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NATIONAL BANK OF ETHIOPIA
ADDIS ABABA

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ADDIS ABABA

Directive No. FXD/25/2004

Amendment to Directive No. FXD/24/2004

**Establishment and Operation of Foreign Currency
Account for Non-Resident Ethiopians and Non-
Resident Ethiopian Origin**

Whereas, it is necessary to create incentives for Ethiopians in Diaspora to maintain foreign currency account at home country so as to encourage domestic investment;

Whereas, operation of foreign currency account by non-resident Ethiopians can support the international foreign exchange reserve and ease the balance of payments problem of the country;

Whereas, allowing Ethiopians abroad to open foreign currency account could encourage foreign direct investment;

Now, therefore, in accordance with Article 6 and 61 of the Monetary and Banking Proclamation No. 83/1994, the National Bank of Ethiopia hereby amends Directive No. FXD/24/2004 issued on the establishment and operation of foreign currency account for non-resident Ethiopians in domestic commercial banks.

Article 1
Definitions

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

- 1.1 **"Non-resident Ethiopians"** shall mean:
- a) All Ethiopian nationals living and working abroad outside Ethiopia for more than one year
 - b) Business entities owned by non-resident Ethiopians and located outside the Ethiopian territory for more than one year
- 1.2 **"Non-Resident (NR) Foreign Nationals of Ethiopian Origin"** shall mean
- (1) A non-resident and holder of a valid identification card, obtained pursuant to Proclamation 270/94, attesting that he/she is a foreign national of Ethiopian origin.
 - (2) Business entities owned by non-resident foreign nationals of Ethiopian origin and located outside the Ethiopian territory.
- 1.3 **"Non- Resident (NR) Foreign Currency Account"** refers to the two types of accounts stated under Article 4 of this Directive and maintained in foreign currency by the debit of which funds can be transferred abroad and/or used locally without any permit from the Bank.
- 1.4 **"Opening Banks"** are authorized commercial banks in Ethiopia,
- 1.5 **"The Bank"** is the National Bank of Ethiopia,
- 1.6 **"The account"** is a foreign currency account opened by non-resident Ethiopians or foreign nationals of Ethiopian origin.
- 1.7 **"Certificate"** means commercial banks' deposit certificate issued to the depositor in recognition of his/her ownership of the deposited sum of money;
- 1.8 **"Foreign Currencies"** refer the four types of currencies indicated under Article 5 of this Directive and which the Bank accept for purposes of foreign exchange.

- 1.9 **"Deposits"** shall mean foreign currency deposits received by the opening bank and shall also include cash certificate, cheque or other deposit of similar nature.

Article 2

Eligibility Criteria

- 2.1 The following individuals and/or enterprises may open a foreign currency account in any of the authorized commercial banks in Ethiopia.
- a) Non-Resident Ethiopian
 - b) Non-Resident Foreign Nationals of Ethiopian origin
- 2.2 Non-Resident Ethiopians/foreign nationals of Ethiopian origin shall present the following documents to open an NR Foreign Currency Account in domestic banks.
- a) Application forms properly filled and signed by the account holder
 - b) For individuals, valid passport and/or identification card of foreign nationals of Ethiopian origin of the applicant
 - c) For businesses, certificate of ownership entitlement for the organization and/or article and memorandum of association.
- 2.3 Applicants who could not be physically present to open the NR account in the domestic banks shall use the Ethiopian Embassies nearby to prove their identities.

Article 3

Opening Foreign Currency Account

- 3.1 A foreign currency account may be opened for individuals and/or enterprises that fulfill the eligibility criteria set under Article 2 (2.1) of this Directive.

- 3.2 Persons residing abroad may contact the opening bank in person, by post, e-mail, fax, telex and/or other electronic media authorized by the Bank to open an account in his/her name.
- 3.3 A request for opening an account for deposit in foreign currency shall be accompanied by a letter of application and a specimen signature.
- 3.4 An individual and/or enterprises may open all or one of the foreign currency accounts enumerated under Article 4 (4.1) of this Directive.
- 3.5 Power of attorney holders are not allowed to open foreign currency accounts and credit the account on behalf of non-residents and/or foreign nationals of Ethiopian origin. However, when it is needed for domestic investment activities, a power of attorney is allowed to withdraw money in local currency from the account provided that his is legally authorized by the account holder to use it for such purpose.
- 3.6 The minimum amount required for an initial deposit to open a current account foreign currency account shall be USD 100 or its equivalent in any of the eligible currency under Article 5 (5.1) of this Directive.
- 3.7 The minimum amount required in an initial deposit to open a fixed deposit foreign currency account shall be USD 1000 or its equivalent in any of the eligible currencies under Article 5 (5.1) of this Directive.
- 3.8 The maximum amount to be deposited in current account shall not exceed USD 5000.
- 3.9 Two or more eligible joint depositors may together open a single account.

Article 4

Types of Permitted Account

- 4.1 Commercial banks may open the following types of non-resident foreign currency accounts
 - a) Fixed (time deposit) account, which takes the form of a deposit certificate, issued in the name of the depositor. Maturity period may

vary based on the agreement made between the depositor and the opening bank. However, the minimum maturity period for such an account shall be six months.

- b) Current account, which takes the form of current deposits where withdrawals may be made at any time upon demand by writing a check and/or a pre-arranged procedure adopted by the opening bank.

