

**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.