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NATIONAL BANK OF ETHIOPIA  
ADDIS ABABA

LICENSING AND SUPERVISION OF BANKING BUSINESS

Manner of Equity Investment by Foreign Nationals of Ethiopian Origin  
in Banks Directive No. SBB/73/2020

Whereas, Foreign Nationals of Ethiopian Origin have been allowed to invest in the Ethiopian banking sector;

Whereas, there is a need to put in place implementation modality for allowing Foreign Nationals of Ethiopian Origin to invest in a bank;

Now, therefore, in accordance with article 9(4) of Banking (Amended) Business Proclamation No.592/2008 as amended by Banking Business (Amendment) Proclamation No.1159/2019 and articles 20 (2) and 27 (2) of the National Bank of Ethiopia Establishment (as Amended) Proclamation No.591/2008, the National Bank of Ethiopia has issued this Directive.

**1. Short Title**

This Directive may be cited as “Manner of Equity Investment by Foreign Nationals of Ethiopian Origin in Banks Directive No. SBB/73/2020”

**2. Definitions**

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

2.1. “acceptable foreign currency” means foreign currency which is declared acceptable for payment in Ethiopia by the National Bank and shall include United States Dollar, Great Britain Pound Sterling, Euro and other currencies that the National Bank may specify to be acceptable from time to time;

2.2. “bank” means privately owned bank licensed by the National Bank to undertake banking business;





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- 2.3. “a bank under formation” means privately owned bank that applied for banking business license from the National Bank;
- 2.4. “a newly licensed bank” means a private bank that has just been provided with a banking business license by the National Bank;
- 2.5. “Foreign National of Ethiopian Origin” means a person with a valid identification card obtained pursuant to Proclamation No.270/2002 attesting that he/she is a Foreign National of Ethiopian Origin;
- 2.6. “Mid exchange rate” means exchange rate between buying and selling rate of the day set by the National Bank of Ethiopia;
- 2.7. “Organization” means an entity that is fully owned by Foreign Nationals of Ethiopian origin or jointly by Foreign Nationals of Ethiopian origin and Ethiopian Nationals located within or outside Ethiopia; and
- 2.8. “National Bank” means the National Bank of Ethiopia.

### 3. Scope of the Directive

The provisions of this Directive shall be applicable to a bank and a bank under formation.

### 4. Share Subscription

#### 4.1. Place of Share Subscription

- 4.1.1 All subscriptions as well as initial and subsequent sales of share to Foreign Nationals of Ethiopian Origin or organization shall take place only in the geographical territory of Ethiopia.
- 4.1.2 Notwithstanding the provision stated under sub-article 4.1.1 of this article, a bank or a bank under formation may conduct promotional and other related preliminary activities needed for share subscription outside Ethiopia.

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#### 4.2. Manner of Share Subscriptions and Surrender Requirement

- 4.2.1. A bank under formation shall submit a written application to the National Bank to open foreign currency escrow account for the purpose of accepting share subscription payment indicating the name of the bank and branches where the account is to be opened; and shall report the account number (s) so opened to the National Bank.
- 4.2.2. A bank instructed by the National Bank to unblock the foreign currency escrow account of a newly licensed bank shall surrender 30% (Thirty Percent) of the foreign currency amount collected in the accounts stated in sub-article 4.2.1 of this article, to the National Bank, within **five working days** from the receipt of the order and shall transfer the remaining 70% in foreign currency to the account of the newly licensed bank.
- 4.2.3. Upon surrender of foreign currency as per sub-article 4.2.2 hereinabove, and receipt of summary of share subscription as per **Annex I**, the National Bank shall credit the payment and settlement account of the same bank for equivalent amount of Ethiopian Birr at the prevailing mid exchange rate. In addition, the bank shall credit the equivalent Birr amount to the Birr account opened by the newly licensed bank, so that it may use same for commencement of operation.
- 4.2.4. Notwithstanding the provisions stated under sub-articles 4.2 herein above, a bank already in operation and that intends to sell share for Foreign Nationals of Ethiopian Origin or organization shall have separate foreign currency (mirror account) for accepting share payment and for collection of share premium (if any). In addition, 30% of the foreign currency collected from share sell shall be surrendered to the National Bank in accordance with **Foreign Exchange Surrender Requirements of Banks (as amended) Directive No. FXD/54/2018** of the National Bank.

