MONTHLY LEGAL UPDATE

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January, 2026

*This month's update commemorates **International Day of Clean Energy**, observed on January 26th. It is a moment to recognize the importance of clean and sustainable energy in driving economic growth, innovation, and a greener future for all.*

Top Update

Ethiopian Custom Commission Circular on Indicative Price for Selected Import Items

The National Bank of Ethiopia (NBE) has directed all commercial banks to use Ethiopian Customs Commission (ECC) indicative prices when opening Letters of Credit (LCs) and issuing import permits for selected imported goods

What's Covered this Month?

Welcome to the January 2026 edition of the TSA Legal Update! This newsletter brings you key legal developments to help you stay informed and navigate the evolving legal landscape.

In this issue, we cover:

1. Interest Rate Directive No. NBE/INT/13/2026
2. Bank Branch Licensing in SEZ Directive No. SBB/99/2026
3. Ethiopian Custom Commission circular on Indicative price for Selected Import Items
4. Decisions of the 52nd Regular Session of the Council of Ministers

1. INTEREST RATES DIRECTIVE NO. NBE/INT/13/2026

The National Bank of Ethiopia (NBE) issued Directive No. NBE/INT/13/2026, officially ending a decades-long era of administratively controlled 7.0% minimum deposit floor established under Interest Rate Directive No. NBE/INT/12/2017. This directive directly operationalizes a landmark resolution from the Monetary Policy Committee (MPC) Meeting No. 5. The decision marks a deliberate policy shift after many years in which interest rates remained unchanged despite changing economic, inflationary, and liquidity conditions. As a result, commercial banks are no longer subject to administratively set minimum deposit or lending rates, and the standing obligation to apply compulsory minimum interest rates has been abolished.

Key Changes:

1. Minimum Saving Interest Rate Removed: Commercial banks are no longer required to apply administratively prescribed minimum deposit or lending rates, marking a clear departure from regulatory price controls. Under the new framework, all interest rates are now freely determined by individual banks based on market conditions, funding costs, and risk considerations. This shift allows banks greater flexibility to price deposits and loans competitively, while enabling interest rates to better reflect actual supply and demand in the financial market.

2. Board Responsibility and Interest Rate Reporting Requirements: The Board is required to formally approve deposit and lending interest rates in writing and to adopt internal criteria governing how such rates are set and adjusted. In addition, the Board must ensure that banks accurately report actual monthly weighted average interest rates, calculated based on outstanding loan and deposit balances, within seven working days after the end of each calendar month and submit to NBE, so that reported rates reflect real pricing outcomes rather than advertised or nominal figures.

3. Mandatory Sectoral and Maturity Reporting for Banks: The directive also introduces mandatory sectoral and maturity-based reporting, requiring banks to disclose how lending rates differ across economic sectors and loan tenors, such as overdrafts, short-term, medium-term, and long-term facilities.

The Directive entered into force on 9 January 2026, from which date all previously issued interest-rate directives of the National Bank of Ethiopia are repealed in their entirety and are replaced by Directive No. NBE/INT/13/2026.

2. Bank Branch Licensing in SEZ Directive No. SBB/99/2026

In a strategic effort to enhance financial sector integration and support targeted economic development, Effective January 6th, 2026, the National Bank of Ethiopia has introduced the Licensing and Supervision of Banking Business Requirements for Licensing a Bank Branch to Operate in Special Economic Zone (SEZ) Directive No. SBB/99/2026. Issued under Article 34(2) of the SEZ Directive No. 1322/2024 and Article 91(2) of the Banking Business Proclamation No. 1360/2025, the directive sets stringent eligibility criteria related to market share, capital adequacy, liquidity, and asset quality for banks seeking to operate within these zones, while imposing strict geographical restrictions on clients.

These directive covers licensing of domestic banks, foreign bank subsidiaries, foreign bank branches, and representative offices in Special Economic Zones.

