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NATIONAL BANK OF ETHIOPIA
አዲስ አበባ / ADDIS ABABA

LICENSING AND SUPERVISION OF MICROFINANCE BUSINESS
Opening, Relocation and Closure of Branch or Sub-branch Offices of Microfinance
Institutions Directive No. MFI/35/2022

(2nd Amendment)

Whereas, microfinance institutions' branch and sub-branch office opening, relocation, and closure activities necessitate sound and prudent practices to ensure the safety and soundness of the institutions;

Now, therefore, pursuant to the power vested in it under article 6 (5) and article 34 (2) of Micro financing Business Proclamation No. 626/2009 (as amended by Microfinance Business Proclamation No. 1164/2019), the National Bank of Ethiopia has issued this Directive.

1. Short Title

This Directive may be cited as “**Opening, Relocation and Closure of Branch or Sub-branch Offices of Microfinance Institutions Directive No. MFI/35/2022.**”

2. Definitions

For the purpose of this Directive, unless the context requires otherwise:

- 2.1. “**branch**” means a place of business or an office wherein full financial services, including deposit collection and withdrawal, loan disbursement and collection, local payment services and back office services like loan processing, accounting and administrative services are carried on;
- 2.2. “**existing branches**” means branches of microfinance institutions that are in operation before the effective date of this Directive;
- 2.3. “**microfinance institution**” means a company licensed by the National Bank to carry on microfinance business;
- 2.4. “**National Bank**” means the National Bank of Ethiopia;



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2.5. “**sub-branch**” means a place of business or office that serves as a conduit for a branch to which it is affiliated and that provides partial or limited financial services like customer training, loan disbursement or collection, deposit collection and withdrawal;

3. Scope of Application

The provisions of this Directive shall be applicable to all microfinance institutions operating in Ethiopia.

4. Branch Opening

4.1. A microfinance institution, prior to opening a new branch office and commencing operation, shall ensure that:

- 4.1.1. feasibility study has been conducted to open the branch;
- 4.1.2. adequate trainings are provided to assigned staffs on policies and procedures of the institution, relevant National Bank Directives and AML/CFT requirements;
- 4.1.3. all relevant policy and procedure manuals, directives of National Bank and laws related to AML/CFT are distributed to appropriate staff members of the branch;
- 4.1.4. the branch is guarded at all time;
- 4.1.5. branch is clean and suitable for business having lighting and circulation of air;
- 4.1.6. cash safe vault has been installed in the branch;
- 4.1.7. an outdoor advertising board displaying the name of the institution, the name of the branch and its office working hours is in place; and
- 4.1.8. a copy of the institution’s business license and branch license is displayed in a visible area of the branch.

4.2. A microfinance institution that has opened a new branch office or upgraded its sub-branch office to a branch office as set out under sub-article 4.1 of this Directive shall get a branch license from the National Bank within 30 working days after commencement of operation.

4.3. In applying for a new branch license as set out under article 4.2 of this Directive, a microfinance institution shall submit an application letter and a duly completed and signed notification form, as prescribed under **Annex I** of this Directive.



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4.4. A microfinance institution that has relocated its branch office or changed the name of the branch shall apply to the National Bank within 30 working days after the relocation and changing the name and get a new branch license by duly completing and signing **Annex I** of this Directive.

5. Sub-branch Opening and Branch Downgrading

5.1. A microfinance institution may open a new sub-branch office or relocate the office without approval of the National Bank.

5.2. Notwithstanding article 5.1 above, a microfinance institution which has opened a new sub-branch office or relocate the office shall in writing inform the National Bank the full address in line with **Annex II** of this Directive within 30 working days after the commencement of operation.

5.3. A microfinance institution that downgrades any of its branches to a sub-branch shall notify the National Bank in writing and return the original branch license, within 30 working days after downgrading the branch.

6. Branch or Sub-branch Closure

6.1. A microfinance institution shall not close its branch or sub branch office without getting written approval from the National Bank.

6.2. A microfinance institution that intends to close its branch or sub-branch office shall ensure that the concerned customers of the office are notified prior to the closure of the office and the interests of the customers are protected.

6.3. To get the National Bank's approval for the closure of a branch or a sub-branch office in line with sub-article 6.2 above, the institution shall:

6.3.1. submit application to the National Bank, at least 30 working days prior to the proposed closing date by justifying the reason for the closure and by demonstrating the preparations made to close the office; and

6.3.2. return to the National Bank the original branch license.



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7. Transitional Provision

7.1. A microfinance institution shall submit an application to the National Bank to get license for its all existing branches, by duly completing **Annex I** of this Directive within 6 (six) months from the effective date of this Directive.

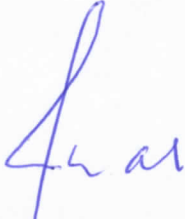
8. Repealed

National Bank Branch Directive No. MFI/07/96 is hereby repealed and replaced by this Directive.

9. Effective Date

This Directive shall enter into force as of **23rd day of November 2022**.




Yinager Dessie (PhD)
Governor

Annex I

Notification Form to Open a New Branch, Relocate a Branch or Upgrade a Sub-branch Office

Name of the Microfinance Institution: _____

Reporting Date: _____

1. Name of the Branch: _____

2. Address of the branch:

Region: _____

House No. _____

City: _____

Fax: _____

Sub-city: _____

Tele (Office): _____

Woreda: _____

Tele (Mobile): _____

Kebele: _____

E-Mail: _____

3. Confirmation on the fulfilment of minimum standards:

	Minimum standard as per article 4.1 of the directive	Is the standard fulfilled?		Reason for No response
		Yes	No	
1	Conducting of feasibility study as per sub-article 4.1.1.			
2	Staff training as per sub-article 4.1.2			
3	Distribution of required documents as per sub-article 4.1.3			
4	Security guard of the branch as per sub-article 4.1.4			
5	Cleanness, lighting and clean air circulation of the branch as per sub-article 4.1.5			
6	Suitable safe vault as per sub-article 4.1.6			
7	Displaying of required information to the public as per sub-article 4.1.7			
	Displaying of business license and branch license as per sub-article of 4.1.8			

4. Date of commencement of operation of the branch: _____

I hereby confirm that the above statements are true and correct.

Name: _____

Designation: _____

Signature: _____

Date: _____



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Annex II

Notification Form to Open a New Sub-Branch or Relocate a Sub-branch Office

Name of the Microfinance Institution: _____

Reporting Date: _____

1. Name of the Sub-Branch: _____

2. Address of the sub-branch:

Region: _____

House No. _____

City: _____

Fax: _____

Sub-city: _____

Tele (Office): _____

Woreda: _____

Tele (Mobile): _____

Kebele: _____

E-Mail: _____

3. Date of commencement of operation of the sub-branch: _____

I hereby confirm that the above statements are true and correct.

Name: _____

Designation: _____

Signature: _____

Date: _____



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