

Main Points in Establishment and Operation of Foreign Currency Saving Account

Description

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The Directive maybe cited as “Establishment and Operation of Foreign Currency Saving Account for Residents of Ethiopia, Non-Resident Ethiopian and Non Resident Ethiopian Origin” Directives No. EX1V 68 /2020?.

The National Bank of Ethiopia (NBE) has issued a directive effective from November 19,2020 that allows the establishment and operation of foreign currency saving account for (a)Resident Ethiopians (RE) namely Ethiopian Nationals and Resident Foreigners living and/or working in Ethiopia, (b)Non-Resident Ethiopians (NRE) meaning Ethiopian Nationals living outside Ethiopia; and (c) Non-Resident Ethiopian Origins(NREO) namely yellow card holders who are foreign nationals of Ethiopian Origin.

The preamble of the Directive set out the rational behind allowing foreign currency saving account. One of the reasons for allowing foreign currency saving account is to create incentives and encourage inflow of foreign exchange in the formal channel. It also can support the international foreign exchange reserve in the country, ease the balance of payments problem of the country and in general encourage saving and investment.

The directive details the process of opening the foreign currency saving account. Non Resident Ethiopians and Non Resident Ethiopian origin can open foreign currency saving account in person or by post in his/her name. Opening banks may also establish contact with potential account openers using Ethiopian Embassies, e-mail, fax, telex and/or other electronic media and power of attorney holders authorized by the opening bank. The bank should however, receive authenticated documents afterwards to open the accounts. Resident of Ethiopia can open an account by producing required documents by account opening bank. A request for opening an account for deposit in foreign currency saving account shall be accompanied by a letter of application and a specimen signature. Two or more eligible joint depositors may together open a single account. Power of attorney holders are allowed to open foreign currency accounts but cannot credit the account on behalf of non-residents and/or foreign nationals of Ethiopian origin.

A minimum of USD 50 or equivalent in any other currencies namely US dollar, Pound Sterling or Euro can be deposited to open the foreign currency saving account. However a bank may accept deposits in other convertible currencies that include Canadian Dollar, Chines Yuan, Saudi Riyal, Japanese Yen, Australian Dollar and UAE Dirham. And, these other currencies shall be converted to any of the three currencies enumerated above at spot exchange rate based on the preference of the account opener.

A bank may open interest bearing or interest free foreign currency saving account for depending on the choices of the account holders. The interest rate shall be calculated in foreign currency, but paid in local currency. The minimum interest rate shall be LIBOR plus 4 percent subject to revision from time

to time by the NBE.

A foreign currency saving account opened by RE,NRE &NREO shall be credited by Foreign currency transferred through banking system, deposit of foreign currency cash notes, foreign currency transferred through International Remittance Service Providers, transfer from own Non Resident foreign currency account and transfer or cheque drawn or endorsed in favor of Ethiopian National by a Non resident foreign currency account holder from Non-Resident Foreign Currency account.

Usage of the foreign currency account has several benefits and some limitations. The foreign currency saving account holders are free to sell all or part of their account balances to deposit opening banks at any time. The saving account holders can use the saving for his/her self, spouse and children education, medical and travel expenses abroad upon presentation of valid documents to confirm relationship with the account holder. The documentation requirements and maximum amount of utilization should be as per the operation of Foreign Exchange Bureau Directive. Notwithstanding, the account holder shall have the right to withdraw 10% of the foreign currency balance in debit card. The account holder can use as cash collateral to get credit in local currency from banks in line with the opening authorized bank's credit policy. He/she can use to purchase share from the Financial Institutions. Other than for the purpose indicated under article above, withdrawal is permitted only in Birr and other transactions that might be approved by the NBE from time to time.

It is prohibited for Foreign Currency Cash notes deposit originally bought from forex bureaux but not utilized due to cancellation of travel shall not be used to credit and/or open a foreign currency saving account. It is not allowed for Foreign currency cash notes deposit from any illegal sources be used to credit and/or open a foreign currency saving account. It is also not permitted to withdraw in foreign currency except stated under (b) above. And it is prohibited to over drawing of the account.

The opening bank has the obligations to maintaining confidentiality of the account of the depositor, report the number of accounts opened and the balance in the account every month to NBE.

Any bank that violates any of the provisions of the Directive shall be subject to a penalty of Birr 10,000 (ten thousand) for each violation. Where an account holder violates the provisions of this Directive, the opening bank may suspend the account and immediately and report the case to NBE. Moreover, any person who fails to comply with a provisions of this directives shall be punished in accordance with article 26(1)of the National Bank of Ethiopia Establishments amended) Proclamation umber 591/2008.

In conclusion the step the NBE has taken in allowing foreign currency saving account opening will encourage savings in foreign currency. However NBE has to expand the reasons of withdrawals from time to time giving the account holders more latitude to benefit from their savings.

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