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**NATIONAL BANK OF ETHIOPIA**  
ADDIS ABABA

CODIFICATION, VALUATION AND REGISTRATION OF  
MOVABLE PROPERTIES AS COLLATERAL FOR CREDIT  
DIRECTIVE NO. 186 /2020

WHEREAS, it is necessary to effectively support, promote and speed up the overall process of credit transactions against movable collateral; minimize potential risks of the secured creditors associated with extending credit against movable collateral; and help debtors/grantors to easily pledge their movable assets as collateral for credit;

WHEREAS, movable properties to be pledged as collateral for credit essentially require codification, valuation and registration in the Movable Collateral Registry;

WHEREAS, stipulating the roles and responsibilities of certain institutions that have direct connection in facilitating and effecting credit transactions against movable collaterals sought essential;

NOW, THEREFORE, in accordance with Article 94(2) and 95 of Movable Property Security Right Proclamation No. 1147/2019, the National Bank of Ethiopia issued this Directive.

1. Short Title

This Directive may be cited as “*Codification, Valuation and Registration of Movable Properties as Collateral for Credit, Directive No. 186 /2020*”.

2. Definitions

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

2.1. “applicator” means a device that is used to fix codified identification tags on the ears of a livestock offered as collateral for credit;

2.2. “control agreement” with respect to electronic documents means an agreement in writing among the issuer, the grantor and the secured creditor, according to which the issuer agrees to follow instructions from the secured creditor with respect to the documents without further consent from the grantor;



- 2.3. **“debtor”** means a person that owes payment or other performances of a secured obligation;
- 2.4. **“development agents”** means professionals of the Ministry of Agriculture who pass to the farmers and pastoralists new ideas developed by agricultural research, provide information and technical advice on agriculture to support and enhance the sector production and productivity;
- 2.5. **“farm products”** include crops, fruits, vegetables, forests, and floricultures;
- 2.6. **“financial institutions”** means banks and microfinance institutions;
- 2.7. **“financial instruments”** include bonds, shares, treasury bills, vouchers, bills of lading, promissory notes, warehouse receipts, notes receivable, certificates of deposit;
- 2.8. **“forest”** means trees, plants and other biodiversity accumulation at and in the surrounding of forest lands, road sides, riversides, farms and grazing land as well as residential areas or parks that grow naturally or developed in some other ways;
- 2.9. **“grantor”** means a person that creates a security right to secure either its own obligation or that of another person; a buyer or other transferee, lessee, or licensee of the collateral that acquires its right subject to a security right;
- 2.10. **“intellectual property”** includes copy right, patent, industrial design and trademark;
- 2.11. **“land holding certificate”** means a certificate issued by authorities, identified by unique parcel identification number, for the use of a certain plot of land;
- 2.12. **“land use right”** means a right given to a person by authorities through the issuance of a land holding certificate or that created by a contract agreement between the owner of the land holding certificate and other person.



- 2.13. “livestock” means any domestic animals that include camel, cattle, goat, sheep, pig, poultry, mule, horse, donkey, bees and fish;
- 2.14. “movable property” takes the meaning as stipulated in sub article 2.27 of Proclamation No. 1147/2019;
- 2.15. “Movable Collateral Registry” means an electronic system for receiving, storing and making accessible to the public information about security rights and non-consensual rights in movable property;
- 2.16. “Movable Collateral Registry Office” means an office established to manage the Collateral Registry;
- 2.17. “National Bank” means the National Bank of Ethiopia;
- 2.18. “person” means natural or legal person;
- 2.19. “plastic ear tag” means a tag having a unique code, made of plastic, affixed on the specified ear (s) of some livestock such as cattle, sheep and goats when they are being pledged as collateral for credit;
- 2.20. “Proclamation” means Movable Property Security Right Proclamation No. 1147/2019;
- 2.21. “search certificate” means an official document generated by the Movable Collateral Registry in response to a search request against the prescribed criteria;
- 2.22. “secured creditor” means a person that has a security right or non-consensual creditor;
- 2.23. Expressions in the masculine gender includes the feminine;





### 3. Scope

This Directive shall apply to rights in movable property created by agreement that secure payment of credit or other performance of an obligation.

