

**Establishment of Special Account for Effecting Payments for
Coffee Purchases from the Coffee Auction Center
Directive No. SBB/26/2001**

Whereas, issuing cheques without sufficient cover to coffee sellers has become a concerning development;

Cognizant, that the practice of issuing such cheques has far-reaching negative consequences on the supply of Ethiopian coffee to the international market;

Cognizant, that such malpractice erodes public confidence in the overall cheque payment system of banks;

Now, therefore, the National Bank of Ethiopia has issued these directives pursuant to the authority vested in it under Article 61 of the Monetary and Banking Proclamation No. 83/1994.

1. Definition

“Coffee Auction Center” shall mean the Coffee Auction Center operated by Coffee and Tea Authority.

2. Opening of a Special Coffee Auction Account

2.1 Upon a written request by a coffee exporter, commercial banks shall open special coffee auction account in the name of the coffee exporter;

2.2 Balances in the special coffee auction account opened in accordance with 2.1 above shall be used solely for effecting payments to coffee sellers for coffee purchases won at the coffee auctions conducted by the Coffee Auction Center.

3. Operation of the special coffee auction account

3.1 Upon request of the holder of the Special Coffee Auction Account, branches of commercial banks shall issue, on behalf of the concerned bank, original Letter of Undertaking addressed to the Coffee Auction Center, Coffee and Tea Authority, with a copy to the account holder. The contents of the Letter of Undertaking and the signatories shall be as specified in the attachment to these directives which shall be a part thereof;

3.2 The Letter of Undertaking which a bank issues to the Coffee auction Center in

accordance with 3.1 above shall constitute a commitment on the part of the concerned bank to pay the coffee seller named in the payment authorization the full amount upon receipt of a payment authorization letter from the Coffee Auction Center and corresponding cheque from the holder of the Special Coffee Auction Account;

3.3 No cheques shall be drawn on the Special Coffee Auction Account in favor of the holder of the account or in favor of a third party other than the coffee seller(s) specified in the payment authorization issued by the Coffee Auction Center;

3.4 In the event that the holder of the Special Coffee Auction Account fails to win at the coffee auction or otherwise disqualified from participation in the coffee auction(s) or the amount payable by the account holder is less than the amount blocked in his/her/their special account, the concerned bank may release the original or the excess amount to the account holder provided that the bank receives a written blocked account release authorization letter from the Coffee Auction Center;

3.5 Commercial banks may charge their customers fees for the special service they render in connection with the opening and operation of the Special Coffee Auction Account.

4. Scope of Application

The provisions of these directives are applicable only to the purchase of, and payment for, coffee at the coffee auctions conducted by the Coffee Auction Center.

5. Effective Date

These directives shall come into force as of 1 March 2001.

COFFEE AUCTION CENTER

(Addis Ababa/Dire Dawa, as Applicable)

PAYMENT AUTHORIZATION

Date _____

To: The Branch Manager
_____ Branch
_____ Bank

Dear Sir/Madam:

Re: Your Ref. No. _____ **dated** _____

We hereby authorize you to honour and pay the under listed cheque(s) from
Mr./Mrs./M/S _____ (name of the buyer) Special Coffee Auction Account to
the
under listed coffee seller(s).

No.

Name of Seller

Cheque No.

**Amount to be
paid**

**Remaining
balance**

Total XXXXXXXX

(Total amount in words _____)

Sincerely yours,

Signature _____ Name & Title _____ Date _____

Signature _____ Name & Title _____ Date _____

COFFEE AUCTION CENTER

(Addis Ababa/Dire Dawa, as Applicable)

BLOCKED ACCOUNT REALEASE AUTHORIZATION

Date _____

To: The Branch Manager
_____ Branch
_____ Bank

Dear Sir/Madam:

Re: Your Ref. No. _____ **dated** _____

You are hereby authorized to release any unutilized balance blocked in the Special

Coffee Auction Account of Mr./Mrs./M/S _____ maintained with your Branch.

Sincerely yours,

Signature _____ Name & Title _____ Date _____

Signature _____ Name & Title _____ Date _____

COFFEE AUCTION

LETTER OF UNDERTAKING

To: Coffee Auction Center

Coffee and Tea Authority

(Addis Ababa/Dire Dawa, as applicable)

Dear sirs:

The _____ (name of the bank), _____ Branch confirms that it has blocked

Birr _____ (Amount in words) _____ in the Special Coffee Auction Account of Mr./Mrs./M/S _____ as per Article 2 of the National Bank of Ethiopia's

Directive No. SBB/26/2001 to enable him/her/them/participate in coffee auction. The

_____ (name of bank) undertakes to pay coffee seller(s) up to the limit of this blocked amount from the account of the holder mentioned above upon presentation of letter of payment authorization from Coffee Auction Center and corresponding duly signed cheque(s) drawn against the

aforementioned account. This undertaking will be valid only if signed by two authorized signatories of the Bank and bears the Bank's stamp. The Bank is not liable for amounts exceeding this undertaking.

Truly yours,

Signature _____ Name & Title _____ Date _____

Signature _____ Name & Title _____ Date _____