

Bank & Fintech Entry and Compliance Playbook — Ethiopia (2025)

License Pathways • Capital & Ownership • Governance & Fit-and-Proper • National Payment System Controls • Deposit Insurance (EDIF) • ESX Funding Options

Prepared for: Practitioners and prospective entrants | Date: October 23, 2025

Note: This playbook summarizes current statutes/regulations as of 2025 and is for guidance only; confirm latest directives with NBE/ECMA.

I. License Pathways

1) Domestic Commercial Bank (Conventional)

- Regulator: National Bank of Ethiopia (NBE) — Banking Supervision
- Core law: Banking Business Proclamation No. 1360/2025 (licensing, ownership, supervision)
- Minimum paid-up capital: ETB 5,000,000,000 (banking company)
- Key steps: Founders' approval → Name reservation → Feasibility & business plan → Fit-and-proper for significant shareholders, board, CEO → IT & risk frameworks → Capital deposit & verification → Provisional license → Operational readiness audit → Final license.

2) Full-Fledged Interest-Free Bank (IFB)

- Same prudential perimeter as conventional banks; Sharia governance framework & products register.
- Product set: Murabaha, Ijara, Salam, Istisna, Musharaka, Mudaraba, Takaful (via partner).

3) Foreign Bank Entry

- Forms: Subsidiary, Branch, Representative Office, or Minority Strategic Investment in a local bank.
- Ownership caps (local bank): up to 40% for a single foreign strategic investor; aggregate foreign ownership ≤ 49% (directive).
- Capital: ETB 5,000,000,000 (subsidiary or branch), inwardly remitted in FX; ring-fenced local capital and liquidity.
- Requirements: Home-supervisor no-objection; consolidated supervision; resolution & recovery planning alignment.

4) Development Finance Institution (DFI)

- E.g., DBE model; project appraisal mandate; special funding/re-finance lines; governance by dedicated statute & NBE oversight.

5) Payment Instrument Issuer / Wallet (Non-Bank)

- Regime: National Payment System Proclamation (amended 2023) + ONPS/09/2023 and NPS/10/2025.
- Permissible: E-money issuance, mobile wallets, merchant acquiring, agent networks, interoperability.
- Capital & safeguarding: Segregated trust/escrow; settlement at NBE; float investment rules; daily reconciliation; consumer funds bankruptcy-remote.
- Governance: Board risk & audit committees; independent compliance; outsourcing/vendor risk controls.

6) Capital-Market Intermediaries (through ECMA)

- Licenses: Investment bank, broker/dealer, investment adviser, fund/asset manager, custodian, rating agency.
- Exchange: Ethiopian Securities Exchange (ESX). Coordinate prudential obligations with NBE where a bank subsidiary is involved.

II. Capital & Ownership Rules

Minimum Paid-Up Capital (selected):

- Bank (new or transformed): ETB 5,000,000,000
- Foreign bank subsidiary/branch: ETB 5,000,000,000 (inward FX)

- Payment Instrument Issuer (PII): As per ONPS/09/2023 (tiered by activity/scale); maintain capital adequacy ratio per directive.

Foreign Ownership in Local Banks:

- Single foreign strategic investor $\leq 40\%$
- Aggregate foreign ownership $\leq 49\%$
- Voting, shareholder-fit-and-proper, and source-of-funds verification mandatory.

Eligible Capital & Lock-Ups:

- Clearly sourced paid-up capital; restrictions on encumbrances; staged subscription possible subject to NBE milestones.
- Retained earnings & hybrid instruments per NBE eligibility rules; dividend restrictions while below buffers.

III. Governance & Fit-and-Proper

Board Structure (Banks & PII):

- Odd number of directors; majority non-executive; independence thresholds; tenure & rotation rules.
- Mandatory committees: Audit, Risk, Credit, IT/Cyber (or Technology), Remuneration/Nominations.
- Skills matrix: banking/finance, risk, accounting/audit, law/compliance, IT/cyber, payments/ops.

Fit-and-Proper (FAP) Checklist (apply to significant shareholders, directors, CEO, CFO, CRO, Compliance Head):

- Identity & background verification
- Financial soundness (no default/insolvency; tax compliance)
- Integrity (no serious criminal/administrative record; AML/CFT posture)
- Competence (education, professional qualifications, role-relevant experience)
- Time commitment & interlocks review
- Conflict-of-interest and related-party disclosures
- Ongoing FAP attestations (annual) and event-driven notifications

Key Policies (minimum set):

- Enterprise Risk Management (ERM), ICAAP/ILAAP (banks), Stress Testing Policy
- Credit Risk, Market & Liquidity Risk, Operational Risk, IRRBB
- IT & Cybersecurity Policy, Business Continuity & Disaster Recovery
- AML/CFT Program (risk-based; aligned to EFIS and ESAAMLG standards)
- Consumer Protection, Complaints Handling & Disclosure
- Outsourcing & Vendor Risk, Cloud & Data Localization (where applicable)

