

# OPERATING GUIDELINE FOR THE OPEN MARKET OPERATIONS AND STANDING FACILITIES

GUIDELINE NO. MFAD /OMO&SFs /001/2024)

JULY 2024



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NATIONAL BANK  
OF ETHIOPIA

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## 1. INTRODUCTION

National Bank of Ethiopia has issued directive 'MFAD/OMO&SFs/001/2021' on Open Market Operation (OMO) and Standing Facilities (SFs) as instruments for effective management of liquidity in the financial system for the purposes of conducting monetary policy.

Therefore, this document provides the operating guiding procedure to the OMO and SFs and should be read in conjunction with the Open Market Operation and Standing Facilities Directive MFAD/OMO&SFs/001/2021.

## 2. ELIGIBILITY

- a) All Banks that maintain reserve requirement with National Bank are eligible to access the standing facilities and participate in open market operation.
- b) To be eligible, each bank shall enter into an agreement with the National Bank of Ethiopia in respect of **Appendix-I (Open Market Operation and Standing Facilities Directive Agreement)** through Monetary and Financial Analysis Directorate (MFAD).

## 3. INTRADAY LENDING FACILITY (ILF)

### 3.1 Access to Facility

- a) Participants can request intraday lending facility (ILF) and submit their application form to Payment System and Settlement Directorate (PSSD) via email ([nbeilf@nbe.gov.et](mailto:nbeilf@nbe.gov.et)). The submission form is attached in Appendix A).
- b) If ILF application request was sent via email, participants should confirm application status by telephone to the PSSD on (011-517-54-52)
- c) In the case where participants are unable to submit application via email, physical delivery of application may be submitted directly to the PSSD, but still within the application time period.
- d) Application time for ILF is from 9:00 AM to 3:30 PM on all business days (Monday to Friday) with the exception of national holidays.
- e) ILF request will not be accepted or initiated if the participant has no sufficient collateral during the request time.

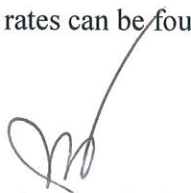
### 3.2 Term and Conditions

#### 3.2.1 Interest

- a) The intra-day lending facility shall be free of charge.

#### 3.2.2 Collateral

- a) Assets eligible as collateral shall meet all the required conditions stated in OMO & SFs Directive Article 6, sub-article (1).
- b) The remaining days to maturity of eligible assets shall be more than two days.
- c) The value of eligible assets provided as collateral shall fully cover the loan granted plus a haircut. The haircut rates can be found on the NBE website.

  
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### 3.2.3 Settlement

- a) If the ILF application request is successfully validated, EATS receives the request to increase the cash borrowing participants' account balance, an operation that has no business reason to fail in EATS.

### 3.2.4 Payment Upon Maturity

- a) Intraday loan shall be paid on the same business day (repaid at or before 4:00 PM of the same day).

### 3.2.5 Conversion of Intraday Loans

- a) In case, where the ILF is not paid, ILF should be converted to standing lending facility.
- b) The Corporate Finance Directorate (CFD) shall convert the Intraday Loan Facility into Standing Lending Facility prior to final cut off time of the EATS without prior notice to the participant.
- c) When the Intraday Lending Facility is converted into Standing Lending Facility, the terms and conditions for Standing Lending Facility shall apply thereafter.
- d) After the conversion of ILF to SLF, the CFD will inform the participant about the loan status in the next business day until 9:00 AM through email.

## 4. STANDING LENDING FACILITY (SLF)

### 4.1 Access to Facility

- a) Participants can request Standing Lending Facility (SLF) and submit their application form to CFD via email at ([nbeslf@nbe.gov.et](mailto:nbeslf@nbe.gov.et)). The submission form is attached in Appendix B).
- b) If SLF application request was sent via email, participants should confirm application status by telephone to the CFD on (011-517-54-13).
- c) In the case where participants are unable to submit application via email, physical delivery of application may be submitted directly to the CFD, but still within the application time period.
- d) Application time for Standing Lending Facility is set at 3:30 PM–4:30 PM on all business days (Monday to Friday) with the exception of national holidays.
- e) Any SLF request sent into CFD without sufficient collateral cover will be rejected at cut-off time and cannot be re-submitted for that day as stated in Article 4.2.
- f) If SLF request is rejected, the CFD will notify the requesting commercial bank on the same day and provides the reason (s) of the rejection through an email and/or telephone.