### 4. General provisions

4.1. All credits extended by banks or microfinance institutions against movable property as collateral shall be made against:

4.1.1. tax identification number or equivalent issued by Ministry of Revenue,

4.1.2. national identification when available and shall replace the tax identification number; and

4.1.3. the passport number and the name in the passport if the debtor or the grantor is a foreign citizen.

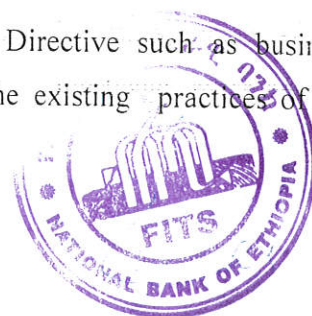
4.2. All movable properties pledged as collateral for credit shall be kept safe and at a reasonable care by the grantor at all times as if the property is not pledged and insured.

4.3. Insurance companies may provide affordable and suitable insurance services designed for movable properties and file the premium rate chart with the National Bank.

4.4. Essential elements of this Directive, as stipulated in the specific provisions, shall be clearly incorporated in the credit contract and plainly explained to the debtor/grantor at the time of the credit agreement.

4.5. Non-performing loan provision and other credit related requirements stipulated by directives issued by the National Bank shall remain binding.

4.6. Movable properties that are not referred in this Directive such as business mortgage, machineries and vehicles shall follow the existing practices of the



secured creditors, Directive No MCR/01/2020, the provisions of the Proclamation and other requirements stipulated in other directives issued by the National Bank.

- 4.7. In case of default, the secured creditor to exercise its rights on the collateral shall observe and comply with the relevant provisions of the Proclamation.
- 4.8. Irrespective of the type of movable collateral, the secured creditor shall use the value indicators set by professionals and/or any organization providing such services. However, the discretion for the ultimate value decision of the collateral shall be retained by the secured creditor.
- 4.9. This directive shall operate together with the provisions of the Proclamation, requirements of the Movable Collateral Registry and relevant directives issued by the National Bank for credit.

## **5. Livestock Codification, Valuation and Registration**

### **5.1. Livestock Codification**

- 5.1.1. The secured creditor shall first check and ensure the physical existence, ownership status and the overall condition of the livestock that is being offered as collateral.
- 5.1.2. Any livestock offered as collateral for credit shall be codified using plastic ear tag (Annex 1 & 2) to be supplied by Ministry of Agriculture or its authorized distributor.
- 5.1.3. Any change in the codification type and method that is stipulated under sub article 5.1.2 shall be notified to the secured creditors by the National Bank.

### **5.2. Livestock Valuation**

- 5.2.1. Ministry of Agriculture shall enhance and continue carrying out monthly price information update on livestock and continuously post it on its web page maintained for the purpose;



- 5.2.2. The secured creditor shall also use price information of the market and that is released by any other reliable sources as input to determine the value of the livestock. However, the ultimate decision on the value of the livestock shall be made by the secured creditor.

### 5.3. Livestock-Registration

- 5.3.1. A livestock that is being offered as collateral for credit shall be registered in the Movable Collateral Registry by the secured creditor using:

5.3.1.1. tax identification number or equivalent of the person who owns the livestock, and

5.3.1.2. by describing the plastic ear tag number of the livestock on the field provided by the Movable Collateral Registry.

- 5.3.2. The secured creditor may request insurance for the livestock that is being pledged as collateral.

### 5.4. Duties of Ministry of Agriculture

The Ministry of Agriculture shall:

- 5.4.1. ensure that adequate number of plastic ear tags and applicators are always available and be supplied to secured creditors upon request;

- 5.4.2. inform by circular or any other feasible means to development agents such affairs of providing credit against movable collateral by financial institutions so that they can aware and educate pastoralists, farmers, MSMEs and support financial institutions as need arises; and

- 5.4.3. notify the National Bank in advance about any change to be made in the method and type of livestock codification that is stipulated under sub article 5.1.2.

