



# LEGAL UPDATES

**NAP** Million  
Alemu &  
Partners LLP

June, 2026

## **Legal Insight: Advancing Ethiopia's Continuous Trade and FX Liberalization\_ Directive No. FXD/05/2026)**

### **1. Introduction**

Since the introduction of the foundational Foreign Exchange Directive No. FXD/01/2024, Ethiopia has demonstrated a clear commitment to transitioning toward a more market-based, flexible, and investor-friendly foreign exchange regime. The issuance of Foreign Exchange Directive No. FXD/05/2026, effective May 25, 2026, together with the preceding amendment directives, FXD/03/2025 and FXD/04/2026, represents another significant step in this ongoing reform process. A comprehensive review of these directives reveals a significant regulatory shift toward the decentralization of foreign exchange administration. The reforms collectively aim to enhance operational efficiency, streamline approval processes, and provide greater flexibility and responsiveness to the needs of investors, exporters, financial institutions, and the wider business community.

### **2. Significant Feature and Key Amendments of Directive No. FXD/05/2026**

#### **2.1. Decentralization and Empowerment of Commercial Banks**

One of the most significant features of this amendment is the shift in centralized institutional authority. The National Bank of Ethiopia (NBE) has delegated the approval of key trade finance instruments, specifically Letters of Credit (LC) on Acceptance and Cash Against Documents (CAD) on Acceptance, directly to commercial banks. By removing the requirement for prior central bank approval, the NBE has effectively eliminated a critical administrative bottleneck.

#### **2.2. Removal of the Prior Bank Approval Requirement Before Shipment**

Under Directive No. FXD/01/2024, importers utilizing CAD arrangements were required to obtain prior purchase order approval from an authorized bank before ordering or initiating shipment of goods. However, the amendment creates an exception for institutions holding foreign currency accounts and retention account holders, thereby allowing them to order or initiate shipment before bank approval, subject to subsequent submission and verification of the required documents.

### **2.3. Formal Recognition of Foreign Currency Account Holders and Retention Account Holders as Beneficiaries of the Relaxed Regime**

Another important feature of the amendment is its targeted application to institutions holding foreign currency accounts, including retention account holders. All substantive relaxations introduced by the Directive are specifically extended to these categories of account holders, which indicates that the reform is not universally applicable to all importers but is designed in the manner it encourages retention account holders.

### **3. Significance and Implications**

**3.1. Smooth Operation of Import Business:** The removal of prior NBE approval requirements for LC on Acceptance and CAD on Acceptance transactions is expected to shorten transaction processing timelines and reduce delays associated with obtaining regulatory approvals.

**3.2. Reduced Administrative Burden:** The amendments eliminate certain approval procedures and documentary requirements previously associated with NBE review, thereby simplifying transaction execution for eligible importers and financial institutions.

**3.3. Greater Operational Flexibility for Eligible Importers:** By allowing shipment to be initiated before bank approval, the Directive provides eligible foreign currency account holders and retention account holders with greater flexibility in planning procurement and managing international trade transactions.

**3.4. Strengthening Business Confidence in the FX Reform Process:** Consistent with the objectives expressly stated in the preamble of the Directive itself, it is anticipated that the Directive will significantly enhance confidence among investors, exporters, and importers by demonstrating the NBE's continued commitment to relaxing foreign exchange administration and improving ease of doing business.

**3.5. Continued Decentralization of Foreign Exchange Administration:** The transfer of approval authority from the NBE to commercial banks reflects a broader trend toward decentralization of foreign exchange administration, with greater responsibility being placed on authorized banks in the management and oversight of foreign exchange transactions.

#### **4. Conclusion**

The FXD Amendment Directive No. FXD/05/2026 advances the Country's foreign exchange reform agenda by decentralizing key approval functions to commercial banks and providing greater operational flexibility for foreign currency and retention account holders. By reducing approval requirements and facilitating import procedures, the Directive is expected support efficiency, streamline trade transactions, and support ease of doing business while maintaining the underlying regulatory oversight framework.

## About Million Alemu and Partners LLP

Million Alemu and Partners Legal Services LLP is a full-service law firm based in Addis Ababa, Ethiopia, providing comprehensive legal advisory and representation services to local and international clients. The firm is recognized for its commitment to excellence, practical legal solutions, and a client-centered approach across diverse practice areas. With a team of experienced legal professionals, the firm advises on corporate and commercial law, dispute resolution, regulatory compliance, and other key areas critical to doing business in Ethiopia.

## Contact Information

### Office Address:

Kazanchis, KazAddis Building, 8th Floor, near Urael Church, in front of Mulugeta Commercial Center

### Telephone:

- [+251 911 60 0334](tel:+251911600334)
- [+251 968 66 6677](tel:+251968666677)

**Email:** [inquiries@millionlegalservices.com](mailto:inquiries@millionlegalservices.com)

**Website:** [www.millionlegalservices.com](http://www.millionlegalservices.com)

## DISCLAIMER

1. *The content contained herein is for educational purposes only and is not intended as legal advice, nor does it constitute an advertisement, solicitation, or offer of services.*
2. *No attorney-client relationship is formed by your access or review of this material.*
3. *As legal matters are fact-specific, you are strongly advised to consult with a qualified legal professional before taking any legal action.*