

**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 21

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 subarticle

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.