### 5.5. Duties of a Secured Creditor

The secured creditor:





- 5.5.1. as a normal practice, shall first ensure the physical existence, ownership and the overall condition of the livestock that is being offered as collateral;
- 5.5.2. upon pledging the livestock, shall fix the plastic tag on the ear(s) of the livestock;
- 5.5.3. shall clearly state in the credit contract and inform the debtor or the grantor that such livestock shall not be sold or transferred to a third party without the prior consent of the secured creditor;
- 5.5.4. shall cancel the notice from the Movable Collateral Registry when the credit is fully paid;
- 5.5.5. may request comprehensive insurance cover (theft, accident, disease, death subsequent to accidents and disease) for the livestock that is being offered as collateral; and
- 5.5.6. to exercise its rights on the collateral, in case of default, shall observe and comply with all relevant provisions of the Proclamation.

#### **5.6. Duties of a Debtor/Grantor**

A debtor/grantor:

- 5.6.1. shall allow physical inspection of the livestock being offered or used as collateral for credit any time before and after the credit is granted and when the secured creditor wants to do so;
- 5.6.2. shall produce ownership confirmation for the livestock, to be pledged as collateral for credit, from kebele authorities or at least two witnesses from a neighborhoods who have official identification card;
- 5.6.3. shall allow the fixing of the plastic ear tag on the ear(s) of the livestock being pledged for credit;



- 5.6.4. shall keep the ear tag on the livestock intact until full settlement of the credit. If the tag is detached, damaged or lost due to any reason:
- a) the grantor/debtor shall report the incident to the secured creditor and request for replacement within three (3) working days of the incident,
  - b) failure to comply with sub article 5.6.4(a) hereinabove shall render early settlement of the credit and/or possession of the livestock by the secured creditor, and
  - c) this provision shall be clearly put into the credit contract and be plainly explained to the debtor/grantor when the credit agreement is concluded;
- 5.6.5. shall not sell or transfer ownership of the livestock, being pledged as collateral for credit, to a third party without the consent of the secured creditor. This shall be clearly included in the credit contract;
- 5.6.6. if fails to comply with sub article 5.6.5 of this article,
- a) the act shall be considered as offence and police shall take the necessary action,
  - b) shall take the responsibility for misleading the buyer,
  - c) the livestock shall be transferred to the secured creditor or for the nearest abattoir for sale and pay back to the secured creditor, and
  - d) these provisions shall be clearly put into the credit contract and plainly explained to the debtor when the credit agreement is concluded.
- 5.6.7. shall not sell, pledge or transfer a livestock to other persons
- a) if the livestock's ear has been cut off together with the plastic tag, deliberately or otherwise, and





b) this obligation shall be clearly put in the credit contract and plainly explained to the debtor at the time of the credit agreement.

5.6.8. if wants to sell a livestock that has plastic ear tag or whose ear is cut-off or has a pierce, shall take with it a search certificate that authenticates the livestock is free from any pledge for credit. Financial institutions shall support the grantor in generating the search certificate from Movable Collateral Registry as per the requirements stated in Directive No. MCR/01/2020; and

5.6.9. upon full settlement of the credit, shall request the creditor to cancel the notice from the Movable Collateral Registry and remove the tags from the ear of the livestock.

## **6. Farm Products-Codification, Valuation and Registration**

### **6.1. Farm Products -Codification**

6.1.1. The secured creditor, as a normal procedure, shall check on-site the condition of the farm products and inspect any time during the credit period.

6.1.2. The secured creditor shall first authenticate the land holding certificate, which represents the farm products being offered as collateral, from the source.

6.1.3. Any farm products shall be identified by the land holding certificate and the type of products on the plot.

### **6.2. Farm Products - Valuation**

6.2.1. The expected output of the farm may be determined by development agents or the average output of the land in that specific location shall be used as a basis for valuation.



- 6.2.2. The valuation data generated by the development agents can be double checked against the information released by the researchers of Ministry of Agriculture, which is available on the web page of the Ministry.
- 6.2.3. Price information for certain items from Ethiopian Commodity Exchange and Agricultural Transformation Agency shall also be used as an input for determining the value of the crop against which the credit can be extended.
- 6.2.4. The secured creditor shall use price indicators of the market or that set by other professionals as an input to determine the value of the farm product. However, the ultimate decision on the value of the collateral shall be made by the secured creditor.

