decisions;

Whereas prudent lending decisions made on the basis of adequate information on the creditworthiness of borrowers are one of the principal factors in ensuring the financial soundness of banks;

Whereas there is still serious difficulty in Ethiopia of getting adequate and timely information on prospective borrowers that facilitates the making of such prudent lending decisions;

Whereas one of the means for alleviating this difficulty of getting adequate and timely information on prospective borrowers is the establishment of a Credit Information Center where relevant information on borrowers is pooled and made available to lending banks;

Whereas hitherto no such Center has been established;

Now, therefore, in line with the powers vested in it by article 36 of the Licensing and Supervision of Banking Business Proclamation No. 84/1994, the National Bank of Ethiopia has issued these directives to establish such a Credit Information Center.

1. Definitions

For the purpose of these directives:

- 1.1 “**Banks**” shall mean business entities licensed and supervised by the National Bank of Ethiopia in accordance with the Licensing and Supervision of Banking Business Proclamation No. 84/1994;
- 1.2 “**Central Database**” shall mean the Credit Information Database maintained by the Credit Information Center of the National Bank of Ethiopia;
- 1.3 “**Credit Information**” shall mean all information about a borrower specified in the Data Input Requirement attached to these directives;
- 1.4 “**Credit Information Center**” shall mean the Center located in the Supervision Department of the National Bank of Ethiopia;
- 1.5 “**Defaulter**” shall mean a borrower whose outstanding loans have been classified as “substandard” and/or “doubtful” and/or “loss” in accordance with Directive No. SBB/32/2002 of the National Bank of Ethiopia;
- 1.6 “**Loans or Advances**” shall mean any financial assets of a bank arising from a direct or indirect advance (i.e. unplanned overdrafts, participation in loan syndication, the purchase of loans from another lender, etc.) or commitment to advance funds by a bank to a person that are conditioned on the obligation of the person to repay the funds, either on a specified date or dates or on demand, usually with interest which are approved and outstanding as of the reporting date;

1.7 “**Online System**” shall mean a system whereby provision of input data, updating and correction of input data and other related activities are carried out electronically through computer networks;

1.8 “**User Group**” shall mean banks and the National Bank of Ethiopia.

2. Modus Operandi of the Credit Information Sharing System

2.1 Banks shall provide, alter and update credit information on each and every one of their borrowers using online system;

2.2 Upon written request by banks, the Supervision Department of the National Bank of Ethiopia shall provide to the requesting bank, in writing, all credit information available in the Central Database on a prospective borrower within three working days from the date of receipt of the request;

2.3 Access to the Central Database shall be restricted to the user group.

3. Role and Responsibility of the National Bank of Ethiopia

3.1 The role of the National Bank of Ethiopia shall be restricted to administering the Credit Information Sharing system, providing in writing credit information on borrowers available at Credit Information Center to banks, ensuring that access to online system to update or alter credit information is given only to authorized persons and ensuring that the system is operating smoothly and reliably;

3.2 The National Bank of Ethiopia shall not be responsible for any damages, claims or liabilities that may arise as a result of inaccurate, misleading or incomplete credit information on borrowers supplied to the Credit Information Center by individual banks and shared, through the National Bank of Ethiopia, with other banks.

4. Obligations of Each Bank

4.1 Each bank shall provide, electronically, the initial credit and other related information to the Credit Information Center on each and every one of its borrower in such detail as specified in the Data Input Requirement attached to these directives, which shall be part of these directives;

