



National Bank of Ethiopia

Microfinance Institutions Supervision Directorate

I. Major objectives of the Directorate

- Ensure safety and soundness of MFIs.
- Ensure efficiency and compliance of MFIs with rules and regulations
- Ensure protection of depositors.

II. Types of services and products delivered to customers	III. Requirement/conditions needed from customers to get the service or product [♦]	IV. Standard execution time for service or product
1. Licensing of new MFIs	<ul style="list-style-type: none"> ▶ Has to be organized in the form of share company ▶ Minimum No. of founders have to be five ▶ The shareholders have to be Ethiopian nationals or organizations wholly owned by 	42 working days

[♦] Note that these requirements/conditions are subject to change any time

* All meeting minutes shall be prepared in accordance with the commercial code of Ethiopia (CCE) and standard checklist issued by NBE

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	<p>Ethiopian nationals</p> <ul style="list-style-type: none"> ▶ Founders' minutes ▶ List that contains the Name, Nationality, Address, Number and Amount of Subscribed and Paid-up capital of all shareholders ▶ 1/4th of the subscribed capital has to be paid and deposited in blocked account ▶ Minimum paid up capital required is Birr 200,000 (This is under revision) ▶ Evidence for paid up capital which includes certificate of deposit in a blocked account ▶ Evidence for valuation of contributions in kind (In kind contributions that are acceptable to NBE and valued by professionals) Contributions in kind shall not be considered for the purpose of fulfilling the minimum required capital. ▶ Evidence of ownership, possession or lease agreement of an office building (premises) and office equipment furniture ▶ Memorandum and Articles of Association prepared as per the requirement of Commercial Code of Ethiopia (Amharic and English versions, 4 copies each) ▶ Proposed name of the institution (In the Memorandum of Associations) ▶ A certificate from ministry of trade or regional trade bureau, whichever is appropriate that the name of the institution is valid or not used by other institution. ▶ Feasibility study which includes the following: <ul style="list-style-type: none"> - Major services to be offered (financial and non financial) - Overview of the economic conditions of the area in which the institution intends to carry out its business - Interest rates (lending and deposit rates) and other charges (services, penalty, 	

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	<p>etc) to be applied</p> <ul style="list-style-type: none"> - Business plan covering the mobilization and channeling of funds and the steps to be undertaken to carry out this plan - Financial projections for five years including monthly financial statements for the first year of operation. - Proposed organizational chart of the institution with brief description of the functions of the main units - Evidence (guarantee) of financial source for the 1st year of operation <ul style="list-style-type: none"> ▶ General assembly meeting minutes for endorsement of Memorandum and Articles of Association, appointment of Board of Directors and CEO. Minute's preparation must be complied with Commercial Code of Ethiopia (CCE) requirements. ▶ Signed CV of the proposed CEO and members of the directors including name, nationality, birth date, education, recent photograph, employment history, and experience in business and financial affairs, involvement in civic, social and charitable activities including any leadership position held accompanied with authenticated copies of documents signifying educational qualification and work experience. ▶ Copies of identification card and/or passport ▶ Completed and signed fitness and propriety test questionnaire which is part of Directive MFI/21/2012 ▶ Copy of tax payer registration number card <p><i>In Case of corporate entities, the following documents shall be submitted</i></p> <ul style="list-style-type: none"> ▶ Copies of Company's memorandum and article of association or any similar document of incorporation 	

