

Issuance, Use, and Acceptance of International Credit/Debit Cards, Foreign Currency Cash Notes, and Traveller's Cheques as International Payment Instruments (As Amended) (Directive No. 630/2021)



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National Bank of Ethiopia

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NATIONAL BANK OF ETHIOPIA

**Issuance, Use and Acceptance of International Credit/Debit
Card, Foreign Currency Cash Notes and Travellers’
Cheques International Payment Instruments
(As Amended)
Directives No. 630/2021**

Whereas, it is necessary to enhance safety and efficiency of payments made by travelers’ by introducing additional payment instruments internationally acceptable.

Whereas, the existing Directives issued for the use and acceptance of credit cards needs amendment to widen the scope of operations to include issuance of debit and/or prepaid cards.

Now, therefore, these Directives are issued by the National Bank of Ethiopia pursuant to the authority vested in it by Article 20(20) of the National Bank of Ethiopia Establishment (as amended) Proclamation No. 591/2008.

**ARTICLE 1
General**

1.1 Short Title

These Directives may be cited as “**Issuance, Use and Acceptance of International Credit/Debit Card, Foreign Currency Cash Notes and Travellers Directives No. 630/2021**”.

1.2 Definitions

For the purpose of these Directives, unless the context requires otherwise:

- 1.2.1 **“acquiring bank/acquirer”** means a financial institution or a member bank of international payment card network that enters into agreements with local merchants to accept card initiated payments for goods and services; or offers cash advance and disbursement services to cardholders via automated teller machines (ATMs), point of sale terminals (POS) or branches;
- 1.2.2 **“authorized bank”** means any bank in Ethiopia established in accordance with the law and authorized by the Bank to engage in foreign exchange transactions;
- 1.2.3 **“cardholder”** means a person whose full name and signature appear on a credit/debit/prepaid card;
- 1.2.4 **“credit card” means a personalized plastic card with a magnetic strip and or smart card** which may bear the logo and brand of a major international payment card network and issuer bank, allowing the card holder to buy goods and services on credit and get cash advance as a line of credit;
- 1.2.5 **“cash notes”** means foreign currency notes acceptable and convertible to Birr in authorized banks forex bureaus;
- 1.2.6 **“debit card”** means a personalized plastic card with a magnetic strip and or smart card that may bear the logo and brand of major international payment card network and issuer bank, which provides direct access to funds in a card holder’s deposit account, providing the customer with basic banking functionalities and ability to make point of sale (POS) purchases, ATM cash withdrawal and account balance inquiry etc. Debit card enables “pay now” option
- 1.2.7 **“forex bureau”** means a window of authorized bank wherein buying and selling of major convertible currencies from and to the public is concerned;
- 1.2.8 **“issuing bank/issuer”** means a financial institution and/or a member bank of international payment card network that holds contractual agreements with and issues cards to the cardholder;
- 1.2.9 **“local merchants or entities”** means business, establishments or organizations authorized by the Bank to accept foreign currency for goods and services they sale and that enter into contract with acquirer banks (international or authorized banks) to originate transactions and accept cards for payment;

- 1.2.10 **“National Bank”** means National Bank of Ethiopia
- 1.2.11 **“payment card network”** means a network that works with financial institutions that issue cards (card issuers) and/or signs up with local merchants to accept cards for payment of goods and services (acquirers). Payment card networks provide card products, standards for their brand, and establish the rules and regulations governing participation in their brand;
- 1.2.12 **“point-of-sale terminal” (POS)** means the electronic device used for authorizing and processing bank card transactions at the point-of-sale;
- 1.2.13 **“pre-paid card”** means personalized magnetic strip and or smart card used to access funds in a prepaid account or a card where monetary value is stored on a chip. Prepaid cards allow consumers to make point of sale (POS) purchases, ATM cash withdrawal and account balance inquiry etc. Prepaid card enables “pay before” option;

1.3 Scope of Application

These Directives shall apply to all banks, local merchants or entities, and foreign exchange bureaus in Ethiopia

1. Eligibility to Issue International Debit or Pre-paid Cards

- a) Any authorized bank operating in Ethiopia may secure a membership license or agreement from one or more international payment card networks specified under paragraph 3.1.4 of these Directives.
- b) Authorized banks who have entered into agreements with or secured an issuing license from international payment card network are authorized to issue international debit/prepaid cards for travelers abroad subject to paragraphs (c) and (d) of this article.
- c) Payment for goods and services abroad using debit/prepaid cards shall be piloted by Commercial Bank of Ethiopia starting from the effective date of these directives by issuing such instruments to government travelers. No other bank in Ethiopia is allowed to issue international debit/prepaid cards to any person during pilot period.
- d) The duration of the pilot period shall be determined by the Bank.