- 4.2 Banks are encouraged to update, electronically, their credit information on each and every one of existing borrowers provided to the Credit Information Center on an on-going basis but each bank shall update such information at least once a month. In the case of the latter, the updating, showing positions as of the close of each month, shall be made within 30 (thirty) days from the close of each month;
- 4.3 Each bank shall designate at least two officers who shall be responsible for providing and updating input data and for making written enquiries to the National Bank of Ethiopia on prospective borrowers. Each bank shall communicate to the Supervision Department of the National Bank of Ethiopia in writing the full names and telephone numbers of such officers. If such officers are replaced, each bank shall promptly communicate the full names and telephone numbers of the replacements to the Supervision Department;
- 4.4 Banks are encouraged to obtain credit information from the Credit Information Center on prospective borrowers irrespective of the size of the loan. However, from the effective date of these directives, no bank shall extend new, or renew, reschedule or refinance existing, loans or advances equivalent to, or above, Birr 200,000 (two hundred thousand) without first obtaining credit information on borrowers from the Credit Information Center;
- 4.5 From the effective date of these directives no bank shall extend new loans or advances to a defaulter in any form whatsoever;
- 4.6 The provisions of sub-article 4.5 herein above shall have no effect on sub-article 2.1(b) of the National Bank of Ethiopia Directive No. SBB/34/2004 on Establishment and Operation of Export Credit Guarantee Scheme;
- 4.7 Each bank shall be fully responsible for providing accurate, complete and timely credit information to the Credit Information Center. In cases where errors have been made, such errors shall be corrected promptly by the concerned bank;
- 4.8 Each bank shall be fully responsible for any damages, claims or liabilities that may arise as a result of providing inaccurate, misleading or incomplete credit information to the Credit Information Center or failure to provide, inadvertently or otherwise, information to the Center that should have been provided in line with these directives;
- 4.9 Each bank shall use the credit information on borrowers obtained from the Central Database of the Credit Information Center only and only for making a

lending decision. Such information shall be treated with utmost confidentiality and shall not be disclosed to any third party or used for any other purpose;

- 4.10 Each bank shall be fully responsible for any damages, claims or liabilities that may arise as a result of disclosure of credit information on borrowers obtained from the Credit Information Center to third parties or use of that information for purposes other than for making a lending decision.

5 Penalty for Failure to Comply with the Requirements of these Directives

- 5.1 A bank that violates any of the provisions of these directives shall be penalized in line with article 2 of National Bank of Ethiopia Directives number SBB/35/2004;

- 5.2 In addition to the financial penalty specified under Directives number SBB/35/2004, the National Bank of Ethiopia may require the removal of

concerned officers of a bank in breach of the requirements of these directives depending on the frequency and seriousness of the violations.

6 Effective Date

These directives shall come into force as of June 15, 2004.

Credit Information Center

Data Input Requirement

1. Bank's Profile

Name

Capital and Reserves as at reporting date

Borrower's Profile

Identification and Address

- (a) Full Name (if individual, including grand father's name)
- (b) All previous names (if any)
- (c) If individual, Name of the spouse
- (d) If company, its form (Public Enterprise, PLC, Share Company, Sole Proprietorship)
- (e) If company, Establishment date
- (f) ID of Borrower (Tax ID)
- (g) If company, Trade Registration No.
- (h) Address (Current):
 - Region
 - City
 - Woreda
 - House No.
 - P.O.Box
 - Telephone
- (i) Two most recent previous addresses:
 - Region
 - City
 - Woreda
 - House No.
 - P.O.Box
 - Telephone

Relation with the lending bank (Related/non related party, as defined by NBE Directive No. SBB/30/2002)

If Company, list of first 20 largest shareholders/owners

- (a)
- (b)
- (c)
- .
- .

Name of Affiliated/related/subsidiary companies

(a)

(b)

(c)

..

..

..

Sector

(a) Agriculture

(b) Manufacturing

(c) Mining and quarrying

(d) Building and Construction

(e) Trade and Services

- domestic trade
- International trade
- Hotel and tourism
- Transport and communications
- other services (specify)

(f) Other businesses (specify)

(g) Personal loan

If the borrower is a company/an enterprise, its board directors and CEO

- Name of members of board of directors

(a)

(b)

(c)

.

.

.

- Name of CEO/General manager

3. Existing Loans and Advances

3.1 Type of Loans and Facilities: Term loan/overdraft/L/C facility/merchandise loan

3.2 Date on which loan/facility/was approved

3.3 Due/expiry date

3.4 Amount Approved

3.5 Repayment schedule, if term loan (monthly, quarterly, semi-annually...)

3.6 Outstanding balance as at reporting date

3.7 Loan status (Pass, Special mention, Sub-standard, Doubtful, or Loss as defined by NBE Directive No. SBB/32/2002) or settled as at reporting date

4. Collateral

- Type
- Collateral identification
 - (a)
 - (b)
 - (c)
 - ..
 - ..
- Estimated value
- Degree of security (first degree, second degree,...)

5. If Company, date of Most Recent Audited Financial Statements

6. Loan Workout, Involuntary Loan Collection and Legal Measures Taken on the loans

- Number of times loan/facility has been restructured/renewed
- Legal measures taken (foreclosure, litigation,...)

