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NATIONAL BANK OF ETHIOPIA
ADDIS ABABA

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NATIONBANK
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ADDIS ABABA

Licensing and Supervision of the Business
of Micro-financing Institutions

Directive No. MFI/14/2002

Penalty for Failure to Comply with the Requirements
of Proclamation No. 40/1996 and Directives of
the National Bank of Ethiopia

1. 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.

2. Penalty

2.1 A micro-finance institution that fails to comply with, or violates the requirements of, any of the provisions of the Licensing and Supervision of the Business of Micro-financing Institutions Proclamation No. 40/1996 or any of the directives of the National Bank of Ethiopia shall be liable to a penalty of Birr3,000 (three thousand birr).

2.2 A micro-finance institution that fails to pay the penalty imposed on it according to article 2.1 herein above shall be subject to an interest charge on the penalty amount assessed at the rate of twice the maximum annual lending rate of the concerned institution multiplied by the number of days for which the penalty amount remains outstanding. The number of days shall be counted starting one week after the date on which the micro-finance institution is notified of the imposition of penalty by letter, fax or telephone.



2.3 Notwithstanding the above, penalty in the case of external audit and license renewal shall be imposed on a micro-finance institution if it:-

- (a) fails to submit to the National Bank of Ethiopia an external audit report within six months from the end of its financial year;
- (b) fails to renew its business license within one month from the date of expiry.

2.4 In the case of a micro-finance institution that has been penalized three times according to article 2.1 herein above, the National Bank of Ethiopia shall order the removal of the Chief Executive Officer of the concerned institution from his office and his replacement by a duly qualified individual.

3. Scope of Application

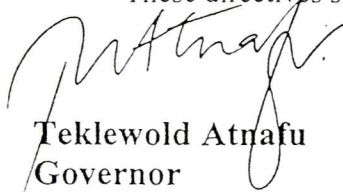
The provisions of these directives shall be applicable on all micro-finance institutions licensed under Licensing and Supervision of the Business of Micro-financing Proclamation No. 40/1996.

4. Waiver

The National Bank of Ethiopia may waive imposition of the penalties set out under articles 2 herein above if the circumstances that led to non-compliance are found acceptable.

5. Effective Date

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


Teklewold Atnafu
Governor
National Bank of Ethiopia

