

FOREIGN EXCHANGE SALES TO CUSTOMERS

12.1 INTRODUCTION

The Treasury department has the sole responsibility of sourcing for FX from the CBN SMIS (Wholesale and Retail), Interbank, I and E and any eligible window to meet the Bank's customer's FX demands under the invisible and visible transaction category. This is in addition to the regular interbank FX trading between counterparties.

Customer FX sales is the disbursement of foreign exchange to finance customers eligible trade transactions. As such, Payments made in international trade are usually carried out in foreign currency.

The customer's local currency account is debited with the Naira equivalent of the FX sold while the FEM suspense account is credited with the foreign currency for subsequent utilization for eligible trade.

12.2 FX SALES TO CUSTOMERS VIA CENTRAL BANK OF NIGERIA INTERVENTION

On June 15, 2016, the Central Bank of Nigeria (CBN), released the "Revised Guidelines for the Operation of the Nigerian Inter-Bank Foreign Exchange Market". The objective of the Guidelines is to enhance efficiency and facilitate a liquid and transparent foreign exchange market, through a single market (the autonomous/inter-bank FX market), with the CBN participating through interventions directly or through "dynamic Secondary Market Intervention Mechanisms". To further improve the dynamics of the market, the CBN introduced the FX Primary Dealership (FXPDs), where registered Authorized Dealers are designated to deal with the CBN on large trade sizes on a two-way quote basis, among other obligations as stated in the FXPD Guidelines. Procurement of FX for eligible trade transactions is undertaken by Treasury Dealing while the Back Office (Treasury Operations) are responsible for posting the deal on the core banking application.

It is important that originating departments/Branches ensure completeness of documentation and allocation of FX for eligible transactions only.

The treasury group shall ensure that FX trading activities whether sales or Purchases are within the daily approved foreign currency Trading position Limit Long or short each business day or any other limit as may be approved by Central Bank of Nigeria from time to time. Anything short of this provision shall be subject to approval by the CBN. Treasury also ensure that all FX related transactions are updated on the blotter.

12.3 Interbank Window

The Treasury Department carries out daily FX Trading at the Interbank Window. The following procedure shall apply for processing Customers' FX bids through the Interbank Window:

a) All bid requests by customers must include the mandatory information as specified by the CBN as follows:

Form 'M' Number

- Applicant's Name
- RC Number
- Applicants Address
- Bid Rate
- Amount (To be specified in US Dollars)
- Purpose
- Mode of Payment (LC, Bills etc.)
- Source of Funds
- Sector
- H. S. Code (where bid is in respect of Importation)

Customers submit FX bids requests directly to the bank or through their relationship managers which are then forwarded to International Trade Services for further processing.

All Customers bid requests must be signed according to mandate.

The Trade Officer verifies the bid request for completeness of information and compliance with mandate. Discrepancy (if any) is immediately communicated to the customer / relationship team for necessary correction.

Trade Services Officer forwards FX bids from Customers and Business Groups to the Centralised Operations and finally Treasury Dealer.

Based on FX availability and customers' requests the Treasury Dealer allocates FX to customers and advises allocated amount to Trade Services via electronic mail.

12.3.1 **THE INVESTORS and EXPORTERS WINDOW**

The CBN, established the window to deepen the foreign exchange market and increase FX supply for eligible trade. The supply of FX to the window shall be through portfolio investors, exporters, Authorised Dealers, and other parties who may wish to exchange their FX to Naira. Exchange rate is influenced by the laws of demand and supply.