

INTERVENTION IN THE INTER-BANK FX MARKET-MANUFACTURING SECTOR

In order to further engender market confidence, ensure access to FX by end users and sustain the integrity of the Nigerian Inter-bank FX market, the Central Bank of Nigeria (CBN) has resolved to intervene in the Inter-bank FX market through forward settlement.

The details of the intervention are highlighted below:

Type of Intervention: Special Secondary Market Intervention Sales (SMIS) – Retail. This is an important one-off exercise dedicated to the clearance of the backlog of matured FX obligations for:

1. Raw materials and machineries for manufacturing companies;
2. Agricultural chemicals; and
3. Airlines

Bid Agent: Due to the peculiarity of this exercise the CBN will not apply the relevant provisions under clause 2.4.3 (i) of its ***Revised Guidelines for the Operation of the Nigerian Inter-bank Foreign Exchange Market*** (hereinafter referred to as the Guidelines) which provides that “all SMIS bids shall be submitted to the CBN through the FXPDs”. Consequently, CBN shall receive bids from all the Authorised Dealers.

Allotted Amount per bidder: The CBN will also not apply the relevant provisions under clause 2.4.3 (i) of the Guidelines which provide that “Spot FX sold to any particular end-user shall not exceed 1% of the overall available funds on offer at each SMIS session”.

Bid Period: Authorised Dealers shall submit their customers' bids to the advised e-mail address by 2:00pm. Any bid received after this time will be automatically disqualified.

Funding: Authorised Dealers should debit the customers' accounts for the Naira equivalent of their bids.

Spread: Clause 2.4.2 (iii) of the Guidelines which provides that “there shall be no predetermined spread on Spot FX transactions executed through CBN intervention with the FXPDs” and the relevant area of Clause 2.4.3 (i) of the Guidelines which provides that “there shall be no predetermined spread on the sale of FX Forwards by Authorised Dealers to end-users” shall not apply for this Special SMIS-Retail. Consequently, Authorised Dealers are allowed to earn 50kobo on the customers' bids.

Settlement Terms of the Special SMIS - Retail: Whereas the bids are on Spot FX basis as the Authorised Dealers' accounts with the CBN will be debited in full for the Naira equivalent of the USD bid amount, the CBN will settle the bids through forward settlements of 2 months. Customers that are not willing to accept the settlement terms are advised not to participate in this Special SMIS - Retail.

It should be noted that DMBs participating in the Special SMIS **must be willing to open new LCs equivalent to the amount of forwards intervention received for the importation of raw materials, plant and machineries by manufacturers.**

Forward Rate: Bids will be settled spot through a multiple-price book building process and will cut-off at a marginal rate (to be disclosed after the conclusion of the Special SMIS – Retail process). Bids will be settled at the marginal rate that clears the amount on offer. Customers should note that the forward rate may be higher than the initial rate(s) of their bids and will be debited the additional Naira equivalent of their bids. Customers not willing to accept the terms of the forward rate should not participate in this Special SMIS.

Transmission of bids: All bids should be submitted through the dedicated email address: smis@cbn.gov.ng.

CBN's Rights: CBN reserves the right not to make a sale if it is of the impression that the exercise did not provide an effective price for the determination of the USD/Naira exchange rate, in which case, the CBN may choose to offer another Special SMIS (retail or wholesale) session.