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TED/FEM/FPC/GEN/01/110

July 8, 2009

**TO: ALL AUTHORISED DEALERS,
AND GENERAL PUBLIC**

REVISED GUIDELINES FOR THE OPERATION OF THE FOREIGN EXCHANGE MARKET: WHOLESALE DUTCH AUCTION SYSTEM

Further to the circular Ref: TED/FEM/FPC/GEN/01/088 of May 22, 2009 on the above subject, the Central Bank of Nigeria hereby re-introduces the Wholesale Dutch Auction System (WDAS) with effect from Monday 13th July, 2009. This is in a bid to stimulate activities in the inter-bank and stabilize the Foreign Exchange Market.

Consequently, the guidelines for operating the system are as follows:

1. Henceforth the Central Bank of Nigeria (CBN) shall intervene in the Foreign Exchange Market through the wholesale Dutch Auction System.
2. The CBN shall announce on Monday and Wednesday the amount on offer for each auction at 8.30am. Copies of the announcement may be obtained from the Trade and Exchange Department of the Central Bank of Nigeria at the following location:

Abuja: 8th floor, Wing C

CBN Head Office

Central Business District

Abuja.

Fax: 09-46237818, 46237872, 46237841

Tel: 46237870, 46237838, 46237836

3. Under this system, Authorised Dealers shall:

- a) submit their bids on Monday and Wednesday as per the attached format, duly signed by two authorized signatories for any particular auction session between 9.00am and 10.30am on the day of the auction; and
 - b) Submit bids for no more than three tranches per auction, while the Central Bank of Nigeria reserves the right to reject bids that are deemed to be unrealistic.
4. The bids should be submitted via Reuters Dealing 3000 Xtra System to the Abuja dealing line. However, hard copies of bid request should be submitted to the address mentioned in (2) above.
 5. The minimum bid amount by an Authorized Dealer shall be \$100,000.00 and the currencies of transaction shall be the Naira and the United States dollar.
 6. The CBN shall announce the result of each Auction by 1.00 pm on the day of auction. A copy of the result may be obtained from the office mentioned in (2) above.
 7. Successful bids shall be advised by 2.00 pm on auction day.
 8. Authorised Dealers shall ensure that they have adequate Naira cover in their current accounts with the CBN. The Central Bank of Nigeria shall promptly debit the current accounts of banks with the Naira equivalent of the foreign exchange purchased, at their bid rates. The CBN shall deliver US Dollars sold to the banks to their CORRESPONDENT BANK ACCOUNT used for WDAS transactions. The Central Bank of Nigeria shall effect delivery of foreign exchange purchased by each Authorised Dealer within one business day (T+1) after the day of the auction result. A business day shall be defined as a day in which banking business is carried out in Nigeria.
 9. Funds purchased from CBN at the Auction shall be used for eligible transactions only, subject to stipulated documentation requirements. Such funds shall be transferable in the inter-bank foreign exchange market.

10. The CBN may also purchase foreign exchange from Authorised Dealers and other participants such as oil companies, etc at their offer rates. The CBN shall deliver the Naira cover for US Dollar bought from the banks to the banks' Current Accounts at the CBN. The banks shall deliver US Dollars sold to CBN to the CBN SPECIAL FEM ACCOUNT with JP Morgan Chase, New York.
11. The rate that clears the market shall be the prevailing exchange rate for the period.
12. Authorised Dealers shall quote two-ways and display in their Banking Halls the buying and selling rates conspicuously. The spread between the buying and selling rates shall not exceed 50 Kobo.


NET OPEN POSITION (NOP):

The foreign exchange Net Open Position of banks has been increased from 2.5% to 5.0% of shareholders' funds with effect from July 13, 2009.

SANCTIONS:

Contravention of any of the Foreign Exchange Market regulations shall attract appropriate sanctions as spelt out in the provisions of relevant laws and CBN guidelines.

The provisions of this circular supersede the provisions of Sections 1 (a) and 4 of the circular on **"Re: Guidelines for the operation of the foreign exchange Market: Retail Dutch Auction System (RDAS): Circular Ref: TED/FEM/FPC/GEN/01/088 of May 22, 2009."**



Batari Musa
Ag. Director,
Trade and Exchange Department