

Directive No. SBB/44/2008

LIQUIDITY REQUIREMENT (3rd replacement)

1. Issuing Authority

This 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 16 of the Licensing and Supervision of Banking Business Proclamation No. 84/1994.

2. Definitions

2.1 For the purpose of liquidity requirement "liquid assets", in addition to what has been provided for under 16(2) of Proclamation No. 84/1994, include deposits held in Organization for Economic Cooperation and Development (OECD) member countries 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) 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 25% (twenty five 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 twenty percent (20%) of the current liabilities in the form of primary reserve assets; and

4.2 five percent (5%) of the current liabilities in the form of secondary reserve assets.

5. Reports

Banks shall submit to the Banking 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

Directives No. SBB/15/96 are hereby repealed and replaced by this Directives.

7. Effective Date

This Directives shall enter into force as of the 7th day of April 2008.