



LICENSING AND SUPERVISION **OF BANKING BUSINESS**

Limits on Board Remuneration and Number of Employees Who Sit on a Bank Board Directives No. SBB/49/2011

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

WHEREAS, excessive remunerations recently being paid by banks to directors have become a threat to the health 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 shall be cited as “Limits on Board Remuneration and Number of Employees Who Sit on Bank Board Directives No. SBB/49/2011”.

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 or from any other sources;
- 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 50,000 (fifty thousand birr).
- 4.2 Monthly allowance paid to a director shall not exceed birr 2,000 (two 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. Effective Date

These Directives shall enter into force as of 15th day of January 2011.