### 6.3. Farm Products -Registration

- 6.3.1. The tax identification number or equivalent shall be registered in the Movable Collateral Registry as an identifier together with the description for:
- a) The Unique Parcel Identification Number of the land holding certificate of the person who offered it as collateral for the credit;
  - b) the type of crop being pledged,
  - c) the expected maximum output, and
  - d) the maximum output to be pledged for credit.
- 6.3.2. In case where part of the farm product is pledged, measurement will be taken on the developed land and shall clearly be described in the Movable Collateral Registry; and
- 6.3.3. The secured creditor may request comprehensive insurance cover for the farm products that is being offered for collateral.



#### 6.4. Duties of the Debtor/ Grantor

The grantor/debtor:

- 6.4.1. shall allow physical inspection of the farm product being offered as collateral for credit any time when the secured creditor wants to do so;
- 6.4.2. shall produce land holding certificate or land use right acquired by contract agreement for the use of the land;
- 6.4.3. shall not sell or transfer the farm produce, being pledged for credit, to a third party without the consent of the secured creditor. This shall be clearly stated in the credit contract;
- 6.4.4. if fails to comply with sub article 6.4.3 of this article;
  - a) the act shall be considered as offence and police shall take the necessary action,
  - b) shall take the responsibility for misleading the buyer,
  - c) the farm product that has been sold shall be transferred to the secured creditor,
  - d) may be requested early settlement of the credit, and
  - e) these provisions shall be clearly put into the credit contract and be plainly explained to the debtor/grantor when the credit agreement is concluded.
- 6.4.5. upon full settlement of the credit shall request the secured creditor to cancel the notice from the Movable Collateral Registry;
- 6.4.6. shall be informed about these duties and other relevant requirements by development agents.





## **6.5. Duties of the Secured Creditor**

The secured creditor:

- 6.5.1.** as a normal practice, shall first ensure the physical existence, ownership and the overall condition of the farm product that is being offered as collateral;
- 6.5.2.** shall clearly state in the credit contract and inform the debtor/grantor that such farm product shall not be sold or transferred to a third party without the prior consent of the secured creditor;
- 6.5.3.** shall cancel the notice from the Movable Collateral Registry when the credit is fully paid;
- 6.5.4.** may request comprehensive insurance for the farm product that is being pledged for collateral; and
- 6.5.5.** in case of default, to exercise its rights on the collateral shall observe and comply with all relevant provisions of the Proclamation.

## **7. Land Use Right – Codification, Valuation and Registration**

### **7.1. Land Use Right – Codification**

- 7.1.1.** Ministry of Agriculture shall keep and speed up providing land holding certificate.
- 7.1.2.** The secured creditor shall authenticate from the source the land holding certificate offered as collateral for credit.
- 7.1.3.** Land holding certificate issued by relevant authorities is taken as an identity for the land use right.

### **7.2. Land Use Right - Valuation**

- 7.2.1.** The output of the land shall be measured by the level of yield it produces.



7.2.2. For valuation purpose, the type of products to be produced on the land shall be assessed and determined by the secured creditor.

7.2.3. The secured creditor shall use price indicators of the market or that provided by professionals and institutions as inputs to determine the value of the land. The ultimate value decision shall, however, remain in the discretion of the secured creditor.

### 7.3. Land Use Right - Registration

Land use right that is being offered as collateral for credit shall be registered in the Movable Collateral Registry by the secured creditor using:

7.3.1. tax identification number or equivalent of the person who owns the land holding certificate; and

7.3.2. by describing the unique parcel identification number of the land holding certificate on the field provided by the Movable Collateral Registry.

### 7.4. Duties of the Debtor/Grantor

The debtor/grantor:

7.4.1. shall allow physical inspection of the parcel of the land against the land holding certificate offered as collateral for credit any time when the secured creditor wants to do so;

7.4.2. shall not transfer the land use right, being pledged for credit, to a third party without the consent of the secured creditor. This shall be clearly stated in the credit contract;

7.4.3. if fails to comply with sub article 7.4.2 of this article,  
a) the act shall be considered as offence and police shall take the necessary action,



b) shall take the responsibility for misleading the third party to whom the land use right is being transferred,

c) may be requested early settlement of the credit, and

d) these provisions shall be clearly put into the credit contract and plainly explained to the debtor when the credit agreement is concluded;

7.4.4. shall be informed about these duties and other relevant requirements by development agents;

7.4.5. upon full settlement of the credit, may request the secured creditor to cancel the notice from the Movable Collateral Registry and release the land holding certificate.

