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NATIONAL BANK OF ETHIOPIA
ADDIS ABABA

Directives No. FXD/ 66 /2020

Directive for Amendment of Retention and Utilization of
Export Earnings And Inward Remittances

Directives No. FXD /48 /2017

Whereas, it is necessary to reconsider and incentivize eligible exporter of goods and services in line with power and responsibility vested in the National Bank of Ethiopia (NBE);

Now, therefore, in accordance with Article 27 (2) of the National Bank of Ethiopia establishment as amended Proclamation No. 591/2008, these Directives are hereby issued as follows:

Article 1

Short Title

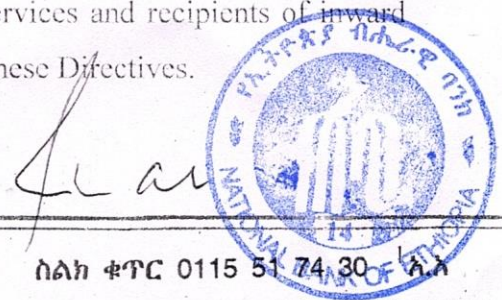
These Directives may be cited as "The Retention and Utilization of Export Earnings and Inward Remittances **Directives No. "FXD/ 66 /2020"**".

Article 2

Definitions

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

1. "Foreign Exchange Retention Accounts" shall mean foreign currency accounts maintained by eligible exporters of goods and services and recipients of inward remittances in accordance with the provisions of these Directives.



2. "Delinquent list" is a list containing names of exporters who have not settled their foreign exchange commitments with NBE.
3. "Eligible Customer" shall mean a regular recipient of foreign exchange remittances from abroad and/or an exporter of goods or services whose name does not appear on the delinquent list.
4. "Recipient of Inward Remittances" shall mean a resident company, institution or individual, government organizations, other than a diplomatic mission, who receives foreign exchange transfers from abroad.
5. "Eligible Exporter of Goods and Services" shall mean an exporter who has fully settled his/her foreign exchange commitments with the NBE and whose name does not appear on the delinquent list.

Article 3

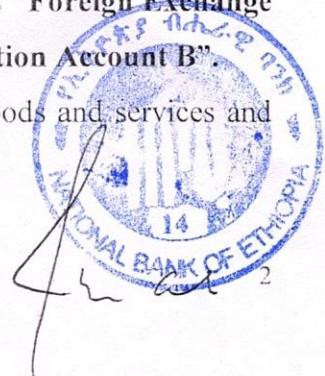
Opening of Forex Retention Accounts

A bank is authorized to open foreign exchange retention accounts for eligible exporters of goods, services and inward remittances.

Article 4

Types of Foreign Exchange Retention Accounts

- a) Eligible customers may open two types of foreign exchange retention accounts (current accounts), which shall be designated as "**Foreign Exchange Retention Account A**", and "**Foreign Exchange Retention Account B**".
- b) Such accounts shall only be credited from export of goods and services and incoming transfer made for inward remittance recipients.



Article 5

Retention Rights

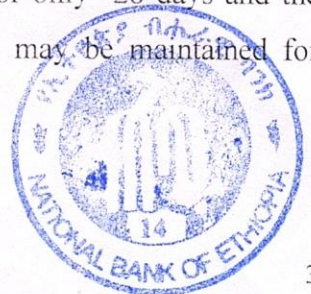
1. Exporters of goods and services as well as recipients of inward remittances shall have the right to retain their foreign exchange earnings in foreign exchange retention accounts A & B as follows:-
 - a) Account A: Thirty percent (30%) of the account balances for an indefinite period of time.
 - b) Account B: Seventy percent (70%) of the account balances for up to 28 days. After the 28 days, any balance shall automatically be converted in the next working day into local currency by the customer's bank using the prevailing buying exchange rate.
2. Authorized banks can only credit funds in foreign exchange retention accounts only when the recipient (beneficiary) has given written authority.
3. Authorized banks can credit funds in foreign exchange retention account for merchants and/or entities licensed by the NBE to collect credit card/debit card/prepaid card/payments for goods and service they sale;

Article 6

Utilization of Foreign Exchange Retention Accounts

1. Eligible exporters of goods and service as well as recipients of inward remittance may use their foreign exchange retention account "B" for only 28 days and the fund available in foreign exchange retention account A may be maintained for indefinite period of time

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2. Foreign exchange retention account "A" and "B" shall be used to finance direct business related and current payments such as:

- a) import of goods, except vehicles, and related services in relation to a business including:
 - i. payment for expenses incurred on exporting of goods and services;
 - ii. payment for promotional activities such as advertising and marketing expenses;
 - iii. payment for subscriptions to business publications;
 - iv. payment for services rendered by non-residents against evidence that payment is contractually due;
 - v. payment for training fee and educational expenses;
 - vi. payment to import materials required for export packing, labeling and auxiliary items;
 - vii. small payments like surveillance fee, support service fee and other expenses related to specific export shipment
- b) payment for settlement of external loans and suppliers credit;
- c) payment to refund tour operators, wild-life hunting's, excursion programme booked if cancelled for various reason;
- d) payment to pay out contributions to International conference Centers and workshop participation expenses;
- e) to pay service payments for consultants, experts or professional who rendered services;
- f) payment to refund to their clients the unused parts on the foreign currency transferred, cover for short shipments, weight loss or defective items;
- g) Other payments against transactions that might be approved by the NBE from time to time.

3. Notwithstanding to the conditions sated under article 1 and 2 above, exporter of goods and services as well as recipients of inward remittance are entitled to utilize the balance in foreign exchange retention account "A" only for import of



- a) Pharmaceuticals and pharmaceutical product :- Medicine, laboratory reagents, laboratory equipment, medical equipment and appliances;
- b) Agricultural inputs and machineries:- Fertilizer, Seed, Pesticide, animal hybrids, animal feeds, irrigation pumps, tractors , harvesting machineries and their spare parts, machineries and equipment;
- c) Chemicals;
- d) Manufacturing Input, machineries and equipment:- Raw material ,chemical machineries, equipment, spare parts and accessories;
- e) motor oil, lubricants and LGP gas;
- f) import of nutritious food for babies;
- g) import of edible oil, wheat and sugar.

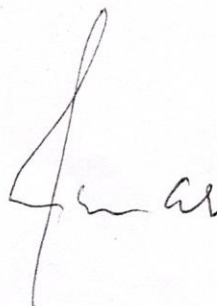
4. All Eligible customers shall be free to sell all or part of their account balances to a bank as follows:

- a) Foreign exchange retention account "A": At any time at freely negotiating rate not exceeding the selling exchange rate of the day.
- b) Foreign exchange retention account "B": At any time up to 28 days from the date of credit at freely negotiating rate not exceeding the selling exchange rate of the day.

Article 7

Submission of Report

1. Authorized banks operating foreign exchange retention accounts shall send to NBE the aggregate balances of foreign exchange held under retention account "A" and "B" on monthly basis.



2. Authorized banks are required to identify the foreign exchange retention account number and type, on permits and tickets issued in case of utilizing the fund for purposes listed under article 6.

Article 8

Penalty

Any person who fails to comply with the provisions of this directive shall be punished in accordance with Article 26 of the National Bank of Ethiopia Establishment (as Amended) Proclamation No. 591/2008.

Article 9



Repeal

Retention and Utilization of Export Earnings and Inward Remittances Directives No. FXD /48/2017 is repealed and replaced by these Directives.

Article 10

Effective Date

This Directive shall enter into force as of the September 16 , 2020.



Yinager Dessie (PhD)
Governor