### 4.2 Term and Conditions

#### 4.2.1 Interest

- a) The Standing Lending Facility rate shall be announced in advance on the National Bank's website via Monetary and Financial Analysis Directorate (MFAD).
- b) Revisions to the rate shall be announced aligned to the NBE Board meetings following decision on the monetary policy stance.

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#### 4.2.2 Time Frame

- a) The maturity of the Standing Lending Facility shall be overnight (repaid at or before 10:00 AM of the next business day).

#### 4.2.3 Collateral

- a) Assets eligible as collateral shall meet all the required conditions stated in OMO & SFs Directive Article 6, sub-article (1).
- b) The remaining days to maturity of eligible assets shall be more than two days.
- c) The value of eligible assets provided as collateral shall fully cover the loan granted plus a haircut, interest payable and other related payments. The haircut rates can be found on the NBE website.
- d) Participants are responsible for valuing their collateral, applying the applicable haircuts before submitting their SLF requests. The specific example to calculate the collateral value is attached in Annex E.
- e) Notwithstanding sub article 4.2.3(d) of this article, National Bank's collateral valuation shall be the binding for final decision.

#### 4.2.4 Settlement

- a) Once the request for Standing Lending Facility is accepted, CFD of the lender shall create appropriate SLF account and make disbursement as per this guideline.

#### 4.2.5 Payment Upon Maturity

- a) The participant shall provide the standing instruction order for NBE to debit their payment & settlement account at NBE with the principal amount borrowed and interest accrued on maturity.

- 4.2.6 Upon maturity of the Standing Lending Facility, the participant's payment and settlement account at the NBE shall be debited without prior notice to the participant with the principal amount borrowed and interest accrued, and the collateral securities released to the borrowing bank.

#### 4.2.7 Penalty

- a) In the event that the participant fails to repay due to insufficient fund for loan on maturity date, the interest rate shall be increased plus 3 percent of the applied rate of Standing Lending Facility during a day.

### 5. STANDING DEPOSIT FACILITY

#### 5.1 Access Facility

- a) Eligible participants may make deposits with the National Bank anytime during EATS business hours through the deposit facility without prior notice to the National Bank.
- b) Corporate Finance Directorate (CFD) shall open an account for participants and take deposit.
- c) In order to use the National Bank's Standing Deposit Facility, an eligible participant shall deposit funds on its standing deposit account at NBE via an

  
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appropriate transfer order through Real Time Gross Settlement (Ethiopia Automated Transfer System).

## 5.2 Term and Conditions

### 5.2.1 Interest

- a) The Standing Deposit Facility rate shall be announced in advance on the NBE's website via Monetary and Financial Analysis Directorate.
- b) Revisions to the rate shall be announced aligned to the NBE Board meetings following decision on the monetary policy stance.

### 5.2.2 Time Frame

- a) The maturity of the Standing Deposit Facility shall be overnight (repaid at or before 10:00 AM of the next business day).

### 5.2.3 Payment Upon Maturity

- a) Payment of the principal amount and the interest earned under the facility will be made upon maturity on the following business day, to the participant's payment and settlement account held at the National Bank.