LICENSING AND SUPERVISION OF BANKING BUSINESS

RESERVE REQUIREMENT DIRECTIVE NO. SBB/37/2004

Whereas, the National Bank of Ethiopia is vested with powers, duties and responsibilities of monetary management and regulation and supervision of banks;

Whereas, statutory reserve requirement, which obliges banks to hold a proportion of their deposit balance with the National Bank of Ethiopia, is one of the important monetary policy instruments and prudential regulation tools;

Whereas, a bank operating in Ethiopia currently has one reserve account with the National Bank of Ethiopia which is used to carry out day-to-day settlement of transactions through the National Bank of Ethiopia and to maintain statutory reserve balance;

Whereas, the frequency of daily deposits to and withdrawals from the reserve accounts of Banks has been too high and thus made it difficult to monitor compliance with statutory reserve requirement by banks;

Whereas, because of the above reasons it has been found necessary to amend National Bank of Ethiopia Directives No SBB/14/1996, so as to properly monitor statutory reserve requirement;

Now, therefore, the National Bank of Ethiopia has issued these directives pursuant to the authorities vested in it by Article 41 of Monetary and Banking Proclamation No. 83/1994 and article 16 of Licensing and Supervision of Banking Business Proclamation No. 84/1994.

1. Opening Accounts with the National Bank of Ethiopia

Banks operating in Ethiopia shall open two separate Birr accounts with the National Bank of Ethiopia to be used as follows:

1.1. Reserve Account

- a) **A reserve account shall exclusively be used to maintain the reserve balance stated under article 2 of these directives;**
- b) **No bank shall withdraw any money from its reserve account without prior approval of the Supervision Department of the National Bank of Ethiopia.**

1.2. Payments and Settlement Account

A payments and settlement account shall be used to carry out all day-to-day transactions of banks through the National Bank of Ethiopia.

2. Requirement

Any bank operating in Ethiopia shall at all times maintain in its Reserve Account stated under article 1.1 of these directives 5% of all Birr and foreign currency deposit liabilities held in the form of demand (current) deposits, saving deposits and time deposits.

3. Computation of Reserve

- 3.1 Cash items in process of collection, if included under deposits, shall be deducted therefrom in computing the balance of total deposits for reserve purposes;
- 3.2 Cash items in process of collection through the National Bank of Ethiopia shall not be acceptable as reserve until credited to the reserve account;

- 3.3 The reserve required shall be computed on the net deposit balance, i.e. excluding cash items in process of collection, shown at the end of each reporting week.

4. Reserve Deficiencies

- 4.1 Deficiencies in reserve balance are subject to a penalty;
- 4.2 The penalty shall be assessed at a rate twice the current average rate of interest on loans and advances charged by banks computed on the amount of the deficiency in reserve and multiplied by the number of days over which the reserve account remained deficient;
- 4.3 The National Bank of Ethiopia may waive the penalty stated herein above on grounds it considers acceptable.

5 Reports

For the purpose of determining strict compliance with the reserve requirement stated under article 2 of these Directives, properly checked and signed reports, showing balances as of each Wednesday, shall be submitted to the Supervision Department of the National Bank of Ethiopia. The reports shall be submitted not later than Tuesday of the following week and shall show the balance of each type of deposit under article 2 herein above, reserve balance with National Bank of Ethiopia and the excess/shortfall in reserves.

6 Repeal

Directive No. SBB/14/96 is hereby repealed and replaced by these Directives.

These Directives shall enter into force as of 31st day of January 2005.

National Bank of Ethiopia
Directive No. SBB/38/2006
Amendment to
The Establishment and Operation of

Export Credit Guarantee Scheme Directive

Whereas, national exporters need to compete on an equal footing with other exporters in increasingly competitive foreign markets and to satisfy foreign buyers' requirements;

Whereas, it is necessary that exporters with bona-fide export orders should not lose the export opportunity due to inability to get bank credit;

Whereas, operation of enhanced export credit guarantee schemes has been found to be supportive of the export sector by availing the necessary financial resources from banks for pre and post-shipment of exports;

Whereas, export credit guarantee schemes have proved to be necessary vehicles to facilitate exporters' access to bank credit;

Now, therefore, in accordance with Articles 6 and 61 of the Monetary and Banking Proclamation No. 83/1994, the National Bank of Ethiopia hereby issues these directives on Establishment and Operation of Export Credit Guarantee Scheme.