Generally, banks operating within a Special Economic Zone (SEZ) are required to obtain a branch license from the National Bank. The licensing process mandates several key conditions: the SEZ branch must provide foreign exchange services, and the bank must formally confirm to NBE that its full suite of banking services will be accessible to all individuals and businesses within the zone. Banking services at an SEZ-licensed branch must be offered exclusively to residents of the zone; serving customers from outside the zone is not permitted. During application, the bank must present signed provisional lease agreement from the respective authorized body. Furthermore, the bank must comply with all general branch establishment requirements outlined in the existing NBE Branch Opening Directive.

In addition to the above requirements, the Directive establishes stringent, eligibility criteria before licensing application, that a bank must satisfy to obtain a license for an SEZ branch:

a) Market share of a bank in terms of total assets shall be at least one per cent of the total assets of the banking sector as calculated for the latest fiscal year end;

b) The capital adequacy ratio of the bank shall be two percentage points higher than the minimum requirement as stated under pertinent National Bank Directive for the past four consecutive quarters preceding the date of application;

c) Liquidity ratio of the bank shall meet the minimum liquidity requirement as stated under pertinent National Bank Directive for the past three consecutive month’s preceding the week of application;

d) Non-performing loans ratio of the bank shall not exceed the maximum regulatory requirement, as stated under pertinent National Bank Directive, for the past four consecutive quarters preceding the date of application; and

e) the bank shall have commendable track record in timely settling foreign exchange and other related obligations associated with its international banking business in line with relevant Directives of the National Bank.

Licensing Fees

A bank applying to operate in a Special Economic Zone must pay a licensing fee, as stipulated under NBE Directive No. SBB/85/2022. This includes an investigation fee of Birr 100,000 and a licensing fee of Birr 300,000 for a new license, an annual renewal fee of Birr 200,000, a replacement fee of Birr 50,000 for a business license, and a fee of Birr 5,000 per branch or sub-branch license. Additionally, banks are subject to an annual examination fee ranging from Birr 500,000 to Birr 1,000,000, depending on their size classification.

Transition:

1) A bank that is operating banking business within an area designated as a special economic zone at the time this Directive enters into force shall comply with the provisions of this Directive within two years from its effective date.

2) Where a bank fails to comply with the provisions of this Directive within this period specified, the National Bank may instruct such bank to relocate and close the branch.

3. Ethiopian Custom Commission Circular on Indicative Price for Selected Import Items

Effective January 27, 2026, the National Bank of Ethiopia (NBE) announced requiring all commercial banks to apply Ethiopian Customs Commission (ECC) indicative prices when opening Letters of Credit (LCs) and issuing import permits for selected imported goods. Following the introduction of foreign exchange Directive No. FXD/01/2024, The market-led FX regime now includes a verification layer using ECC reference prices. This measure supersedes the previous Minimum Price Directive by aligning banking operations with Customs Valuation Directive No. 1080/2025 and the Ethiopian Customs Valuation System (ECVS-G2), which organizes historical and international import/export price data. Although the new framework prioritizes the "Transaction Value Method" (the actual price paid), the compulsory use of ECVS-G2 reference prices empowers the Commission to verify declared values against documented market realities, effectively positioning the ECC database as a critical gatekeeper for foreign currency allocation to prevent under-invoicing and capital flight.

Why is it Important?

According to this circular, all commercial banks are required to use the ECC's indicative prices as the authoritative reference point when determining the value of goods for which foreign currency is requested. By imposing this requirement, the NBE aims to harmonize valuation practices across both the ECC and banking systems. The ECC's indicative prices historically applied in customs valuation now serve as a mandatory benchmark for foreign exchange approvals, ensuring that the declared value of imports remains consistent at both the customs and banking levels.