## 6. OPEN MARKET OPERATION

### 6.1 General Information

- a) The main operations will be performed in accordance with a pre-announced indicative schedule. As a baseline the open market operation is conducted via auctions.
- b) The open market operation can be conducted for either liquidity provision or liquidity absorption.
- c) Open market operations may also be performed through bilateral procedures initiated by the NBE or a concerned bank, on exceptional basis, depending on the situations in the money market as per NBE assessment. If the operations are initiated by a concerned bank, the bank must submit written request application to the Vice Governor & Chief Economist for approval.
- d) List of persons entitled to participate on NBE's open market operations must be submitted in a written request application form duly signed by the president or any other person delegated by the president and bearing the stamp of the institution.
- e) Assets eligible as collateral shall meet all the required conditions stated in OMO & SFs Directive Article 6, sub-article (1).

### 6.2 Announcement of Auctions

- a) The main operational auction will be conducted bi-weekly basis (once every two week) on Thursday.
- b) The MFAD will prepare the announcement of the open market auction invitation and will post on the official website of the National Bank and send the invitation to all eligible participants by email on the business day at 3:00 PM one day before the auction.
- c) If Thursday falls on a public holiday, the auction will be rescheduled to either a day before or after and MFAD will announce a day before the auction

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- d) The announcement of auction shall include all the detailed lists stated in the OMO & SFs Directive Article 20 sub-article (1).
- e) Any enquiries with regard to the announcement of auctions or their results shall be directed to MFAD on (011- 517-14-33).

### 6.3 Submission of Bids

- a) Eligible participants shall submit their bids to MFAD through dedicative email ([nbeomo@nbe.gov.et](mailto:nbeomo@nbe.gov.et)). The submission form is attached in Appendix C.
- b) The auction window is set at 9:00 AM to 11:00 AM.
- c) If the participant didn't receive the confirmation about their bid submission status, they should check their bid submission status by telephone to the MFAD on (011-517-54-11) within the auction time frame.
- d) In the case where bidders are unable to submit bids via email, physical delivery of sealed bids may be submitted directly to the MFAD, but still within the announced auction time period.

### 6.4 Auction Allotment

- a) NBE may use fixed price auction, variable (multiple) price auction and single (uniform) price auction. The detailed auction allotment method is described in OMO & SFs Directive Article 22.

### 6.5 Announcement of Results

- a) NBE will post consolidated summary of the auction results on National Bank's website and/or other media outlets at 3:00 PM.
- b) The detailed information published on the website shall contain the list of information stated in OMO & SFs Directive Article 23 sub-article (1).
- c) The MFAD will send individual auction results to each respective participant via email at 3:30 PM.

### 6.6 Settlement Procedures

- a) The participant shall empower the NBE to issue payment orders in its name for debiting purpose on the settlement date of its Account with the NBE.
- b) The Settlement of open market operations will be conducted when eligible participants satisfy all the required conditions stated in OMO & SFs Directive Article 24.
- c) Once the all the required condition satisfied, settlement of open market operations will be conducted by CFD from 3:00 PM to 4:30 PM.

### 6.7 Valuation and Management of Collateral

- a) The valuation of eligible collateral will be determined by CFD in consultation with MFAD.
- b) The applicable haircuts will be shared with eligible participants and published on the NBE website via MFAD.
- c) The participant has the right to replace the eligible collateral if its value exceeds the value of the asset it is covering with another asset that has value sufficient to





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cover its obligation, as otherwise provisioned by the NBE either electronically or written request.

- d) The NBE shall have the right to request replacement of the collateral where due diligence reveals insufficiency of the collateral held.

#### 6.8 Penalties

- a) NBE is entitled to cancel the transaction and charge penalty if the participants failed to fulfill its payment obligations on the settlement date, failed to provide sufficient underlying assets on the auction day. The detail of penalty charge calculation is presented in OMO & SFs Directive Appendix-I sub-section (6).
- b) The CFD will calculate and collect the penalty if the participants failed to fulfill its payment obligations as per OMO and SF Directive article 28 and as stated in this guideline section.

#### 7. COLLATERAL SUBSTITUTION

- a) The participant has the right to replace the eligible collateral by submitting the replacement request form into the CFD. The request form is attached in Appendix D.
- b) To make collateral substitution, the total evaluated value of the new securities must be equal or higher than the granted loan amount.