Article 1

Definitions

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

- 1.1 "Export Credit Guarantee" shall mean a guarantee provided by the Bank to safeguard export financing banks against losses resulting from the export transactions they finance.
- 1.2 "Exporter" is a person engaged in non-coffee exports;
- 1.3 "Export" is non-coffee export.
- 1.4 "The Bank" is the National Bank of Ethiopia;
- 1.5 "Financing Banks" are licensed commercial banks in Ethiopia.

- 1.6 "Pre-Shipment Export Credit Guarantee" is a guarantee provided by the Bank upto a maximum of 365 days to financing banks to cover pre-shipment export loan extended to exporters;
- ~~1.7~~ "Post-Shipment Export credit Guarantee" is a guarantee provided by the Bank upto a maximum of 180 days to financing banks to cover post-shipment export loan extended to exporters;
- 1.8 "Fund" is a special fund created by the Bank for financing Export Credit Guarantee Scheme.
- 1.9 "Bankable export project" shall mean a project appraised by financing banks in line with their applicable credit policy and procedures and found within acceptable risk level.
- 1.10 "Perishable export commodities" shall mean export commodities subject to significant deterioration in quality or spoilage or decay, such as fruits, vegetables, molasses, unpreserved meat, flowers, live animals and other commodities as determined by the Bank.
- 1.11 "Existing exporters" shall mean exporters who have been engaged in export business for at least 12 months prior to the date of application for export loan under export credit guarantee scheme and who can produce evidence of receipt of export proceeds over those months.
- 1.12 "New exporters" shall mean exporters who have been engaged in export business for less than 12 months at the time of applying for export loan under export credit guarantee scheme.

Article 2

Eligibility Criteria

- ~~2.1~~ Exporters shall satisfy all of the following in order to be considered eligible for export credit guarantee:
 - 2.1.1 The export project to be financed under the export credit guarantee scheme shall be bankable;
 - 2.1.2** Exporters shall not carry "loss" category loans, as defined in the Bank's Directives on Provisioning, owed to any bank in Ethiopia;
 - 2.1.3 Exporters shall present a bona-fide order from a foreign buyer;
 - 2.1.4 Exporters shall produce evidence of a valid investment certificate and/or trade license;
 - 2.1.5 New exporters shall:
 - 2.1.5.1 produce property or other collateral equivalent to at least 40% for producer exporters and 50% for other exporters of the amount of the loan requested;
 - 2.1.5.2 produce evidence that all proceeds from non-perishable goods to be exported shall be paid through irrevocable letter of credit; however, no letter of credit shall be required for perishable export commodities;

- 2.1.6 Existing exporters shall produce from local banks documentary evidence about receipt of export proceeds in the 12 months preceding the date of application for export loan under export credit guarantee scheme;
- 2.1.7 Exporters shall submit all documents required by financing banks to conduct their normal credit risk analysis.

2.2 Financing banks may approve pre-shipment or post-shipment credit to exporters upon fulfillment of the above eligibility criteria.

Article 3

Issuance of Guarantee

Upon written request of a financing bank, the Bank shall issue export credit guarantee to cover 80% of the outstanding loan balance and interest thereof extended to an exporter provided the request is acceptable to the Bank.

Article 4 **The Guarantee Amount**

The Bank may issue export credit guarantee to:

- 4.1 Existing exporters, who fulfill eligibility criteria set under article 2.1 herein above, upto 100% of export proceeds actually received through financing banks from export of non-coffee exports in the 12 months preceding the date of application for export loan under export credit guarantee scheme;
- 4.2 New producer exporters, who fulfill eligibility criteria set under article 2.1 above, upto two point five (2.5) times the estimated value of the pledged collateral;
- 4.3 Other new exporters, who fulfill eligibility criteria set under articles 2.1 upto two (2) times the value of the pledged collateral;

Article 5 **Obligations of Financing Banks**

5.1 Financing banks shall:

- 5.1.1 critically evaluate credit worthiness of the exporter who applies for a loan and shall ensure that the export project to be financed is bankable;
- 5.1.2 finance only bankable export projects;
- 5.1.3 Collect credit information from all banks in Ethiopia to ensure that an exporter applying for export loan does not carry “loss” category loans owed to any bank;
- 5.1.4 exercise all reasonable and usual care regarding operations of export financing and act with utmost good faith;