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### 4.3. Payment of Share Subscriptions

- 4.3.1. Payment of the full value of initially subscribed shares and share premium (if any) by Foreign Nationals of Ethiopian Origin or organizations shall be made in acceptable foreign currency.
- 4.3.2. Dividend generated from investment activities of Foreign Nationals of Ethiopian Origin or organizations in other sectors and deemed eligible for repatriation by the National Bank can be used for the purpose of share purchase in a bank or a bank under formation.
- 4.3.3. The foreign currency to be paid by Foreign Nationals of Ethiopian Origin or organization for the purpose of share purchase shall be transferred to the account opened and maintained in a bank for this purpose only through the banking system.
- 4.3.4. Notwithstanding the provision stated under sub-article 4.3.3 hereinabove, Foreign Nationals of Ethiopian Origin or organization having a Non-Resident Foreign Currency Account with an existing bank may transfer the foreign currency deposited in this account for the purpose of share purchase.
- 4.3.5. Transfer of foreign currency made by Foreign Nationals of Ethiopian Origin or organization for the purpose of share purchase through foreign payment cards, cash whether declared or not and international money transfer organizations that cannot generate credit advice at individual level showing the identity, amount and purpose of the transfer, shall not be allowed.
- 4.3.6. An Ethiopian National, who after acquiring shares in a bank changes his/her/its nationality after the effective date of this directive, may continue holding the existing shares and can also pay existing subscribed share in Ethiopian Birr. However, subscription of new shares shall be made in acceptable foreign currency.

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4.3.7. In case of investment in a bank or under formation bank by a company owned jointly by Ethiopian Nationals and Foreign National of Ethiopian Origin, payment of share subscription in foreign currency shall be made to the extent of percentage shareholding of Foreign Nationals of Ethiopian Origin in that company while the remaining subscription balance can be paid in Ethiopian Birr.

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

4.4.1. A bank or a bank under formation that floats shares shall assume the responsibility of ensuring compliance with sub-article 4.3 of this Directive.

4.4.2. A bank or a bank under formation shall ensure matters related to proper identification of Foreign National of Ethiopian Origin or organization (including its shareholders), proper execution of bank transfer detail and documentation and submission of documents including list of subscribers, subscriber nationality identification documents and foreign currency credit advice and any other related document to the National Bank.

4.4.3. To ensure that share subscription has been made in line with this Directive and other relevant laws, a bank under formation that sold shares to Foreign National of Ethiopian Origin or organization shall ensure that share subscriptions and related payments are audited along with the audit of the pre-establishment cost and submit the report to the National Bank accordingly.

4.4.4. A bank shall develop comprehensive policies and procedures for handling of share subscription by Foreign National of Ethiopian Origin or organization. Accordingly, the policies and procedures, among others, shall address:

- promotion and share subscription process;
- identification of Foreign National of Ethiopian Origin and organization (including its shareholders);





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- payment details and modalities of share subscription;
- foreign currency surrender to the National Bank; and
- share transfer involving Foreign National of Ethiopian Origin and organization.

4.4.5 A bank or a bank under formation shall ensure that a person or shareholder of an organization who acquires share through transfer or any other means holds valid document evidencing his/her Nationality and other related status.

## 5. Share Transfer

5.1. A share can be transferred from Ethiopian Nationals to Foreign Nationals of Ethiopian Origin or organization through sell in acceptable foreign currency transferred through banks at a share price not less than par value.

5.2. Shares shall not be acquired by Foreign Nationals of Ethiopian Origin or organization through donation.

5.3. Shares can be transferred from Ethiopian Nationals to Foreign Nationals of Ethiopian Origin through succession.

## 6. Dividend Payment

6.1. Dividends earned as a result of investment in a bank by Foreign Nationals of Ethiopian Origin or organization shall be paid in Ethiopian Birr, and shall not be repatriated.

6.2. Dividends earned in accordance with sub-article 6.1 of this article may be used for purchase and payment of newly issued and subscribed shares in the same bank.





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## 7. Reporting

7.1. A bank under formation shall report summary of share subscription by Foreign Nationals of Ethiopian Origin or organization, as per sub article 4.4.2 and **Annex I** of this Directive, along with application for banking business license.

7.2. A bank shall submit summary of shares subscribed by Foreign Nationals of Ethiopian Origin or organization to the National Bank, as per sub article 4.4.2 and **Annex II and III** of this Directive; on quarterly basis. In case of no subscription during the quarter, a bank may submit a "Nil" report.

## 8. Effective Date

This Directive shall be effective as of the 28<sup>th</sup> day of February 2020.