2. Conditions to be Fulfilled to Issue International Debit/Prepaid Card by Authorized Banks

2.1. Authorized banks are required to fulfill the under listed conditions to issue international debit/prepaid card:

- a) install card personalization machine or terminal, or produce valid outsourcing contractual agreement for card personalization;
- b) produce membership agreement and /or license granted by international payment card networks;
- c) establish central payment system for clearing; and
- d) put in place secured telecommunication infrastructures.

2.2. Obligations of Authorized Bank and Forex Bureau

An authorized bank and a forex bureau shall have the following obligations in issuing, acquiring and settling international prepaid/ debit cards.

2.2.1. Forex Bureaus

- a) Forex bureaus shall issue travel allowance in debit/prepaid card and cash notes as per paragraph “c” of this article herein under to travelers abroad upon presentation of:
 - (i) valid passport with entry visa abroad (except for countries that issue visa on arrival);
 - (ii) application form duly filled and signed indicating the amount needed in cash notes and to be loaded on payment cards; and
 - (iii) duly filled and signed card holder agreement to get prepaid/ debit card.
- b) Forex bureaus shall check the authenticity of travel documents presented and shall explain to travelers or their delegates the use and conditions of the debit/prepaid cards issued to them.
- c) Forex bureaus shall the travel allowance in cash notes and the balance in debit/prepaid card by entering the permit number as per Directive for the Operation of Foreign Exchange Bureau.
- d) The foreign currency allowed for travel allowance shall be currency of country of destination, or United States Dollars, Euro, or Great Britain Pounds.
- e) Forex bureaus shall refund to the cardholder unused balance in a prepaid/debit card in Birr after checking the details of the transactions and account statement.
- f) Forex bureaus shall check the validity of the card while issuing subsequent travel allowance for the cardholder.

2.2.2. Authorized Banks

- a) Authorized banks have the responsibility to expedite issuance of prepaid/debit card for travelers abroad after receiving all required documents from the traveler.
- b) Authorized banks shall notify to the travelers the fees and service payment required for one time card issuance/renewal, and optional issuer fees (conversion fees) on each transaction. However, such fees shall not exceed 1.5% of total travel allowance issued.
- c) Authorized banks shall make strict follow up and ensure that the debit/prepaid card is not over drawn under any circumstance.
- d) Authorized banks shall immediately block card related transactions upon receipt of report on missed or lost cards by the cardholder.

2.3. Validity

- a) The validity of debit/prepaid card shall not exceed two years from the date of issuance and may be renewed upon request.
- b) The validity of credit card/debit card license is one year and renewable at the end of Ethiopian fiscal year.

3. Acceptance of International Payment Cards

3.1. Eligibility to Accept International Credit Cards/Debit Cards

- 1) Authorized banks are required to have membership and or license from international payment card networks to sign up with local merchants and provide ATM acquiring and cash advance services.
- 2) Authorized banks which have entered into agreements with the international payment card networks can provide encashment services via branches and ATMs.
- 3) Local merchants or entities authorized by the Bank which have entered into agreements with acquiring banks (acquirer) are eligible to accept international payment cards as mode of payment.
- 4) Types of acceptable international cards include:
 - a) American Express,
 - b) Visa Card,
 - c) Master Card,
 - d) Diners Club Card,
 - e) Union Pay,
 - f) JCB, and
 - g) Discover.

3.2. The list under paragraph 3.1.(4) herein above is subject to revision and may change from time to time as deemed necessary by the Bank.

4. Local Merchants or Entities

To accept international credit/debit card for payments local merchants or entities shall:

- a) have agreement with authorized banks (which have a membership agreement or license from an international payment card network) to accept international cards as mode of payment for goods and services; and
- b) get license from the Bank to accept international payment cards that are not acquired by authorized banks.

4.1 Conditions for Licensing Local Merchants or Entities to Accept Credit/Debit Card

4.1.1. The following conditions must be fulfilled by local merchants or entities to get license to accept international credit/debit card for card brands that are not acquired by authorized banks:

- a) license from the appropriate government authority to conduct a business at a specified location and address;
- b) trained personnel capable to examine, authenticate and book credit card/debit card sales, lodge proper claim on the transactions through the international acquiring bank, and follow up collection of payments processed on line; and
- c) a contractual agreement concluded with international card acquirer or card network clearly stating payment collecting methods.

