

## **Directive No. MFI/15/2002**

Licensing and Supervision of the Business of  
Micro-financing Institutions  
Minimum Liquidity Requirement

Issuing Authority

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 25 of the Licensing and Supervision of the Business of Micro-financing Institutions Proclamation No. 40/1996.

Definitions

"Deposits" shall mean any regular or irregular savings which may be withdrawn partially or totally at any time by the account holder;

"Liquid Assets" shall mean cash on hand, balances on deposit with banks and/or micro-finance institutions, short-term debt instruments such as treasury bills or other instruments that can be easily converted into cash without much loss in value;

"Savings" shall mean non-withdrawable mandatory or regular savings of members of a micro-financing institution;

"Short-term" shall mean the time period extending up to 12 months;

"Total Deposits" shall mean the sum of "savings" and "deposits."

### **3. Minimum Requirement**

Micro-finance institutions shall maintain at all times liquid assets at least equal to 20 (twenty) percent of their total deposits;

For the purpose of monitoring compliance with the requirements set out under article 3.1 herein above, each micro-finance institution shall submit to the Supervision Department of the National Bank of Ethiopia quarterly Liquidity Report within three weeks after the end of each month prepared in the manner shown in the attached table which shall be part of these directives.

### **4. Scope of Application**

These directives shall be applicable only on micro-finance institutions that have re-registered with the National Bank of Ethiopia in accordance with article 10 of the Licensing and Supervision of the Business of Micro-financing Institutions Proclamation No. 40/1996 and micro-finance institutions whose total deposits equal or exceed birr 1 (one) million.

### **5. Effective Date**

These directives shall come into force as of the 1st day of May 2002.

Teklewold Atnafu  
Governor  
National Bank of Ethiopia

Liquidity Report

Reporting Institution:  
Period Covered:

	Amount
1. Liquid Assets (Total)	
1.1 Cash	
1.2 Deposit with Banks and/or Micro-finance Institutions	
1.3 Treasury bills	
1.4 Other (specify)	
2. Total Deposits	
3. Ratio of Liquid Assets to Total deposits(%)	