## **7.5. Duties of the Secured Creditor**

The secured creditor:

7.5.1. shall authenticate the land holding certificate from the source and possess it and evaluate the overall conditions of the land use right that is being offered for collateral;

7.5.2. shall cancel the notice from the Movable Collateral Registry when the credit is fully settled and release the land holding certificate for the owner;

7.5.3. may request insurance as may be appropriate; and

7.5.4. in case of default, shall exercise the land use right until such time of fully recovering the credit. This shall be carried out in accordance with the provisions of the Proclamation.

## **8. Financial Instruments – Codification, Registration and Valuation**

### **8.1. Financial Instruments – Codification**

8.1.1. Financial instruments shall be codified by the issuer name, serial number, date of issue and expiry, and par/face value.





8.1.2. The secured creditor shall ensure that the financial instruments offered as collateral for credit shall be authenticated from the source.

## 8.2. Financial Instruments - Valuation

8.2.1. Financial instruments carry certain face amount or par value that shall be used as basis for valuation.

8.2.2. The secured creditor shall use price indicators of the market and/or that provided by other professionals and/or any other appropriate method as an input to determine the value of the financial instruments. However, the ultimate decision shall be at the discretion of the secured creditor.

## 8.3. Financial Instruments - Registration

Financial instruments shall be registered and described in the Movable Collateral Registry using:

8.3.1. the particulars stipulated under sub article 8.1.1 hereinabove; and

8.3.2. tax identification number or equivalent of the person who offers the instruments as collateral for credit;

## 8.4. Duties of the Debtor/Grantor

The debtor/grantor:

8.4.1. shall produce and allow physical inspection of the financial instruments being offered as collateral for credit any time the secured creditors wants to do so;

8.4.2. shall allow control agreement in cases where the instruments are in electronic form;

8.4.3. shall not transfer the financial instruments, being pledged for credit to a third party without the consent of the secured creditor. This shall be clearly stated in the credit contract;

8.4.4. if fails to comply with sub article 8.4.2 of this article,



- a) the act shall be considered as offence and police shall take the necessary action,
- b) shall take the responsibility for misleading the third party to whom the financial instrument is being transferred,
- c) may be requested early settlement of the credit, and
- d) these provisions shall be clearly put into the credit contract and plainly explained to the debtor when the credit agreement is concluded;

8.4.5. upon full settlement of the credit, shall request the secured creditor to cancel the notice from the Movable Collateral Registry and release the financial instruments being under pledge.

#### **8.5. Duties of the Secured Creditor**

The secured creditor:

- 8.5.1. shall authenticate the financial instruments from the source and possess it and evaluate the overall conditions of the instrument that is being offered for collateral;
- 8.5.2. Shall retain control agreement in cases where the instruments is in electronic from;
- 8.5.3. shall cancel the notice from the Movable Collateral Registry when the credit is fully paid and release the financial instrument for the owner; and
- 8.5.4. in case of default shall exercise its rights on the financial instrument in accordance with the provisions of the Proclamation.

### **9. Intellectual Property Right – Codification, Valuation and Registration**

#### **9.1. Intellectual Property Right – Codification**



9.1.1. Intellectual property right being offered as collateral for credit shall be identified and codified by a unique application number issued by the Ethiopia Intellectual Property Office; and

9.1.2. The secured creditor shall authenticate from the source the intellectual property right that is offered as collateral for credit.

## 9.2. Intellectual Property Right - Valuation

9.2.1. Valuation of intellectual property right shall be supported by a feasibility study, that clearly state the method and approach for valuation, submitted by the debtor/grantor;

9.2.2. The secured creditor shall also use price indicators of the market or that provided by professionals as an input to determine the value of the intellectual property. The ultimate decision shall, however, remain with the discretion of the secured creditor.

