ST. MARY'S UNIVERSITY COLLEGE

FACULTY OF LAW L.L.B TASES

SUPERVISON OF BANKING BUSINESS UNDER ETHIOPIAN LAW

ВУ

AZEB W/KIDANE EXTENTION LAW DEPARTEMENT ID 0497/98

ADDIS ABABA

ETIOPIAN

SUPERVISON OF BANKING BUSINESS UNDER EHIOPIAN LAW

ВУ

AZEB W/KIDANE

ADVISAR:- Ato ADAMU SHEFERAW

SUBMITTED TO THE PARTIAL FULFILLMENT OF REQUIREMENT FOR BACHELOR DEGREE AS THE FACLTY OF LAW

ST. MARY'S UNIVERSITY COLLEGE

Acknowledgment

First of all I would take to thank god for helping me throughout my life.

I am very grateful to my advisor Ato Adamu Shefraw for his invaluable support cooperation and professional guidance from the beginning up to the end of writing this paper.

My special thanks goes to my beloved husband Ato Eirmias kassa, with out her unreserved support this research study would not have come true.

My heart felt thank also goes to my mother W/o Asagadach W/yohans and my father Ato W/kidan Hailu to their continuous support and advice, which they have been providing me in my study in St. Mary's University College.

Table of Content

Page	Page	
Acknowledgement	I	
Table of content	II	
<u>Chapter One</u>		
<u>Introduction</u>		
1. Background of the Study	1	
2. Objective of the Study	1	
3. Statement of the Problem	2	
4. Methodology of the Study	3	
5. Scope of the study	3	
6. Problem's face during the Study	4	
Chapter Two		
Bank and Banking Business 2. Definition of Bank and Banking Business	5	
2.1. A) Definition of Bank	5	
2.1. B) Banking Business	6	
2.2 History of Banking Business in General	9	
2.2.1 History of Banking Business in Ethiopia	9	
2.3 The Legal Definitions of the Term "Banking Business"		
and 'Bank'/ 'Banker' within the Ethiopian Context	11	
2.4 Supervision of Banking Business	13	
2.4.1 General	13	
2.4.2 Objectives of Banking Supervision	15	
2.4.3 Development of Banking Supervision in Ethiopia	18	
Chapter Three		

3. CORE principles for effective banking supervision and instruments of	
supervision. To regulate the Business of Banks in Ethiopia	20
3.1. Core principles for effective banking business supervision	20
3.2. Organs Involved in Supervision of Banking Business	26
3.2.1. General Overview	26
3.2.2 The National Bank of Ethiopia (NBE)	30
3.3. Instruments of Supervision to Govern the Business of Banks	
in Ethiopia	34
3.3.1. Licensing Process	34
3.3.2 Maintenance of Adequate Capital	42
3.3.3. Provisioning Requirement	44
3.3.4 Liquidity Requirement	46
3.3.5 Accounting Standard and Records	47
3.3.6 External Auditors	48
3.3.7 Disclosure of Information	49
3.3.8 Inspection of Banks	50
3.3.9 Limitation of Certain Transaction	51
3.3.10 Hares and its limitation	54
3.3.11 Shareholders Meeting	55
3.3.12 Safe and Sound management	57
3.3.13 Unclaimed Liabilities	61
3.3.14 Measures	62
3.3.15 Liquidation Procedure	66
3.3.16 Penalties	68
Chapter Four	
4. Conclusion and Recommendation	71
4.1 Conclusion	71
4.2 Recommendation	73
4.3 End Notes	75
4.4 Bibliography	