  
Yinager Dessie (PhD)  
Governor









Annex II

National Bank of Ethiopia

Collection of Foreign Currency from Foreign National of Ethiopian Origin or Organization During the Quarter

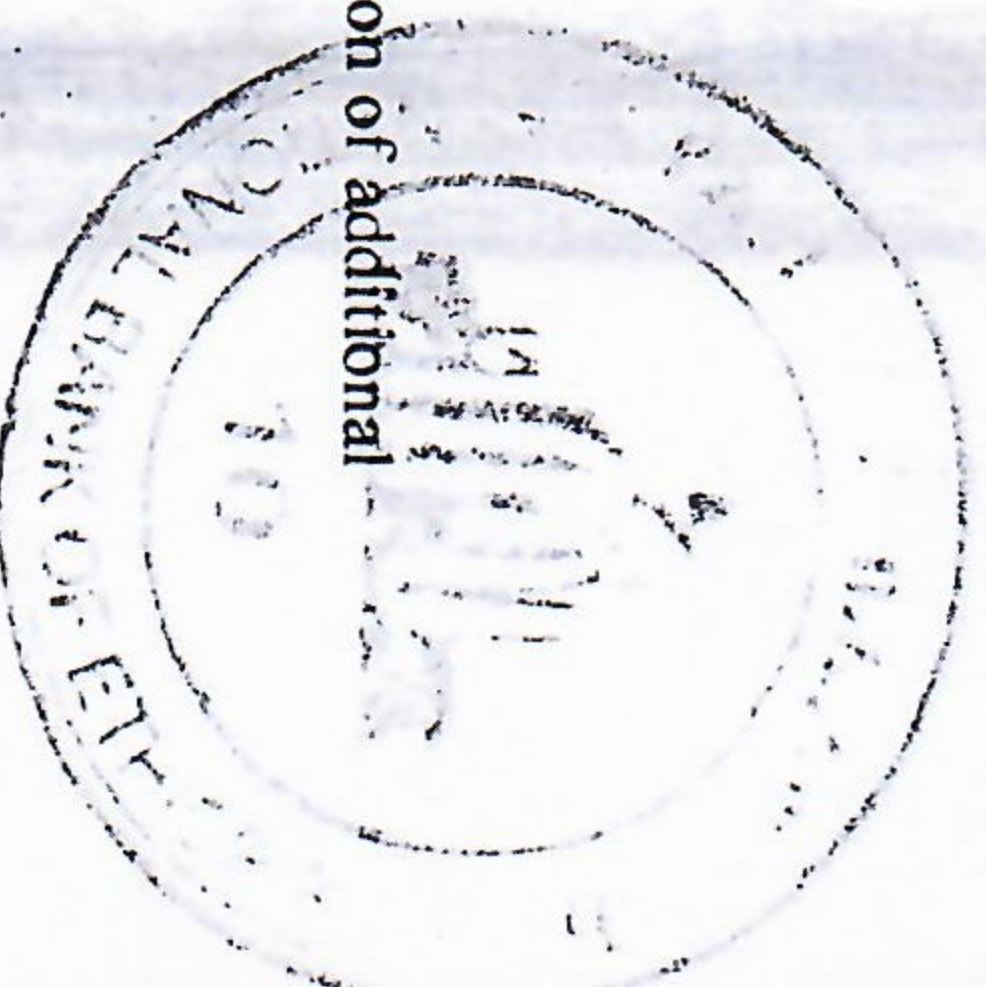
Name of existing Bank .....  
For the quarter ended.....

No	Name of Subscriber	Nationality	Passport No	Number of Shares Subscribed (A)	Par Value of Each Share (In Birr) (B)	Subscription Amount (In Birr) C=(A*B)	Paid up Amount (In Birr) (D)	FCY Collected from the Shareholder (E)	Manner of Share Collection <sup>3</sup>	Required Surrender F= (30/100xE)	Mid Exchange Rate <sup>4</sup> (G)	Equivalent in Birr H=(F×G)	Remitted and deposited through/ SWIFT/N RFC/A/MT O <sup>5</sup>
<b>Total</b>													

Prepared By:.....  
Position:.....  
Signature: .....  
Date .....

Approved By .....  
Position:.....  
Signature .....  
Date .....

<sup>3</sup> Please specify the manner of FCY collection, i.e., state NN-if collection is from issuance of new share to new shareholder, NE- if collection is from subscription of additional share to existing shareholder, PSU- if collection is from payment of subscribed but unpaid share, and SS- if collection is from sell of share.  
<sup>4</sup> Prevailing mid exchange rate at the date of surrender to the National Bank  
<sup>5</sup> Non-Resident Foreign Currency Account/Money Transfer Organizations

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Cumulative Summary of Share Subscription by Foreign Nationals of Ethiopian Origin

Name of existing Bank .....  
 For the quarter ended.....

No	Name of Subscriber	Nationality	Passport No.	Number of Shares Subscribed (A)	Par Value of Each Share (In Birr) (B)	Subscription Amount (In Birr) (C)	Paid up Amount (In Birr) (D)	Outstanding Share Balance (E=C-D)	FCY Collected from the Shareholder
Total									

Prepared By:.....  
 Position:.....  
 Signature:.....  
 Date .....

Approved By .....  
 Position:.....  
 Signature .....  
 Date .....