#### 8. GENERAL PROVISIONS

- a) The National Bank has the right to consider specific circumstances and to deviate from the general rules set out earlier in this document.
- b) For legal purposes the OMO & SFs/001/2021 Directive is binding.

#### 9. EFFECTIVE DATE

- a) This operating guideline shall enter into forces as of July 11, 2024.

  
Mammo Esmelealem Mihretu  
Governor





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**Appendix A**  
**National Bank of Ethiopia**  
Intraday Lending Facility Application Form

Appendix A-ILF-Form

Date: \_\_\_\_\_

Name of Commercial Bank: \_\_\_\_\_

Address: \_\_\_\_\_

Telephone: \_\_\_\_\_

**Requested Loan Amount**

Amount (Figure) (in Millions): \_\_\_\_\_

Amount in word: \_\_\_\_\_

**Collateral Details**

Description of Securities	ISIN/Serial Number	Nominal Value (in Birr)	Issue Date	Maturity Date	Haircut	Adjusted Collateral Value After Deducting of Haircut (in Birr)
1						
2						
...						
Total		Total Value (in Birr)				Total Value (in Birr)

*Note: please note that the requested intraday loan amount must be equal or less than the adjusted collateral value.*

**Persons in charge of the bank:**

Full Name: .....

Full Name: .....

Signature:.....

Signature:.....

Stamp

Note: This application form should be emailed to [nbeilf@nbe.gov.et](mailto:nbeilf@nbe.gov.et)







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**Appendix B**  
**National Bank of Ethiopia**  
Standing Lending Facility Application Form

Appendix B-SLF-Form

Date: \_\_\_\_\_

Name of Commercial Bank: \_\_\_\_\_

Address: \_\_\_\_\_

Telephone: \_\_\_\_\_

**Requested Loan Amount:**

Amount (Figure): \_\_\_\_\_

Amount in word: \_\_\_\_\_

**Collateral Details:**

Description of Securities	ISIN/SNo.	Nominal Value (in Birr)	Issue Date	Maturity Date	Haircut	Securities Value after deduction of haircut (in Birr)	Interest Amount (in Birr)	Adjusted Collateral Value After Deducting of Haircut and Interest Payment (in Birr) <sup>1</sup>
1								
2								
...								
Total		Total Nominal Value (in Birr)						Total Value (in Birr)

**Persons in charge of the bank:**

Full Name: .....

Full Name:

.....

Signature:.....

Signature:.....

Stamp

Note: This application form should be emailed to [nbeslf@nbe.gov.et](mailto:nbeslf@nbe.gov.et)



<sup>1</sup> Note: please note that the requested overnight loan amount must be equal or less than the adjusted collateral value.



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Appendix C- OMO-Form-1

**Appendix C**  
**National Bank of Ethiopia**  
Open Market Operations  
Liquidity Absorbing Operations  
Deposit-Taking Operation Submission Form  
(Fixed Rate Auction Format)

Auction Date: \_\_\_\_\_  
Name of Commercial Bank: \_\_\_\_\_  
Address: \_\_\_\_\_  
Telephone: \_\_\_\_\_  
Email: \_\_\_\_\_

**Amount Offered:**

Amount Offered (Figure)	
Amount Offered in word	

**Persons in charge of the bank:**

Full Name: ..... Full Name: .....

Signature:..... Signature:.....

Stamp

Note: This application form should be emailed to [nbeomo@nbe.gov.et](mailto:nbeomo@nbe.gov.et)





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**National Bank of Ethiopia**  
Open Market Operations  
Liquidity Absorbing Operations  
Deposit-Taking Operation Application Form  
(Multiple rate/price and Uniform rate/price auction formats)

Appendix C- OMO-Form-2

Auction Date: \_\_\_\_\_  
Name of Commercial Bank: \_\_\_\_\_  
Address: \_\_\_\_\_  
Telephone: \_\_\_\_\_  
Email: \_\_\_\_\_

**Amount Offered and Interest Rate:**

	Requested Loan Amount (Figure) (in Millions of Birr)	Requested Loan Amount in word	Interest Rate (%)
BID #1			
BID #2			
BID #3			

**Persons in charge of the bank:**

Full Name: ..... Full Name: .....