IV. National Payment System (Digital Finance) Controls

Licensing & Scope (PII and Banks' Wallets):

- License class & activities (e-money issuance, acquiring, processing, remittances)
- Capital thresholds & guarantees; safeguarding and settlement accounts at NBE
- Interoperability obligations and participation in the national switch (where mandated)

Operational & Risk Controls:

- Segregation of customer funds in trust/escrow; daily and intra-day reconciliation
- Float investment restrictions; interest handling per directive
- Transaction limits, KYC tiers, agent due diligence & training
- Cybersecurity standards, encryption, key management, SOC monitoring
- Incident reporting (T+1 and immediate for major events); root-cause analysis

Consumer Protection:

- Disclosure of fees & terms; clear error-resolution timelines

- Chargeback & dispute rules; contact center SLAs
- Data privacy & consent management; vulnerable-customer safeguards

Outsourcing & Third Parties:

- Contractual SLAs; right-to-audit; concentration risk; exit plans
- Cloud usage: data residency, redundancy, BCP/DR tests

V. Deposit Insurance (EDIF) — What to Tell Customers & How to Prepare

Coverage & Membership:

- Mandatory membership for banks and qualifying MFIs.
- Coverage limit: ETB 100,000 per depositor, per member institution.

What to Disclose to Customers:

- Coverage limit and what is/not covered (e.g., investment products, FX positions)
- How EDIF pays in a failure scenario; payout timelines
- Your bank's EDIF membership status and how to contact EDIF

Internal Readiness:

- Single Customer View (SCV) data scheme; testing and refresh cadence
- Communications playbook for resolution events; branch scripting
- Coordination with NBE's resolution unit

VI. ESX Funding & Liquidity Options

Instruments & Pathways:

- Short-term: interbank platform participation for liquidity management
- Medium-term: bank bonds & subordinated instruments (subject to NBE eligibility)
- Long-term: equity raising (rights issue, strategic investor), potential listings in phases

Preparation Checklist:

- IFRS-compliant financials & disclosures
- Corporate governance scorecard; committee independence
- Prospectus drafting team (issuer, counsel, reporting accountant, adviser)
- ECMA rulebook compliance; continuous disclosure systems
- Investor-relations function, calendar, and market communications

VII. Master Checklist — From Idea to Go-Live and Beyond

A) Pre-Application

- Choose license pathway and entity form (subsidiary/branch/local bank/PII)
- Secure founding shareholders; map to ownership caps; source-of-funds
- Draft feasibility, 3–5 year financial model, capital plan, and risk appetite
- Build skills matrix; recruit board & C-suite; begin FAP dossiers
- Select core systems (CBS/wallet), switch connectivity, cybersecurity controls
- Draft key policies: ERM, AML/CFT, IT/Cyber, Outsourcing, Consumer Protection
- Arrange premises, branches/agent model; HR & training plans

B) Application & Licensing

- Submit application pack to NBE (forms, policies, manuals, FAP files, capital proof)
- Respond to queries; conduct readiness workshops with supervisors
- Provisional license conditions: capital paid-in, IT & ops tests, staffing, BCP drills

- External readiness assessment (where required)
- Final license and go-live approval

C) Go-Live & Year-1 Milestones

- ICAAP/ILAAP (banks) and stress testing; liquidity buffers
- EDIF onboarding, SCV file testing, customer disclosures
- NPS participation tests; interoperability & settlement validation
- Compliance monitoring plan; internal audit cycle; board training
- ESX liquidity options review; investor-relations setup (if applicable)

D) Ongoing Compliance (Quarterly/Annual)

- Regulatory returns (prudential, AML/CFT, consumer, NPS)
- Board evaluation & committee effectiveness review
- Policy refresh and cyber incident drills
- Capital and funding plan update; M&A or strategic investor scan

Annex: Ethiopian Banks — Reference Template

Template — Populate from the latest NBE register before publication:

Conventional Banks (sample):

- Commercial Bank of Ethiopia (CBE) — State-owned; Systemic
- Awash Bank
- Dashen Bank
- Bank of Abyssinia
- Hibret Bank
- Cooperative Bank of Oromia
- Wegagen Bank
- Nib International Bank
- Zemen Bank
- Oromia Bank (Coop)
- Lion, Enat, Bunna, Abay, Amhara, Tsehay, Gadaa, Sidama, Omo, etc.

Full-Fledged Interest-Free Banks:

- ZamZam Bank • Hijra Bank • Rammis Bank • Shabelle Bank

Transformed MFIs (now Banks):

- Tsedey Bank (ex-ACSI) • Goh Betoch Bank • Siinqee Bank (if applicable per latest status)

Note: Replace with the authoritative list and include SWIFT/BIC, license dates, and branch counts.