

Directive No. SBB/36/2004

Licensing and Supervision of Banking Business
Credit Information Sharing

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.

Definitions

For the purpose of these directives:

“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;

“Central Database” shall mean the Credit Information Database maintained by the Credit Information Center of the National Bank of Ethiopia;

“Credit Information” shall mean all information about a borrower specified in the Data Input Requirement attached to these directives;

“Credit Information Center” shall mean the Center located in the Supervision Department of the National Bank of Ethiopia;

“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;

“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;

“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;

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

Modus Operandi of the Credit Information Sharing System

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

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;

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

Role and Responsibility of the National Bank of Ethiopia

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;

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.

Obligations of Each Bank

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;

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;

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;

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;

From the effective date of these directives no bank shall extend new loans or advances to a defaulter in any form whatsoever;

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;

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;

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;

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;

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.

Penalty for Failure to Comply with the Requirements of these Directives

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;

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.

Effective Date

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

Credit Information Center

Data Input Requirement

Bank's Profile

Name

Capital and Reserves as at reporting date

Borrower's Profile

Identification and Address

Full Name (if individual, including grand father's name)

All previous names (if any)

If individual, Name of the spouse

If company, its form (Public Enterprise, PLC, Share Company, Sole Proprietorship)

If company, Establishment date

ID of Borrower (Tax ID)

If company, Trade Registration No.

Address (Current):

Region

City

Woreda

House No.

P.O.Box

Telephone

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

Agriculture

Manufacturing

Mining and quarrying

Building and Construction

Trade and Services

domestic trade

International trade

Hotel and tourism

Transport and communications

other services (specify)

Other businesses (specify)

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

Existing Loans and Advances

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

Date on which loan/facility/was approved

Due/expiry date

Amount Approved

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

Outstanding balance as at reporting date

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

Collateral

Type

Collateral identification

(a)

(b)

(c)

..

..

Estimated value

Degree of security (first degree, second degree,...)

If Company, date of Most Recent Audited Financial Statements

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,...)