

## Directive No. MFI/16/2002

Licensing and Supervision of the Business of  
Micro-financing Institutions  
Minimum Capital Ratio to be  
Maintained by Micro-finance Institutions

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"Deposits" shall mean any regular or irregular savings which may be withdrawn partially or totally at any time by the account holder;

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

"Total Capital" shall mean the sum of paid-up capital, donated capital, retained earnings and any other free reserves of a Micro-finance institution;

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

"Total Risk-weighted Assets" shall mean assets of a Micro-finance institution determined by weighting each asset item by the weight assigned to it and aggregating the result so obtained in accordance with the table attached herewith which shall be a part hereof.

### Minimum Requirement

A Micro-finance Institution shall maintain at all times a minimum capital ratio of 12% (twelve percent) computed as a ratio of total capital to total risk-weighted assets.

For the purpose of monitoring compliance with the requirement set out under 3.1 herein above, each micro-finance institution shall submit to the Supervision Department of the National Bank of Ethiopia a quarterly Capital Position report within three weeks after the close of each quarter in the manner shown in the attached table.

### Scope of Application

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

Effective Date

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

Teklewold Atnafu  
Governor  
National Bank of Ethiopia

#### CAPITAL POSITION REPORT

Reporting Institution:

Period Covered:

Assets	Amount	Weight (%)	Risk-weighted
	Amount		
	(a)	(b)	
	c= (a) x (b)		
Cash on hand		0	
Deposits with banks			
- With NBE		0	
- With other banks			20
Prepayments		0	
Receivables		100	
Claims on Government			
- Federal Government		0	
- Regional Government		20	
Loans and Advances less provisions			
- Fully secured by cash,			
- Federal Government securities of guaranteed by Federal Government			0

- Fully secured / guaranteed by Regional government		20
- All other loans and advances		100
Investments		100
Fixed Assets less Depreciation		100
Total Risk-weighted assets	xxxxxx	xxxxxx
Total Capital		
Ratio of Total Capital to Risk-weighted Assets (%)		