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	<ul style="list-style-type: none"> ▶ Copies of audited statements of the legal entity concerned, for three consecutive years ▶ The directors should fulfill the following criterion: <ul style="list-style-type: none"> - A minimum of Diploma from recognized higher institutions of learning - A minimum of 3 years work experience - Directors should preferably have adequate managerial experience in business and/or similar organizations - Age-wise, a minimum of 25 years - The chair person should be natural person - If the shareholders are legal persons (institutions) the assigned director should bring letter of assignment from the institution that assigned her/him ▶ The Chief Executive Officer should fulfill the following criteria: <ul style="list-style-type: none"> - A minimum of first degree from recognized higher learning institution - A minimum of 5 years work experience of which, at a minimum , three (3) years shall be in a managerial position ▶ A director or Chief Executive Office of an MFI may not, at the same time ,serve as a director of any other financial institution ▶ An employee of a micro financing institution may not be chairperson of the board of directors of that micro-financing institution or a director of any other micro-financing institution. ▶ Appointment of directors and chief executive officer shall be subject to approval by the National bank of Ethiopia. ▶ For additional and detail fitness test please see Directive No.MFI/21 2012. 	

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	<ul style="list-style-type: none"> ▶ Submitting all the manuals of the MFI. Major ones include: - operational, financial, personnel and internal audit manuals ▶ Duly completed application forms as prescribed by the NBE ▶ Payment of investigation fee of Birr 250 ▶ Registration of the Memorandum and Article of Association at regional justice offices (for regions), Documents Authentication and Registration Office (for Addis Ababa) ▶ All shareholders should appear (in person) at the office indicated above to sign on the Memorandum and Articles of Association ▶ Payment of initial license fee of Birr 500 ▶ Registration at Trade and Industry Office. 	
2. Renewal of business license	<ul style="list-style-type: none"> ▶ Application letter for renewal ▶ Payment of license renewal fee of Birr 300 ▶ Resolving of any pending issues (if applicable) ▶ Original License of the MFI 	One hour
3. Approval for hiring of external auditor	<ul style="list-style-type: none"> ▶ Approval request ▶ Minutes for appointment of External Auditor 	One working day
4. Approval of newly appointed CEO and Board of directors	<ul style="list-style-type: none"> ▶ Application letter (formal request) ▶ BODs meeting minutes for appointing CEO shall be prepared in accordance with the commercial code and shall be submitted to NBE ▶ Signed CV of the CEO with details enumerated here above at No. 1 and with supporting documents shall be submitted ▶ Copies of Identification card and/or passport ▶ Completed and signed fitness and propriety test questionnaire which is part of Directive MFI/21/2012 ▶ Copy of tax payer registration number card 	Two working days excluding waiting time in LSD.
5. Approval of newly	<ul style="list-style-type: none"> ▶ Application letters (formal request) 	Two working days

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appointed board members	<ul style="list-style-type: none"> ▶ General assembly meeting minutes (in which board members are elected) shall be prepared in accordance with the commercial code and submitted to NBE ▶ Signed CV of the CEO with details enumerated here above at No. 1 and with supporting documents shall be submitted ▶ Copies of Identification card and/or passport ▶ Completed and signed fitness and propriety test questionnaire which is part of Directive MFI/21/2012 ▶ Copy of tax payer registration number card 	excluding waiting time in LSD.
6. Approval of Memorandum and Articles of association amendments	<ul style="list-style-type: none"> ▶ Application (formal request) ▶ General Assembly meeting minutes shall be prepared in accordance with the commercial code and submitted to NBE. ▶ The previous and the newly drafted Memorandum and Articles of Association 	Two working days excluding waiting time in LSD.
7. Approval of new product and services	<ul style="list-style-type: none"> ▶ Application (formal request) ▶ Area of new product or services and its marketability assessment study ▶ The Risks and its Risk Management policies and procedures for the new product ▶ Internal control and MIS ▶ Organization structure and its personnel ▶ Operation policies and procedures ▶ Presentation on the new product/services 	Depend on the type and depth of the service and product
8. Provide advisory service	<ul style="list-style-type: none"> ▶ Based on request 	
9. Provision of Sectoral information and data	<ul style="list-style-type: none"> ▶ Application or support letter ▶ Requested information shall not be a classified/confidential information 	

V. contact address and contact person or team

Contact address - Microfinance Institution Supervision Directorate

Contact team - Policy and Licensing Team

Tel: 011-5-175239 or 011-5-175291