Signature:..... Signature:.....

Stamp

*Note: This application form should be emailed to [nbeomo@nbe.gov.et](mailto:nbeomo@nbe.gov.et)*





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Appendix C- OMO-Form-3

**National Bank of Ethiopia**  
Open Market Operations Application Form  
Liquidity Absorbing Operations  
Tender for NBE Certificate/ Outright Sale of Bills

Auction Date: \_\_\_\_\_

Name of Commercial Bank: \_\_\_\_\_

Address: \_\_\_\_\_

Telephone: \_\_\_\_\_

Fax: \_\_\_\_\_

Date of Issue: \_\_\_\_\_

Date of Maturity: \_\_\_\_\_

ISIN/SNo.	Face Value of Bills Tendered for (in Birr)	Unit Price Offered Value Per Birr 100,000	Total Purchase Money Offered for total Face Value (in Birr)

Persons in charge of the bank:

Full Name: .....

Full Name: .....

Signature:.....

Signature:.....

Stamp

Note: This application form should be emailed to [nbeomo@nbe.gov.et](mailto:nbeomo@nbe.gov.et)





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Appendix C- OMO-Form-4

**National Bank of Ethiopia**  
Open Market Operations  
Liquidity-Providing Operations  
Collateralized Lending Operation Submission Form  
(Fixed Rate Auction Format)

Auction Date: \_\_\_\_\_  
Name of Commercial Bank: \_\_\_\_\_  
Address: \_\_\_\_\_  
Telephone: \_\_\_\_\_  
Email: \_\_\_\_\_

**Amount Offered:**

Amount Offered (Figure)	
Amount Offered in word	

**List of Eligible Securities for Collateral:**

Types of Securities <sup>2</sup>	ISIN/SNo.	Nominal Value (in Birr)	Issue Date	Maturity Date	Haircut	Securities Value after deduction of haircut (in Birr)	Interest Amount (in Birr)	Adjusted Collateral Value After Deducting of Haircut and Interest Payment (in Birr) <sup>3</sup>
1								
2								
...								
Total		Total Nominal Value (in Birr)						Total Value at Evaluated Price (in Birr)

**Persons in charge of the bank:**

Full Name: ..... Full Name: .....  
Signature:..... Signature:.....

Stamp

Note: This application form should be emailed to [nbeomo@nbe.gov.et](mailto:nbeomo@nbe.gov.et)



<sup>2</sup> Type of securities refers eligible securities in accordance with OMO & SFs directive.

<sup>3</sup> Please note that the offered amount must be equal or less than the adjusted collateral value.



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**National Bank of Ethiopia**  
Open Market Operations Application Form  
Collateralized Lending Operation  
(Multiple rate/price and Uniform rate/price auction format)

Appendix C- OMO-Form-5

Date: \_\_\_\_\_

Name of Commercial Bank: \_\_\_\_\_

Address: \_\_\_\_\_

Telephone: \_\_\_\_\_

**Requested Loan Amount:**

	Requested Loan Amount (Figure)	Requested Loan Amount in word	Interest Rate (%)
BID #1			
BID #2			
BID #3			

**List of Eligible Securities for Collateral:**

Types of Securities <sup>4</sup>	ISIN/SNo.	Nominal Value (in Birr)	Issue Date	Maturity Date	Haircut	Interest Amount (in Birr)	Securities Value after deduction of haircut (in Birr)	Adjusted Collateral Value After Deducting of Haircut and Interest Payment (in Birr) <sup>5</sup>
1								
2								
...								
Total		Total Nominal Value (in Birr)						Total Value at Evaluated Price (in Birr)

**Persons in charge of the bank:**

Full Name: .....

