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NATIONAL BANK OF ETHIOPIA  
አዲስ አበባ / ADDIS ABABA

**LICENSING AND SUPERVISION OF BANKING BUSINESS**

**Reserve Requirement – 8<sup>th</sup> Replacement**

**Directive No. SBB/84/2022**

**Whereas**, the National Bank of Ethiopia is vested with powers, duties and responsibilities of monetary management and regulation and supervision of banks.

**Whereas**, statutory reserve requirement, which obliges banks to hold a proportion of their deposit balance with the National Bank of Ethiopia, is one of the important monetary policy instruments and prudential regulation tools.

**Now, therefore**, the National Bank has issued this Directive pursuant to the powers vested in it by Article 16(1) (a) of the National Bank of Ethiopia Establishment (as Amended) Proclamation No. 591/2008, and 59(2) of Banking Business Proclamation No. 592/2008 as amended by Banking Business (Amendment) Proclamation No.1159/2019.

1) **Short Title**

This Directive may be cited as “**Reserve Requirement–8<sup>th</sup> Replacement Directive No. SBB/84/2022**”.

2) **Opening Accounts with the National Bank of Ethiopia**

Banks operating in Ethiopia shall open two separate Birr accounts with the National Bank of Ethiopia to be used as follows:

*For*



## 2.1) **Reserve Account**

- (a) A reserve account shall exclusively be used to maintain the reserve balance stated under **Article 3** of this Directive.
- (b) No bank shall withdraw any money from its reserve account without prior approval of the Bank Supervision Directorate of the National Bank of Ethiopia.
- (c) A bank can request for transfer to Payment and Settlement Account maintained with the National Bank, if daily reserve ratio is **above 5%**. But a bank must ensure that average reserve ratio of a calendar month is **7%** at minimum, calculated as per **article 3** of this Directive.

## 2.2) **Payments and Settlement Account**

A payment and settlement account shall be used to carry out all day-to-day transactions of banks through the National Bank of Ethiopia.

## 3) **Reserve Requirement**

- 3.1) A bank operating in Ethiopia shall maintain in its Reserve Account stated under **Article 2.1(a)** of this Directive **7% (seven percent)**, on average in every calendar month, of all Birr and foreign currency deposit liabilities held in the form of demand/current deposits, saving deposits and time deposits.
- 3.2) Notwithstanding sub-article **3.1** hereinabove, a bank, at all times, shall maintain a minimum of **5%** of all Birr and foreign currency deposit liabilities held in the form of demand/current deposits, saving deposits and time deposits.

## 4) **Computation of Reserve Balance**

- 4.1) Cash items in process of collection, if included under deposits, shall be deducted there from in computing the balance of total deposits for reserve purposes.

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