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NATIONAL BANK OF ETHIOPIA
አዲስ አበባ / ADDIS ABABA

**Transparency in Foreign Currency Allocation
and Foreign Exchange Management
(As Amended)
Directives No. FXD/77/2021**

Whereas, foreign exchange is a scarce resource that should be managed carefully to ensure its efficient and proper allocation;

Whereas, there is a need to ensure that foreign exchange is allocated in a transparent and sound manner to priority and other economic sectors without opening a room for rent seeking behaviour and malpractice;

Whereas, it is necessary to require each bank to have transparent and sound foreign currency allocation and foreign exchange management guideline or procedure manual which shows the accountability of each employee of a bank involved in the foreign exchange transaction;

Now, therefore, pursuant to the authority vested in it by Article 20(3) and Article 27(2) of the National Bank of Ethiopia Establishment Proclamation No. 591/2008, the National Bank of Ethiopia has issued these Directives.

1. **Short Title**

These directives may be cited as “*Transparency in Foreign Currency Allocation and Foreign Exchange Management* (as Amended) **Directives No. FXD/77 /2021**”.

2. **Definitions**

For the purpose of these Directives, unless the context provides otherwise:

- 2.1 “bank” means a company licensed by the National Bank to undertake banking business or a bank owned by the Government;
- 2.2 “board” means board of directors of a bank;
- 2.3 “Cash Against Document” or “CAD” means mode of payment for goods in which an authorized bank transfers title of document to the buyer upon payment in cash;



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- 2.4 "employee" means any person who is appointed or hired by a bank to carry out foreign exchange transaction;
- 2.5 "foreign currency" means any currency other than Ethiopian legal tender which is legal tender in any country outside Ethiopia as to which the National Bank Ethiopia has declared to be acceptable for payment in Ethiopia;
- 2.6 "foreign exchange" means any foreign currency, cheques, bills of exchange, promissory notes, drafts, securities, and other negotiable instruments, expressed in foreign currency as well as bank balances in account held in foreign currency or assets in the form of foreign account crediting or set-off arrangements, expressed or payable in foreign currencies provided they are acceptable by the National Bank;
- 2.7 "chief executive officer" means a person, by whatever title that person may be referred to, who is primarily responsible for the day-to-day management of the affairs of a bank;
- 2.8 "financial institution" means insurance company, bank, micro finance institution
- 2.9 "Foreign Exchange Return" means a transaction ticket produced by a bank;
- 2.10 "forex bureau" means a window of authorized bank wherein buying and selling of convertible currency from and to the public is conducted;
- 2.11 "IBD" means International Banking Department of a bank;
- 2.12 "IBD manager" means a responsible person by whatever name he/she may be called, assigned to manage foreign exchange transaction;
- 2.13 "National Bank" means The National Bank of Ethiopia
- 2.14 "Person" means any natural or juridical person.
- 2.15 "Purchase Order" means a document that a company issues to a vendor to place an order for products. It outlines all of the details of the sale, including quantity of product, sales price, delivery date, terms, and requirements for the order to be fulfilled;
- 2.16 "senior executive officer" means any officer of a bank who is deputy to the chief executive officer or is directly reporting to the board of directors;
- 2.17 "transaction in foreign exchange" means:
- a) the transfer, borrowing, lending, assignment, exchange, purchase, sale, receipt, payment or crediting of foreign exchange; and
 - b) the conclusion of any contract, agreement, arrangement or understanding, as a result of which any foreign exchange is transferred, borrowed, lent, assigned, exchanged, purchased, sold, received, paid or credited within or outside Ethiopia;

 