4. Decisions of the 52nd Regular Session of the Council of Ministers

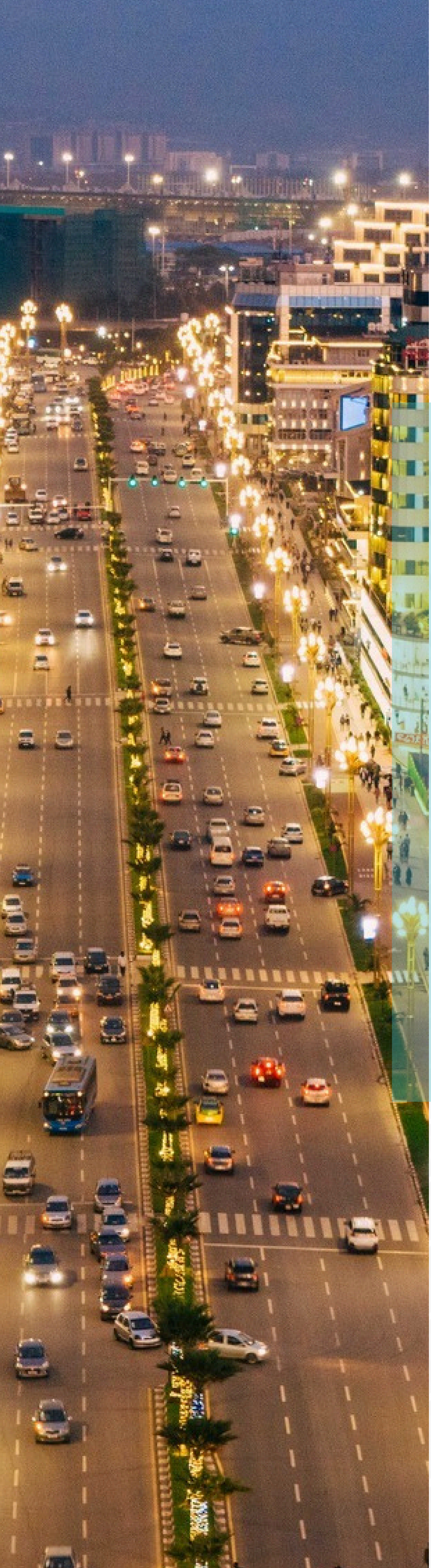
On January 20, 2026, the Council of Ministers held its 52nd regular meeting, during which it adopted a series of key policy and legal reforms intended to reinforce the country's economic governance and improve overall efficiency within major national systems. The measures approved during this session place particular emphasis on modernizing customs operations, revising investment incentive structures, and laying a stronger foundation for Ethiopia's entrepreneurship ecosystem.

Key Resolution:

1) Amendment to the customs proclamation: The Council approved a draft amendment to the existing Customs Proclamation with the objective of aligning Ethiopia's customs regime with international standards and contemporary global trade practices. The amendment is intended to streamline customs procedures, reduce administrative delays, and support the expansion of the manufacturing and export sectors. The draft amendment has been submitted to the House of Peoples' Representatives for deliberation and enactment.

2) Endorsement of Regulation on Investment Incentive: The Council endorsed a new regulation governing tax and customs duty incentives for investments. This regulation establishes a reformed, performance-based incentive framework, superseding prior models of generalized exemptions. Incentives under the new regime will be contingent upon demonstrable capital utilization and the achievement of specified project performance metrics, thereby aligning fiscal benefits more directly with substantive economic contributions. The regulation will enter into force upon its official publication in the Federal Negarit Gazeta.

3) Adoption of the National Entrepreneurship Development Program: The Council adopted the National Entrepreneurship Development Policy. This policy provides a strategic and integrated national framework to cultivate a robust entrepreneurship ecosystem. Its core mandates include institutionalizing support for innovation and start-ups, promoting value addition to indigenous products and services, and fostering a sustainable culture of entrepreneurship. The policy is effective as of the date of the Council's endorsement, 20 January 2026.



Contact Us

www.tsegasolomon.com

+251-926 354 220

tsolomon@tsegasolomon.com

Africa Avenue, Getu Commercial Center, 6th Floor

Addis Ababa