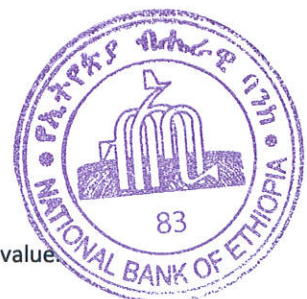
Full Name: .....

Signature:.....

Signature:.....

Stamp

Note: This application form should be emailed to [nbeomo@nbe.gov.et](mailto:nbeomo@nbe.gov.et)



<sup>4</sup> Type of securities refers eligible securities in accordance with OMO & SFs directive.

<sup>5</sup> Please note that the offered amount must be equal or less than the adjusted collateral value.



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**Appendix D**  
**NATIONAL BANK OF ETHIOPIA**  
Collateral Substitution Application Form

Annex D-CS-Form-1

Date: \_\_\_\_\_

Name of Commercial Bank: \_\_\_\_\_

Address: \_\_\_\_\_

Telephone: \_\_\_\_\_

**PARTICULARS OF COLLATERAL TO BE SUBSTITUTED**

Current (Pledged Securities)								
Description of Securities	ISIN/SN Code	Nominal Value (in Birr)	Issue Date	Maturity Date	Haircut	Securities Value after deduction of haircut (in Birr)	Interest Amount	Adjusted Collateral Value After Deducting of Haircut and Interest Payment (in Birr) <sup>6</sup>
1								
2								
...								
Total		Total Nominal Value (in Birr)						Total Value at Evaluated Price (in Birr)
Replaced by (new securities)								
Description of Securities	ISIN/SN Code	Nominal Value (in Birr)	Issue Date	Maturity Date	Haircut	Securities Value after deduction of haircut (in Birr)	Interest Amount	Adjusted Collateral Value After Deducting of Haircut and Interest Payment (in Birr)
1								
2								
...								
Total		Total Nominal Value (in Birr)						Total Value at Evaluated Price (in Birr)

**Persons in charge of the bank:**

Full Name: .....

Full Name: .....

Signature:.....

Signature:.....

Stamp

Note: This application form should be emailed to [nbeslf@nbe.gov.et](mailto:nbeslf@nbe.gov.et)



<sup>6</sup> **Note:** please note that the total evaluated value of the new securities must be equal or higher than the granted loan amount.



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## Appendix E

### Interest Rate and Adjusted Collateral Value Calculation

#### 1. Interest Rate Calculation

A simple interest rate is applied for Standing Lending Facility based on the number of actual days divided by 365 day count convention as follow:

$$I = P * i_{SLF} * \frac{t}{365}$$

Where;  $P$  = Amount of Loan,  $i_{SLF}$  = Rate of interest for SLF,  $t$  = time period of the loan ( $t=1$  for overnight) and  $I$  = Simple interest on loan

Example: Suppose Bank A borrowed Birr 1,000,000 on SLF from the NBE with the interest rate of 10 %, the simple interest rate calculation would be:

$$I = 1,000,000 * 0.10 * \frac{1}{365}$$

$$I = \text{Birr } 274.0$$

#### 2. Adjusted Collateral Value Calculation

The collateral shall be established before the credit is granted and their adjusted value shall cover 100 % of the loan, the due interest and a haircut. Therefore, the adjusted value of eligible assets to be pledged as a collateral can be calculated as follow:

Nominal Value of Securities (in Birr)	Issue Date	Maturity Date	Haircut (%)	Securities Value after deduction of haircut	Interest Rate (%)	Requested Loan Amount (in Birr)	Interest Amount <sup>7</sup>	Adjusted collateral value (after deduction of haircut & interest payment)
(1)	(2)	(3)	(4)	(5=1*(100%-haircut rate)	(6)	(7)	(8=7*6*t/365)	(9=5-8)
Total Nominal Value (in Birr)								Total Adjusted Collateral Value (in Birr)

<sup>7</sup> The symbol 't' refers to number of days.

