

DIRECTIVE NO. FXD/23/2004  
FOREING CURRENCY CASH NOTES HOLDING  
BY COMMERCIAL BANKS

*Whereas*, regulating the flow of foreign currency cash notes and holdings need an utmost care and close follow-up;

*Whereas*, it is necessary to facilitate the smooth purchase and sales of foreign currency cash notes through forex bureaux and bank branches operating in the country;

*Whereas*, there is a need to ensure a proper management of foreign currency cash notes and institute a uniform procedure applicable to all banks and arrange prompt conversion procedure in an efficient and effective manner;

*Whereas*, it is necessary that the National Bank of Ethiopia (NBE) play a major role in the handling of foreign currency cash stocks management and act as a primary custodian;

*Now, therefore*, in accordance with Article 39(1) and (2) of the Monetary and Banking Proclamation No. 83/1994, this Directive is issued for the handling of foreign currency cash notes and related business by commercial banks.

Article - 1

Definitions

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

"Foreign Currency Cash Notes" shall mean currencies, which are acceptable by banks, forex bureaux and authorized dealers as listed by the National Bank of Ethiopia from time to time.

"Counterfeits" shall mean a note printed illegally and which doesn't bear all the original characteristics and security features of legal tender money issued by countries, whose currencies are acceptable under the Ethiopian banking system.

"Currency Shipment" shall mean the transportation of foreign currency cash notes of different types of both inward and outward consignments ordered under the auspicious of the National Bank of Ethiopia.

"Conversion" shall mean the arrangements made through a correspondent bank or currency dealers to process the sales of cash notes through a bid to credit the proceeds into a bank account.

"Conversion Cost" shall mean the expenses incurred for converting the cash notes such as cost of freight, insurance and processing costs etc. with currency dealers or correspondent banks abroad.

"Trading Margin" shall mean the difference between the face value of the notes delivered and the discounted value offered by the overseas buyer of the cash notes and agreed by the NBE.

#### Article - 2

#### Limits to the Cash Note Holding by Banks

Commercial banks can only hold up to 5 percent of their paid up capital in foreign currency cash notes as working balance at the close of each calendar month. Any excess holding shall be surrendered to the NBE within 5 working days from the end of the calendar month.

Notwithstanding the article 2.1 above, commercial banks have the right to sell part of their 5% foreign currency holding at any time if they wish to do so.

Commercial banks are allowed to trade and hold currencies which have a reasonable turnover and advantageous to them but limited to the list provided by NBE.

#### Article - 3

#### Conversion Requirement

Commercial banks shall furnish NBE along with the cash note stocks delivered, the list of currencies identified by type of currencies, serial numbers and denominations only).

If the commercial bank surrendering the cash notes opts to credit the proceeds into its correspondent bank account, the NBE will credit the correspondent account of

the commercial bank with face value of the cash notes delivered. However, the commercial bank shall pay to NBE a service charge of 0.15% on the total surrendered amount.

Trading margin cost is for the account of commercial banks to which they will be required to submit a standing authorization to debit their Reserve Account with NBE after the completion of the trade abroad.

In the event the commercial banks wish to sell their foreign currency notes to NBE if Birr, the Bank will purchase the notes on the basis of the interbank forex market rate fixed for the day. No charges will be levied on such purchase.

#### ARTCICLE - 4 Responsibility of Commercial Banks

Commercial banks shall take due care to verify and check the genuinity of notes purchases using reliable detecting machines and necessary skills.

Commercial banks shall register the full identity of the seller while buying the notes.

Commercial bank shall be responsible for the counterfeits in case found in the process of trading and the equivalent in Birr shall be debited to their reserve account with NBE. Reports of counterfeits and the price at which the trade is concluded shall be delivered to banks by NBE for their documentations.

#### Article - 5 Supply of Foreign Currency Cash Notes

Commercial banks who are in need of foreign currency cash notes shall be supplied from the stocks of the National Bank of Ethiopia upon written request. The rates applicable for cash deal and delivery shall be the linked to the inter-bank forex market directives.

#### Article - 6 Prohibitions

Commercial banks are neither allowed to engage in the shipment of foreign currency cash notes abroad nor can they order either or received a consignment of foreign currency cash notes.

#### Article - 7

Penalty

Any bank that is in a breach of the provisions of these Directives shall be subject to a penalty in accordance with NBE's Directive No. SBB/35/2004 Article 2.1.

Article - 8  
Effective Date

This Directive shall come into force as of 1<sup>st</sup> day of June 2004.

TEKLEWOLD ATNAFU

GOVERNOR