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TO ALL AUTHORISED DEALERS

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

Consistent with the objectives of enhancing efficiency in the Foreign Exchange Market through market-based determination of the Naira exchange rate, the Central Bank of Nigeria hereby adopts the Dutch Auction System.

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 Dutch Auction System.
2. The CBN shall announce on Mondays and Wednesdays the amount on offer for each auction at 8.30 a.m. Copies of the announcement may be obtained from the Foreign Operations Department of the Central Bank of Nigeria at either of the following locations:
 - a. Abuja: 3rd Floor
Central Bank of Nigeria
Zaria Street
Off Samuel Ladoke Akintola Boulevard
Garki – Abuja
Fax: 09 2343161, 09 2343186
Tel: 09 2343162, 2343168, 2343121,
09 2348509, 2348510, 2348501

b. Lagos: 5th Floor
Central Bank of Nigeria (New Building)
Tinubu Square
Lagos
Tel: 01 - 2641893 Fax: 01 - 2641893

3. All Authorized Dealers shall be eligible to participate at the Auction on behalf of their customers.
4. Under this system, Authorized 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 Authorized Dealers shall submit their customers' bids as per the attached format duly signed by two authorized signatories for any particular auction session between 9.00 a.m. and 12.00 noon of the day of the Auction. The bids should be submitted in diskette (Excel Format) to the CBN Lagos/Abuja. However, hard copies of the bids should be faxed to CBN Abuja.
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 1.00 p.m. on Tuesdays and Thursdays. A copy of the result of the Auction may be obtained from the offices mentioned in (2) above.
8. Successful bids shall be advised on Tuesdays and Thursdays and Authorized Dealers shall be debited at the bid rates.
9. Authorized Dealers shall ensure that they have adequate Naira cover on 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 the bid rates. The Central Bank of Nigeria shall deliver US Dollars sold to the banks to their CORRESPONDENT BANK ACCOUNTS used for IFEM transactions. The CBN shall effect delivery of foreign exchange purchased by each Authorized Dealer within two business days after the date of the auction result. A business day shall be defined as a day in which Banking business is carried out in Nigeria.

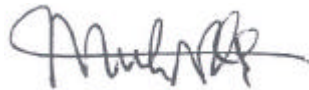
10. Funds purchased from CBN at the Auction shall be used for eligible transactions only, subject to stipulated documentation requirements. Such funds shall not be transferable in the inter-bank foreign exchange market.
11. Authorised Dealers shall return to the Central Bank of Nigeria any unutilized funds within five (5) business days after delivery, at the rate of purchase.

12. Other issues

- i. The CBN may also purchase foreign exchange from Authorized Dealers and other participants such as oil companies, etc at their offer rates. The CBN shall deliver the Naira cover for US Dollars 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 Chase Manhattan Bank, New York.
- ii. The rate that clears the market shall be the prevailing exchange rate for the period.
- iii. Authorized Dealers shall quote and display in their Banking Halls the buying and selling rates conspicuously. The spread between the buying and selling rates shall not exceed 1 percent.

13. 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.



M. NDA

Ag. DIRECTOR

FOREIGN OPERATIONS DEPARTMENT