



Central Bank of Nigeria

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FMD/DIR/CON/OGC/040/0012

November 29, 2024

TO ALL AUTHORIZED DEALERS

REVISED GUIDELINES FOR THE NIGERIA FOREIGN EXCHANGE MARKET (NFEM)

1.0 INTRODUCTION

Following the consolidation of all windows in the official foreign exchange (FX) market with a view to further deepen the market, the Central Bank of Nigeria (CBN) hereby announces a new set of guidelines for Authorised Dealers and other participants in the Nigeria Foreign Exchange Market (NFEM). This Circular supersedes circulars and guidelines listed below for your reference and compliance:

- I. **Press Release:** Operational Changes to the Foreign Exchange Markets, dated June 14, 2023.
- II. **Circular to All Authorized Dealers:** Establishment of Investors' & Exporters' FX Window, with Ref: FMD/DIR/CIR/GEN/08/007, dated April 21, 2017.
- III. **Guideline:** Revised Guidelines for the Operation of the Nigerian Inter-Bank Foreign Exchange Market.

2.0 AUTHORISED DEALERS AND OTHER PARTICIPANTS

- a) Authorised Dealers are to facilitate foreign exchange transactions to all firms and persons in the FX market, complete due diligence; ensure compliance with extant laws, guidelines and circulars; provide convenient market access channels (including digital solutions); and ensure transparent pricing to their customers.
- b) All legitimate foreign exchange transactions in the NFEM must be concluded with an Authorised Dealer and any dealing with unlicensed intermediaries is hereby prohibited.
- c) Bureaux de Change (BDCs) operators licensed under the revised guidelines (ref FPRD/DIR/PUB/CIR/002/010 issued on May 22, 2024) are permitted to buy foreign exchange from Authorised Dealers to meet their customer needs, subject to the aggregate monthly cap stipulated by the CBN.

- d) All foreign exchange transactions consummated with Authorised Dealers, Bureaux de Change operators and International Money Transfer Operators (IMTOs) are strictly subject to the terms of their respective licenses.
- e) All market participants are expected to adhere to the highest code of ethics and professional conduct in all their dealings in the foreign exchange market in line with the Nigerian FX Code.

3.0 PERMITTED/ELIGIBLE TRANSACTIONS

- a) All trade-backed (visible and invisible) transactions as defined in the FX Manual are eligible to participate in the market, subject to meeting all regulatory requirements as applicable.
- b) All documentary requirements for eligible transactions must be verified by the Authorised Dealers before transactions are settled and adequate records must be maintained for audit purposes.

4.0 PRICING

- a) The pricing of foreign exchange transactions in the NFEM shall be undertaken on the Electronic Foreign Exchange Matching System (EFEMS). FX market statistics including the daily transactional rates of all qualifying transactions on NFEM will be publicly available to guide market participants on the CBN website.
- b) All customer transactions conducted outside the EFEMS shall be guided by the prevailing NFEM rate at the time of execution. Authorised Dealers are required to adopt a transparent pricing framework for customer foreign exchange transactions as described in the Nigeria FX Code and may be requested by the CBN to provide information on their pricing methodology.
- c) Negotiation of exchange rates with customers outside of the foreign exchange market is prohibited. All customer transactions must be concluded with an entity duly licensed to participate in the foreign exchange market (subject to the provisions of the license category).

5.0 INTERBANK TRADING

- a) Trading of foreign exchange in the interbank market is permitted between Authorised Dealers subject to set credit limits as presented in the new circular titled “Implementation of the Bloomberg BMATCH for Foreign Exchange Trading” referenced MD/DIR/CON/OGC/038/150 dated November 25, 2024.
- b) Market Makers will be designated in the interbank market and required to mandatorily provide daily two-way quotes in standard amounts and spreads.
- c) The Board of the banks of Authorised Dealers, the Chief Executive Officer and the Chief Compliance Officer, shall be required to attest annually to the Nigeria FX Code of Ethics and Conduct, as well as abide with all market guidelines and circulars issued by the CBN.
- d) All interbank transactions are expected to be concluded on the EFEMS for full transparency, and in line with the EFEMS rules and the Nigerian FX Code as published by the CBN.

- e) All Authorised Dealers must ensure that all foreign exchange transactions are conducted within stipulated NOP limits and maintain adequate risk management practices to keep price and liquidity risk exposures within acceptable thresholds.

6.0 REPORTING

- a) All foreign exchange transactions completed by Authorised Dealers must be recorded on a processing system and reported to CBN within 10 minutes of the transaction. This includes all transactions completed with system participants on the EFEMS, trades concluded with market counterparties on telephone and/or chat-based platforms, and customer transactions concluded through other acceptable channels.
- b) The details of all foreign exchange transactions concluded by Commercial, Merchant, and Non-Interest-Bearing Banks are required to be reported on a real time basis to CBN via APIs to the FXBRS system for effective monitoring of market activities.
- c) In line with the conditions of their licenses, BDC operators must submit mandatory reports of all their activities through the relevant portal to the CBN on a daily basis. The adoption of technology platforms for the submission of real-time reports to CBN is also encouraged.
- d) The CBN will remain the primary custodian of all transaction data in the foreign exchange market and will publish reliable market data on its website. All EFEMS platforms are required to publish live market data to the public during market trading hours. The CBN shall partner with market infrastructure providers to ensure timely and accurate dissemination of market data to the public.

These guidelines shall serve as a guide to market participants on the regulatory framework governing foreign exchange market activities and will take precedence over any existing guidelines. It must, however, be interpreted with all the other extant regulations governing the foreign exchange markets and will be revised regularly in line with developments in the FX market.

All market participants are therefore expected to strictly adhere to these guidelines as issued and may seek clarifications through the email – FMDFXDEALERS@cbn.gov.ng

The CBN remains committed to improved governance and transparency of the foreign exchange markets and will continue to address any observed market distortions to foster price discovery, and the evolution of a well-developed and functional foreign exchange market in Nigeria



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