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To: All Authorised Dealers and General Public

GUIDELINES FOR THE OPERATION OF THE FOREIGN EXCHANGE MARKET: RETAIL DUTCH AUCTION SYSTEM (RDAS)

In consideration of recent developments in the Foreign Exchange Market, it has become necessary to review the guidelines on the operations of the WDAS. Accordingly, Authorised Dealers are advised of the following changes:

1. The Central Bank of Nigeria (CBN) shall intervene in the Foreign Exchange Market through the Retail Dutch Auction System with effect from Monday, January 19, 2009.
2. The CBN shall announce on Mondays and Wednesdays 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:

8th floor, Wing C
CBN Head Office
Central Business District, Abuja

Fax: 09-46237841, 46237818, 46237809
Tel: 09-46237870, 46237871, 46237836,
46237838, 46237806

3. All Authorised Dealer banks shall be eligible to participate in the market on behalf of their customers.
4. Authorised Dealers shall submit their customers' bids on Mondays and Wednesdays. The CBN reserves the right to reject bids that are deemed to be unrealistic and/ or any application that contravenes foreign exchange regulations.

5. The Authorised Dealers shall submit their customers' bids using the attached format duly signed by two authorized signatories for any particular auction session between 9.00am and 11.00am on the market day. The bids should be submitted in diskette/flash disc in prescribed Excel spread sheet format (attached) by each bank's branch Office in Abuja to Chief Forex Dealer, Trade and Exchange Department, 8th Floor, Wing C, CBN Head Office, Abuja. Only bids received in soft copy and in prescribed format shall be treated.
6. The minimum bid amount by an Authorized Dealer shall be \$100,000.00 and the currencies of transaction shall be the Naira and United States dollar.
7. The CBN shall announce the result of each Auction by 4.00pm on Mondays and Wednesdays. A copy of the result may be obtained from the office mentioned in (2) above.
8. Successful customers' bids by Authorised Dealers shall be debited at the bid rates on Wednesdays and Fridays (T+2).
9. Authorised Dealers shall ensure that they have adequate Naira cover in their current accounts with the CBN at the time of the bid. The Central Bank of Nigeria shall promptly debit the current accounts of banks with the Naira equivalent of the foreign exchange purchased on behalf of their customers, at the bid rates plus 1% commission. The CBN shall deliver US Dollars sold to the banks to their CORRESPONDENT BANK ACCOUNT used for FEM transactions. The Central Bank of Nigeria shall effect delivery of foreign exchange purchased by each Authorised Dealer within two business days after the auction. A business day shall be defined as a day in which banking business is carried out in Nigeria.
10. Funds purchased from CBN at the Auction shall be used for eligible transactions only, subject to stipulated documentation requirements. Such funds shall NOT be transferable in the inter-bank foreign exchange market.
11. Authorised Dealers shall return to the Central Bank of Nigeria any unutilized funds within five (5) business days after delivery, at the rate of purchase.
12. Interest earned on Letters of Credit established and for which settlement has not been effected, shall be repatriated to the CBN for repurchase at the bid rate at the time the funds were purchased.

13. **OTHER ISSUES**

- a. 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 with the CBN. The banks shall deliver US Dollars sold to CBN to the CBN SPECIAL FEM ACCOUNT with J.P.Morgan Chase Bank, New York.
- b. The rate that clears the market shall be the prevailing exchange rate for the period.
- c. Authorised Dealers shall quote two-ways and display in their Banking Halls the buying and selling rates conspicuously.

14. **SANCTIONS:**

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



Batari Musa
Ag. Director
Trade & Exchange Department