Article 5 **Types of Currency**

- 5.1 Foreign currency accounts are restricted to the following types of currency
 - a) The US Dollar
 - b) Pound Sterling
 - c) Euro
 - d) Japanese Yen

Article 6 **Crediting the Account**

- 6.1 A foreign currency account opened by non-resident Ethiopians shall be credited only with resources transferred or originated from abroad in one or a combination of the following ways.
 - a) Direct crediting of the account from foreign sources through the banking system.
 - b) Traveler's cheques brought by the account holder from abroad
 - c) Cash notes provided that the account holder presents a signed and sealed foreign currency declaration form
 - d) Check deposits that originate from abroad
 - e) A transfer from another type of non-resident foreign currency account owned by individuals and/or enterprises.

Article 7

Use of the Account

- 7.1 The foreign currency accounts may be used
- a) To make local payments in Birr
 - b) To transfer to other foreign currency accounts, which may include transfer to another foreign currency accounts in any of the authorized commercial banks in Ethiopia.
 - c) To make foreign payments such as import and other foreign service payments provided the account holder has the required business license to do so
 - d) To effect transfer abroad
 - e) To convert into a Birr account at the ruling exchange rate
 - f) Payments for bank charges, if any, levied by the opening bank.

Article 8

Closure of the Account

- 8.1 A fixed deposit foreign currency account stated under Article 4 of this Directive can be closed upon request by the depositor with a prior notification of not less than 7 working days. Withdrawal of the fund prior to maturity is subjected to interest penalty.
- 8.2 If a fixed deposit is not closed on maturity, the opening bank in consultation with the depositor, may renew it for another similar period.
- 8.3 A fixed account may be withdrawn against the deposit certificate and the specimen signature previously left with the bank or according to pre-arranged procedure
- 8.4 Current accounts may be withdrawn against a cheque written and a withdrawal slip or according to any other pre-arranged procedure.

- 8.5 Opening bank maintaining these account shall allow repatriation abroad of the deposits opened in any of the account stated in Article 4 of this Directive upon the request of the account holder.
- 8.6 Repatriation of the deposits shall not exceed the initial deposit plus any interest receipt on the deposit amount.

Article 9

Interest Rates

- 9.1 Interest shall not be paid to a non-resident foreign currency current account.
- 9.2 Interest on a non-resident fixed foreign currency account shall be 50 percent of the interest paid by the correspondent bank of the opening bank.
- 9.3 Interest on a non-resident fixed deposit shall be payable only if they are kept for a minimum period of six months.
- 9.4 Payment of interest on fixed deposit maturing on Saturday/Sunday/holiday/non-business working day shall be determined based on the succeeding working day.

Article 10

Issuance of Certificate

- 10.1 The opening bank shall issue to the depositor a fixed deposit certificate in depositor's name if the established account is a fixed account.
- 10.2 The interest rate that a correspondent bank agrees to pay, and which the account holder and the opening bank agree to share shall be clearly stated on the deposit certificate.
- 10.3 For a current account, the opening bank shall issue to the depositor a chequebook or an advice notifying of the opening of the account.

- 10.4 In the case of Article 3.2, the certificate of deposit (CD) or a chequebook may be kept in the custody of the opening bank and a certificate of custody shall be issued to the depositor or the deposit book may be sent to the depositor through post if he/she wishes to do so.

Article 11 **Conversions of Non-Resident Foreign Currency Accounts** **To Resident Birr Account**

- 11.1 When non-resident Ethiopian change their permanent residence to Ethiopia, their non-resident forex account shall be converted to resident Birr account at the prevailing inter-bank exchange rate by the opening bank; or
- 11.2 For fixed deposit, the account may remain as non-resident foreign currency account if the account holder return to Ethiopia for permanent settlement before the maturity date of the account. Upon maturity of the account, however, such deposit should be converted to resident Birr account.
- 11.3 Provision of Article 7.1(e) of this Directive shall apply if requested by the account holder.

Article 12 **Prohibitions**

- 12.1 Foreign exchange acquired either from forex bureaus or any other local sources or foreign exchange held locally shall not be used to credit and/or open a foreign currency account.
- 12.2 Opening banks shall not honour cheque drawn or endorsed by a non-resident foreign currency account in favour of a resident who does not hold similar non-resident foreign currency account.

Article 13

Obligations of the Opening Bank

- 13.1 The-opening bank has the following obligations:-
- a) It shall be responsible for maintaining confidentiality of the account of the depositor
 - b) It shall send a copy of bank statement showing the balance on all accounts and the list of account opened together with the number of depositors every month to the International Banking Operations Department (IBOD) of the Bank
 - c) The overall open foreign currency position of each bank at the close of business each day shall not exceed 15% (fifteen percent) of its total capital as per the Directive No. SBB/23/97.

Article 14

Inspection

The Bank may undertake inspection of any opening bank at any time to verify that the opening bank complies with the provisions of these Directives.

Article 15

Penalties

- 15.1 Any opening bank that violates any of the provisions of these Directives shall be subject to penalties in accordance with the Licensing and Supervision of Banking Business Directives No.SBB/27/2001.
- 15.2 Where an account holder violates the provision of these Directives, the opening bank may suspend the account and immediately report the case to the Bank.

Article 16
Repeal

Regulation related to the establishment and operation of foreign currency account for non-resident Ethiopians and non-resident Ethiopian origin issued under directive No. FXD/24/2004 is hereby repealed and replaced by directive No. FXD/25/2004.

Article 17
Miscellaneous Provisions

This Directive shall enter into force as of the 12th of July 2004.