

Directive No. FXD/31/2006

Amendment to Directive No. FXD/25/2004

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 Articles 6 and 61 of the Monetary and Banking Proclamation No. 83/1994, the National Bank of Ethiopia hereby amends Directive No. FXD/25/2004 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 for more than one year
- b) Business entities owned by non-resident Ethiopians and located outside the Ethiopian territory for more than one year
- c) Ethiopian nationals living and working abroad or in due process of leaving abroad for work for

more than one year and who can produce authenticated documents

1.2 **"Non-Resident (NR) Foreign National 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) A business entity 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 account 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 three types of currency 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. They shall also include cash certificate, cheque or other deposits of similar nature.

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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, correspondent banks or remittance service providers 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 can open such accounts in person or by post in his/her name. Opening banks may also establish contact with potential account openers using e-mail, fax, telex and/or other electronic media authorized by the Bank. The bank should, however, receive authenticated documents afterwards to open the accounts.
- 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, power of attorney holders are allowed to withdraw from these accounts for the purposes enumerated in Article 7.1 of this Directive in addition to investment purposes provided that the document explicitly empowers them to operate the accounts.
- 3.6 The minimum amount required for an initial deposit to open current accounts 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 5,000 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 accounts shall be USD 50,000.
- 3.9 Two or more eligible joint depositors may together open a single account.
- 3.10 An individual may open current account in only one of the domestic banks whereas he/she may open fixed deposit accounts in more than one banks

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Article 4

Types of Permitted Account

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 three 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.

- c) Non-repatriable Birr account which may take the form of saving deposit that can be used for local payments only.

Article 5

Types of Currency

- 5.1 Banks are required to maintain foreign currency accounts in the following types of currency only.
 - a) The US Dollar
 - b) Pound Sterling
 - c) Euro
- 5.2 Banks may accept deposits in other convertible currencies that include Canadian Dollar, Saudi Riyal, Japanese Yen, Australian Dollar and UAE Dirham. And, these other currencies shall be converted to any of the three currencies enumerated under Article 5.1 at spot exchange rate based on the preference of the account opener.

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 from the Customs Authority
- 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.
- f) Receipt through international payment cards/credit cards

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.
- g) To serve as collateral or guarantee for loans or bids

7.2 Current accounts may be withdrawn against a cheque written and a withdrawal slip or according to any other pre-arranged procedure.

7.3 Opening bank maintaining these accounts shall allow repatriation abroad of the deposits opened in any of the account stated in Article 4 a and b of this Directive upon the request of the account holder.

7.4 Repatriation of the deposits shall not exceed the initial balance plus any interest receipt on the deposit amount.

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 subject 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.

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 A foreign currency account will be closed if the fund transferred to the account is found to be through money laundering or from terrorist financing services.

Article 9

Interest Rates

9.1 Interest shall not be paid to a non-resident foreign currency current account.

9.2 Commercial banks are allowed to set their own interest rate on non-resident fixed foreign currency account provided that the interest rate does not exceed the prevailing LIBOR rate.

9.3 Interest on a non-resident fixed foreign currency deposit shall be payable only if they are kept for a minimum period of three 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.

- 9.5 Interest rate payment on non-repatriable Birr accounts shall be double of the minimum saving deposit rate set by the NBE.

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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 the opening bank agrees to pay 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 Ethiopians 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 returns 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.

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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 holder in favour of a resident who does not hold similar non-resident foreign currency account.

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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 report based on the attached format every month to the Banking and Foreign Exchange Directorate and Economic Research and Monetary Policy Directorate of the Bank within 20 days after the end of each month
 - c) The overall open foreign currency position of each bank at the close of each business day shall not exceed 15% (fifteen percent) of its total capital as per the Directive No. SBB/23/97.

Article 14

Provision of Incentives

- 14.1 The deposit account can serve as collateral to get credit in local currency from domestic banks in line with the opening bank's credit policy.
- 14.2 Interest income on non-resident foreign currency fixed deposit account shall be free from income tax.
- 14.3 In addition to the above incentives banks shall create the following conducive environment for account holders.
- 14.3.1 Banks shall provide statement of the account every month to the account holder.
- 14.3.2 Banks shall create Test-Key so that the account holder can order withdrawals and/or any local payments.
- 14.3.3 Banks shall credit interest to the accounts at least on quarterly basis.
- 14.3.4 Banks shall create a mechanism where by the account holder can make a standing authorization to the opening bank for permanent payments.
- 14.3.5 Banks shall clearly list out their correspondent banks or agents in various overseas centers, which are in operation of foreign currency account to enable non-resident Ethiopians to easily contact them.

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Article 15

Inspection

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

Article 16

Penalties

16.1 Any bank that violates any of the provisions of this Directive shall be subject to penalties in accordance with the Licensing and Supervision of Banking Business Directive No.SBB/27/2001.

16.2 Any bank that fails to comply with the reporting requirement specified under Article 13.1 (b) shall pay a penalty of Birr 1,000 per day of delay. The penalty so assessed will be automatically deducted from the bank's account maintained with the NBE.

16.3 Where an account holder violates the provision of this Directive, the opening bank may suspend the account and immediately report the case to the Bank.

Article 17

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/25/2004 is hereby repealed and replaced by directive No. FXD/31/2006.

Article 18

Miscellaneous Provisions

This Directive shall enter into force as of the 28th day of August 2006.

Number and Balance of Accounts Opened by Non-Resident Ethiopians

Name of Bank: -----

Month : -----

| Type of Account | Number of Accounts Opened | Total Account Balance |
|-------------------------------------|---------------------------|-----------------------|
| Current Account | | |
| USD | | |
| Euro | | |
| Pound | | |
| Fixed Deposit Account | | |
| USD | | |
| Euro | | |
| Pound | | |
| Non-Repatriable Birr Account | | |