

Surrender and Utilization of Foreign Currency

Description

By DMLF Team



The National Bank of Ethiopia issued Foreign Exchange Surrender Requirements of Banks(as amended) Directive No FXD/83/2023 effective from August 11,2023. The Directive requires a bank to surrender 50% of the receipts from export of goods and services, 70% from private transfer (remittances) and NGO's transfer to National Bank of Ethiopia. Such surrender has to occur every month within the first five working days of the next month. NBE shall credit the payment and settlement amount of the bank with equivalent amount in Birr at the prevailing buying and selling rate of the day(mid exchange rate).

This latest Directive repealed Directive No FXD/78/2022, effective from January 6,2022, which requires a flat rate surrender of 70% of receipt from export of goods and services, private transfer(remittance) and NGO's transfer to NBE.

The 2022 Directive repealed Directive No FXD/72/2021 that was effective as of September 01,2021, that requires a bank to surrender 50% receipt from export of goods and services, private transfer

(remittance) and NGO's transfer to the NBE every month.

On the other hand the Retention and Utilization of Export Earnings and Inward Remittance Directive No FXD/84/2023 effective from August 11,2023 allows exporters of goods and services to retain 40% of their exports earnings; recipients of inward remittance 20% in retention accounts. 10% of the foreign currency shall be surrendered to the client bank.

The retention account holder shall have the right to utilize the foreign currency for import of goods and services payments without restriction provided that the account holder has the required business license to do so.



In addition, the account holder is free to sell all or part of the foreign currency held in the retention account at any time at a freely negotiating rate not exceeding the selling exchange rate of the day to their respective clients bank.

To sum up, the latest measure taken on surrender of foreign currencies returned the 2021 rate of 50% surrender for exporters but reaffirmed 70% for NGO's and private transfer(remittance) of the 2022 Directives. The exporters and private remittances receivers are allowed to utilize their 40% and 20% retention respectively. Utilization rights don't extend to NGO's.

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