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NATIONAL BANK OF ETHIOPIA

FOREIGN EXCHANGE AUCTION GUIDELINES

I. Introduction

1. In accordance with Article 21 of the National Bank of Ethiopia Establishment Proclamation No. 591/2008 (as amended), the National Bank of Ethiopia (NBE) may intervene in the forex market to sell and buy foreign exchange to/from authorized banks through Foreign Exchange Auctions.

II. Objectives

2. This foreign exchange auction guideline is devised to set the framework and rules for FX auctions conducted with following aims:
 - a) To address emerging disorderly conditions in the foreign exchange market, particularly when these are judged to be temporary factors affecting the smooth functioning of the FX market;
 - b) To promote transparency and market-based pricing in the foreign exchange market and to prevent distortions and speculation in the market and;
 - c) To build up the NBE's foreign exchange reserve.

III. Eligible counterparties

3. Authorized banks are eligible to transact in the FX auction for their own account.

IV. Authorized Personnel

4. Authorized banks shall provided to the NBE the names, positions and signature specimen of their authorized personnel who are authorized to deal on FX auctions.

V. Auction Currency





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5. The NBE shall conduct FX auction only in US dollar and Ethiopian Birr.

VI. Reserved Rights

6. NBE reserves the right at its absolute discretion to reject all or any bids submitted.

VII. Forex Auction Rules

7. The FX auction shall be conducted using variable price auction whereby different bid rates shall be applied to all successful bidders. The cut-off/clearing rate shall be determined from the lowest to the highest rate (in terms of ETB/USD) that exhaust the total offered amount in the FX sales auction and the highest to the lowest rate that exhaust the total offered amount in the FX purchase auction.

8. Whenever multiple bids with equal rates are submitted, the NBE shall allot equal amount of forex among the tied bids.

VIII. FX Auction Announcement

9. FX auction shall be announced to conduct foreign exchange auction on the auction date. The announcement shall be done via the NBE's web portal (www.nbe.gov.et). If the web portal is not functioning, the NBE shall use alternate means of disseminating a forex auction announcement (including sending email for each commercial bank).

10. The FX auction announcement shall include at least the following details:

- d) A reference number of the auction;
- e) Auction type(buying or selling) foreign exchange;
- f) Amount of FX intended to be purchased or sold;
- g) Date of the auction;
- h) Auction Window Start Time;
- i) Auction Window Closing Time;





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- j) Time of announcement of the auction results;
- k) Settlement date for both Birr and foreign exchange;
- l) Any other information determined by the NBE.

IX. FX Auction Bidding

11. The NBE shall provide Authorized Banks with FX auction bid/offer table via its web portal. Authorized Banks are required to fill the table with the necessary information (including amount of forex & exchange rate they seek to buy or sell forex, name of authorized personnel, official stamp and authorized signature) and submitted to the NBE through the same channel.
12. When the NBE's web portal is not functioning, authorized banks may submit their bids via email or hand delivered to the Foreign Exchange Monitoring and Reserve Management Directorate.
13. For FX auction submission via email, only submissions with the authorized bank's email extensions will be accepted. Bids are not final until confirmed by the National Bank of Ethiopia via a receipt email. In addition, before the closure of the submission period, bids can be cancelled.
14. Each authorized bank is allowed to submit a maximum of three bids, as announced in the auction invitation. The total amount of bids from a single participant shall be limited to 80 percent of the total offered amount. Bids above the 80 percent threshold should be disqualified after ordering the bids by price. FX auction bid submitted in hard copy shall require official stamp and authorized signature.
15. Only bids submitted within the specified announced timeframe and well completed information shall be acknowledged.





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16. Submitted bids shall be binding, representing firm commitments of the authorized banks and a penalty shall be applicable if they are not able to meet any or all of their auction commitments.
17. Eligibility of bids shall be established in accordance with the FX auction guideline. Only eligible bids will be processed.

X. FX Allotment

18. Accepted auction bids shall be allotted at the individual's bidding exchange rates.
19. Authorized banks shall be notified individually via email of the approved and rejected bids or other means in exceptional circumstances two (2) hours after the closure of the auction.
20. The FX auction result shall be published on the NBE's website on the auction date with the following details:
 - m) Total nominal accepted value; and
 - n) Weighted average of accepted bids

XI. Settlement

21. Settlement of all successful auction bids shall be T+2 i.e. two business days after the auction date.

XII. Penalties

22. Any authorized bank that fails to comply any section of these FX auction guidelines shall be suspended from the next two (2) successive FX auctions.


Mamo Esmeiealem Mihretu
Governor