## 9.3. Intellectual Property Right - Registration

9.3.1. The intellectual property right that is being offered as collateral for credit shall be registered in the Movable Collateral Registry using:

9.3.1.1. tax identification number or equivalent of the person who owns the intellectual property right, and

9.3.1.2. by describing the unique application number, issuer name, the type of intellectual property right, registration date, expiry date, if any, on the field provided by the Movable Collateral Registry.

9.3.2. In case of electronic certificates, the pledge shall be through control agreement.

## 9.4. Duties of the Debtor/Grantor

The debtor/grantor:





- 9.4.1. shall produce and allow physical inspection of the intellectual property right certificate being offered as collateral for credit any time the secured creditor wants to do so;
- 9.4.2. shall not sell or transfer the intellectual property right, being pledged for credit, to a third party without the consent of the secured creditor. This shall be clearly stated in the credit contract;
- 9.4.3. if fails to comply with sub article 9.4.2 of this article,
- a) the act shall be considered as offence and police shall take the necessary action,
  - b) shall take the responsibility for misleading the third party to whom the intellectual property right is being sold or transferred,
  - c) may be requested early settlement of the credit, and
  - d) these provisions shall be clearly put into the credit contract and plainly explained to the debtor when the credit agreement is concluded;
- 9.4.4. upon full settlement of the credit, shall request the secured creditor to cancel the notice from the Movable Collateral Registry and release the intellectual property certificate being under pledge;
- 9.4.5. in case of nullifying or suspension of the intellectual property right that is being pledged as collateral for credit, for any reason by the Ethiopian Intellectual Property Office or court order, shall immediately notify such status to the secured creditor; and
- 9.4.6. shall maintain the validity of the intellectual property right, as required by law and the Ethiopian Intellectual Property Office, during the credit period.



#### 9.5. Duties of the Secured Creditor

The secured creditor:

- 9.5.1. shall authenticate the intellectual property certificate from the source and evaluate the overall conditions of the intellectual property right that is being offered for collateral;
- 9.5.2. shall cancel the notice from the Movable Collateral Registry when the credit is fully settled and release the intellectual property certificate for the owner; and
- 9.5.3. in case of default shall exercise its rights on the intellectual property right in accordance with the provisions of the Proclamation.

#### 10. Penalty

Financial institutions that fail to comply with the provisions of this Directive shall be subjected to penalty as stipulated under Directive No. SBB/35/2004;

#### 11. Entry into Force

This Directive shall enter into force as of 15<sup>th</sup> day of September 2020.

  
Yinager Dessie (PhD)  
Governor



## Annex 1:

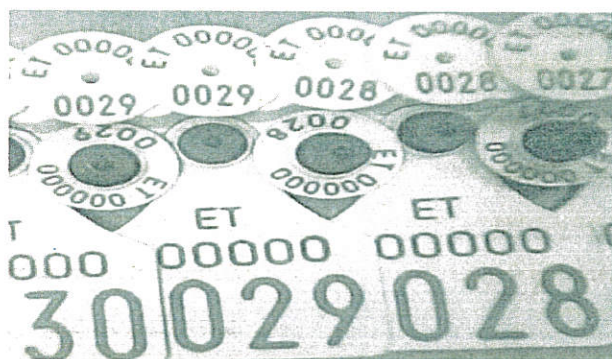
### Coding of livestock using plastic ear tag

#### 1. Nature of the Plastic Ear Tag

The plastic ear tag should be unique, and contain the following elements:

- 1.1. Name and Logo of Ministry of Agriculture;

*Figure-1: Sample Plastic Ear Tag*



Source: Ministry of Agriculture

- 1.2. Regional code in number – To identify region or area where the livestock is located;
- 1.3. To identify the species (type) of the animal, the first two letters will be used except in Camel (the first 3 letters). For instance, for Cattle= Ca, Sheep= Sh, Goat= Go and Camel= Cam; and
- 1.4. A unique national identification code containing 10 digits (6 digits of smaller font, 4 digits of bigger font to be easily readable from a distance place) –To identify animals individually (*Figure-1 and 2*)

