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NATIONAL BANK OF ETHIOPIA
ADDIS ABABA

**Limits on Board Remuneration and Number of
Employees Who Sit on a Bank Board Directives
No. SBB/63/2016**

WHEREAS, a sound corporate governance is vital for the health of individual banks and the banking sector as a whole;

WHEREAS, it is necessary to periodically review that remunerations paid by banks to directors are fair and contribute to safety and soundness of the banking system;

WHEREAS, there is a need to separate board and executive functions, so as to ensure proper checks and balances, in banks;

NOW, THEREFORE, in accordance with paragraphs “e” and “f” of sub-article 4 of article 14 of Banking Business Proclamation No 592/2008, the National Bank of Ethiopia hereby issues these directives.

1. **Short Title**

These Directives may be cited as “Limits on Board Remuneration and Number of Employees Who Sit on Bank Board Directives No. SBB/63/2016”.

2. **Definitions**

For the purpose of these directives, unless the context provides otherwise:

- 2.1 “**bank**” means a company licensed by the National Bank of Ethiopia to undertake banking business or a bank owned by the Government;
- 2.2 “**board allowance**” refers to an amount of money that is paid in kind or in cash from any account of the bank to directors to cover incidental costs related to their board membership;
- 2.3 “**board compensation**” refers to any money other than board allowance that is paid, in cash or otherwise, to a director from the bank’s net profit;
- 2.4 “**director**” means any member of the board of directors of a bank, by whatever title he may be referred to;



2.5 “**Employee**” means a chief executive officer, a senior executive officer or any other person who is appointed or hired by a bank to carry out its day-to-day operational activities;

2.6 “**Remuneration**” includes board compensation and allowance paid to each director;

3. Scope of the Directives

These directives shall apply to all banks operating in Ethiopia.

4. Remuneration of Directors

4.1 Annual board compensation to a director shall not exceed birr 100,000 (one hundred thousand birr).

4.2 Monthly allowance paid to a director shall not exceed birr 4,000 (four thousand birr).

4.3 No bank shall pay any financial or otherwise remuneration or benefits other than those stated under sub-articles “4.1” and “4.2” of this article in whatsoever form to its directors any time.

5. Number of Employees Who Sit on Bank Board

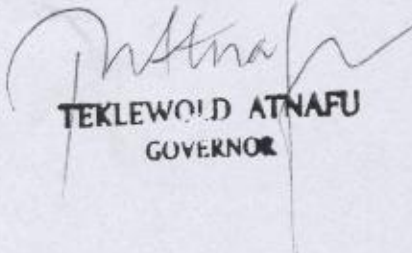
No employee of a bank, be it permanent or contractual, shall sit on the board of any bank.

6. Repeal

Directives No. SBB/49/2011 is hereby repealed and replaced by these directives.

7. Effective Date

These Directives shall enter into force as of **1st day of June 2016**.


TEKLEWOLD ATNAFU
GOVERNOR