- 5.1.5 Channel to the exporter's loan account, in settlement of the loan, all export proceeds collected from an exporter after the disbursement of the loan covered by the export credit guarantee.
 - 5.1.6 promptly notify the Bank within 15 days of the occurrence of any event or development likely to cause a loss or default;
 - 5.1.7 collect on behalf of the Bank interest due to the Bank on loans covered by export guarantee; and
 - 5.1.8 act as the agent of the Bank to recover the due amount from the defaulting exporter and report to the Bank actions taken on such borrowers promptly.
- 5.2 Where the exporter defaults, the financing bank, subject to prior approval of the Bank, may:
- 5.2.1 extend the due date of pre- or post shipment export credit covered by export credit guarantee for a maximum of 180 days if it determines that the financial position of the borrower is sound and the loan repayment problem is temporary; or
 - 5.2.2 provide additional loan that may not exceed 50 percent of the existing outstanding loan covered by export credit guarantee and extend the due date of both the new and the existing loans for a maximum of 180 days if it determines that the borrower will be rehabilitated and settle the loans out of the cash flow to be generated.
- 5.3 Financing banks shall submit to the Banking Supervision Department of the Bank:
- 5.3.1 Relevant credit risk analysis report and all other documents necessary to ensure the export project to be financed is bankable; and
 - 5.3.2 Monthly export credit performance report in accordance with the table attached with this Directive. Such report shall be filed within twenty days after the end of the reporting month.

Article 6 **Revolving Credit**

Financing banks may, during the life of the export credit guarantee, repeatedly disburse loan to a borrower for export purposes equivalent to the amount of the partial or full loan settlement referred to under sub-article 5.1.5, so long as the outstanding balance of the loan does not exceed the export credit guarantee issued to cover it.

Article 7 **Obligation of the Exporter**

Exporter shall:

- 7.1 Provide accurate information, accompanied with all supporting documents, to financing banks on their business, export activities and bank loan repayment status;
- 7.2 Exercise due care so as to ensure that the advances are used for the purposes they are earmarked for;

- 7.3 Carry out all export activities only through financing bank until any loan under export credit guarantee taken from the financing bank is fully settled;
- 7.3.1 Repay the entire amount of the outstanding loan and interest thereof to the financing bank on or before due date of the loan;
- 7.3.2 In case of difficulties experienced in manufacture or shipment of goods or realization of export proceeds from foreign buyers, they should discuss the problem and the proposed course of action with their financing banks.

Article 8
Risk Coverage

- 8.1 The Bank shall cover 80 percent of the risk which may result from default of repayment;
- 8.2 The financing bank shall bear the remaining portion (20 percent) of default risk.

Article 9
The Guarantee Fund and Fee

- 9.1 The Bank shall create a Guarantee Fund Account for funding the Export Credit Guarantee Scheme;
- 9.2 Financing banks shall pay, out of the interest rate stated under article 9.1 here under, 2 (two) percent of the outstanding loan balance covered by export credit guarantee per annum to the Bank calculated in line with interest income accrual or collection policy and procedure of the respective financing bank. They shall pay such interest to the Bank on quarterly basis;
- 9.3 Interest income collected in line with article 9.2 above shall be transferred to Guarantee Fund Account of the Bank by debiting the reserve account of the financing bank;

Article 10

Rate of Interest

- 10.1 Financing banks shall charge their respective prevailing lowest lending interest rate on pre- or post-shipment loans covered by the export credit guarantee scheme;
- 10.2 Non-compliance with the stipulation of the credit guarantee scheme might result in charging the penal rate used by the financing bank. In the case of proven mis-use of funds, the financing bank may demand the immediate repayment of the loan.

Article 11

Collateral

11.1 The Export Credit Guarantee of the Bank serves as part of the collateral when exporters apply for financing;

11.2 When applying for post-shipment credit, the exporter shall hand over to the financing bank all the necessary shipping and other documents relating to the goods shipped for export. Also, the exporter shall authorize the financing bank to collect or receive payment from the foreign buyer, on the basis of which the post-shipment credit is sanctioned to the exporter. Goods in possession of the financing bank are considered as additional collateral providing the necessary security for the financing bank;

11.3 In case a borrower defaults, the Bank and financing bank shall share the cash collateral, or any proceeds from liquidation of any property pledged as collateral, or any proceeds from liquidation of collateral secured through court ruling, in proportion to the risk they took in lending to the defaulting borrower, that is, the Bank shall be entitled to collect 80% leaving the balance (20%) to the financing bank.