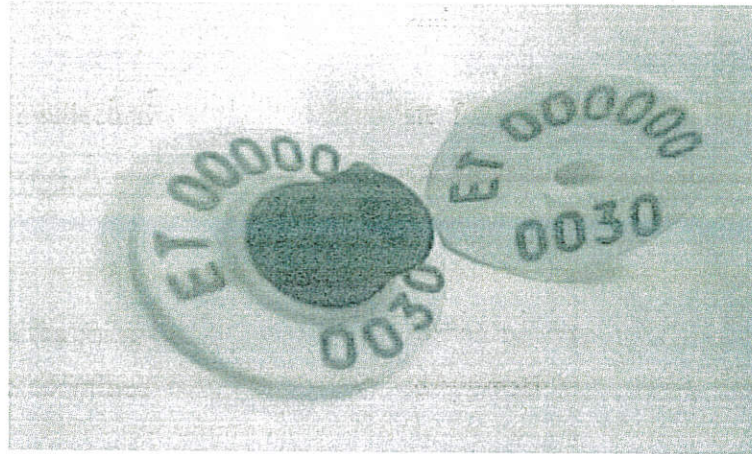
#### 2. Features of the Plastic Ear Tag

- 2.1. Tamper proof and shall have a high quality flexible plastic material;
- 2.2. Do not cause chemical contamination of meat or edible offal following attachment;
- 2.3. Consist of two parts a male part and a corresponding female part. Male part has a protrusion designed for proper penetration with the female part (*Figure-2*);





**Figure-2: Sample male and Female Part of the Plastic Ear Tag**

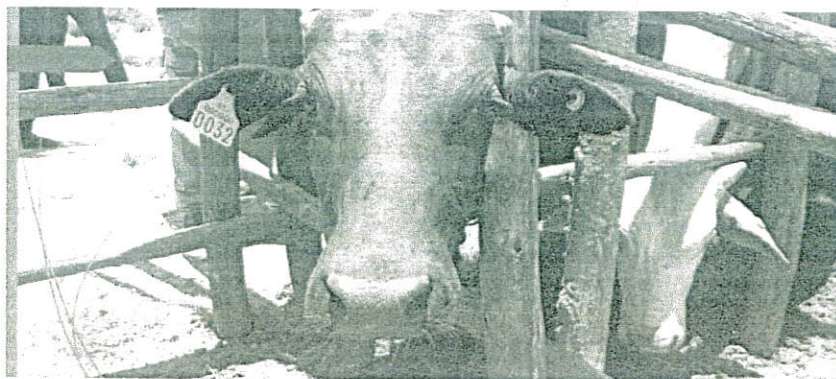


Source: Ministry of Agriculture

- 2.4. The colour of the plate shall be yellow;
- 2.5. The colour of the digits (numbers and letters) shall be black and marked on by laser beam; and

The inscriptions are easy to read from a distance (*Figure-3*) and not erasable by solvent substance or scratches.

**Figure-3: Sample Ear Tag**



Source: Ministry of Agriculture

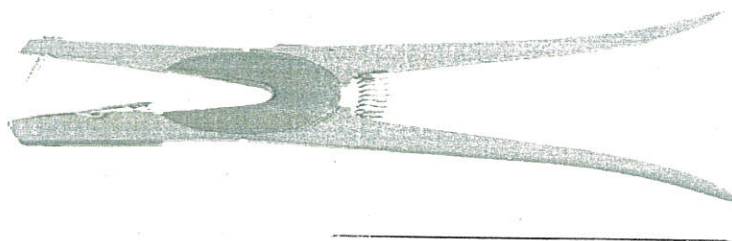


## Annex 2:

### Applicator of the plastic ear tag

1. The applicator should be a standard two-piece tagger, which incorporates a mechanism that allows the speedy and automatic release of the applicator from the ear, in order to protect the ear from tearing.
2. The design and use of the applicator should minimize the risk of pain and distress to the animal, safeguard the animal and the operator from danger and guard against the spread of disease and risk of infection.
3. An applicator should be of lightweight, durable construction and be easy to load ear tags and operate.

**Figure-4: Applicator of the Plastic Ear Tag**



Source: Ministry of Agriculture



4/11/21