Article 12

Repayment

12.1 Without prejudice to article 5.2 above, repayment period for pre-shipment credit shall not exceed 365 days. Pre-shipment advances shall be repaid by handing over the shipping documents to the financing bank within 10 days after the goods have been shipped for export. The date of shipment is the date of the stamp on the bill of lading or other shipping documents. The repayment of loan may be by way of adjusting from post-shipment credit obtained against the documents or by payment in an accepted manner;

12.2 Exporters, adjusting the pre-shipment credit, shall have the possibility of extending the credit into the post-shipment period. Exporters willing to use this facility shall have to apply well in advance to their financing bank for a post-shipment credit to avoid possible delays, after the goods have been shipped. Any non-compliance with the above stipulation may result in rejection of the exporter's post-shipment credit

application and immediate repayment obligation of the pre-shipment credit;

12.3 Without prejudice to article 5.2 above, repayment period of the post-shipment credit shall not exceed 180 days. Post-shipment advances will be adjusted by the financing bank out of payments received from the foreign importer to enable it to automatically settle the outstanding debt of its exporter-borrower, after payment from the foreign buyer has been collected.

Article 13

Settlement of Guaranteed Portion to Financing Bank

13.1 In case an export credit goes on default, the reserve account of the financing bank shall be credited by the guaranteed portion of the amount it lent to the exporter within seven days after the complete set of necessary documents have been presented to the Bank. The Bank, however, shall not pay any interest on the export credit during the seven days following submission of complete set of documents by financing banks;

13.2 When repayment of the full amount of defaulted loan is effected after the due date by an exporter, the financing bank shall inform the Bank within 7 days to debit its reserve account by the amount which it received from the Export Credit Guarantee Fund.

Article 14

Opening of a Special Unit

14.1 Financing banks utilizing the Export Credit Guarantee Scheme shall establish within their head offices a special unit, which will deal with the assessment and approval of export credit guarantee applications with the view of facilitating the operations of the scheme.

14.2 The special units created by financing banks in line with requirement of article 14.1 shall have their own operational manual approved by the Bank.

Article 15 **Expiry of Guarantee**

15.1 Export Credit Guarantee shall be issued for a specific period of time that shall not exceed i) 365 days to cover pre-shipment export credit and ii) 180 days to cover post shipment export credit. However, the Bank, upon request of financing banks, may extend expiry date of the guarantee for a maximum of 180 days from its expiry date. At the last day of the guarantee period, unless extended in writing by the Bank, the Guarantee shall be null and void;

15.2 Under normal circumstances, the last day of the Guarantee shall be that indicated on the "Export Credit Guarantee Letter" as ending date of the Guarantee.

Article 16 **Default and Non-compliance**

- 16.1 Where an exporter defaults and cannot qualify for loan rescheduling or restructuring stipulated under article 5.2 above, he/she shall be suspended from all types of bank credit from the entire banking system until he/she fully settles the outstanding loan including interest and charges;
- 16.2 To facilitate the suspension, the Bank shall circulate the names of all defaulters under the export credit guarantee scheme to all banks. Moreover, the Bank shall publish the names of such defaulters in widely circulating newspapers;
- 16.3 Upon receipt of defaulters list stipulated under article 16.2 above, all banks shall deny provision of new bank credit service(s) and shall not renew all existing overdraft or other credit facilities to any one exporter in the list until the Bank notifies them that the exporter has fully settled his/her overdue export loans;
- 16.4 If a financing bank does not comply with the provisions of these directives, the Bank maintains the power to reduce guarantee coverage and, in extreme cases, to suspend new coverage for a period of four years.

Article 17 **Inspection by the Bank**

The Bank may undertake an inspection of any financing bank at any time to verify that the financing bank complies with the provisions of these Directives.

Article 18

Repeal

The Establishment and Operation of Export Credit Guarantee Scheme Directive Number SBB/34/2004 is hereby repealed and replaced by these Directives.

Article 19 **Effective Date**

These directives shall come into force as of the 15th day of April 2006.

Corrigendum

Article 9.2 of the Directives, phrases “...article 9.1...” is replaced by “ ...article 10.1...”