4.1.2. Local merchants or entities, who have made arrangements for collecting payments via payments online, shall clearly indicate the card brand and the acquiring bank designated to collect the payments on their behalf and shall possess the POS terminal.

4.1.3. Local merchants or entities shall undertake the responsibility to collect payments using credit card/debit card through vouchers or in case of payments processed online, through authorized banks in Ethiopia delegated by them.

5. Requirement for Settlement of Vouchers or On-line Credit Card/Debit Card Payments Through Banks

5.1. Vouchers

- a) Local merchants or entities have the responsibility to present timely international credit card/debit card vouchers to their banks for collecting payments.
- b) It is mandatory that vouchers processed against credit card/debit card must be forwarded for payment via authorized banks acting on behalf of their customers to collect proceeds and credit to the customers' accounts. Local merchants or entities shall issue authorizations to their banks to collect proceeds on their behalf.

6. Online Credit Card/Debit Card Payments

Local merchants or entities operating through online credit card/debit card payments for card brands that are not acquired by domestic authorized banks shall fulfill the following:

- a) shall have clear settlement arrangement with authorized acquiring banks regarding collection of payments via payment system; and
- b) submit to the Bank agreement documents signed with the authorized international acquirers to collect payments on their behalf, via payment system.

7. Settlement of Credit Card/Debit Card Proceeds by Banks

- a) Authorized banks that take-up vouchers of credit card/debit card from local merchants or entities and those who are providing settlement services are required to dispatch the vouchers for collections to the credit card/debit card network or international acquirer, as the case may be, seeking payment redemption. The authorized banks shall institute the most expeditious means of settlement with credit card/debit card issuers or banks.
- b) Authorized banks that have signed up with local merchants or entities to accept international cards by using their payment system shall facilitate immediate receipt of funds through their correspondent banks (settlement bank) and settle the equivalent local currency amount to the beneficiary local merchant or entity.
- c) Upon receipt of payment for services delivered using vouchers or direct payment through the online (POS) system, banks shall credit the account of their customers or transfer the amount to the account of the local merchants or entity with any bank the equivalent amount in Birr at the prevailing exchange rate. Banks should send information on prescribed format of such advice to the Bank for further follow-up and recording.

8. Claims Returned Unpaid

Claims returned unpaid shall be handled as follows:

- a) in the event that claims presented by any authorized bank to the credit card/debit card issuer or banks are not honored and settled, the bank shall immediately inform the client the reason for non-payment and advise same to the Bank; and
- b) the local merchants or entities shall have the responsibility to take a close follow-up and make efforts to settle the payments based on agreements concluded and service rendered. They shall also report the follow up made and results obtained to the Bank.

9. Acceptance of Foreign Currency Cash Notes/ Travelers' Cheques

9.1. Eligible Entities for Accepting Payments in Foreign Currency Cash Notes

The following local merchants or entities are eligible to accept payments in foreign cash notes:

- a) hotels that serve tourists including those below three stars that are identified and confirmed by the Ministry of Culture and Tourism;
- b) duty free shop operators;
- c) Immigration Office;
- d) Civil Aviation Authority;
- e) airline ticket offices and travel agents only for air ticket sales services;
- f) tour operators;
- g) shops operating at the airport on the air side (shops operating passed immigration line);
- h) Telecom service with in Airport to sale SIM card and airtime for tourists
- i) Fuel station placed inside the airport collecting foreign currency cash notes in lieu of fuel lift-up from different foreign airlines not operating in Ethiopia
- j) Guest houses that are registered and secured License from Ethiopian Tourism Commission
- k) Private airways operating in Ethiopia and give charter service for tourists and
- l) Specialized hospitals and clinics that give service to foreigners.

9.2. Submission of Application

Local merchants or entities that intend to accept foreign currency cash notes shall fill the form prepared for the purpose and submit same to the Bank for approval.

10. Condition for Issuance of License to Accept Foreign Cash Notes and Travelers' Cheques

Local merchants or entities may obtain a license from the Bank to accept cash notes and travelers' cheques upon fulfilling the following requirements:

- a) should have knowledgeable personnel who can handle the transactions and provide the appropriate service to the segmented customers;
- b) should have currency validating machine or/and appropriate instruments to verify notes
- c) local merchants or entities shall accept convertible currencies only specified under paragraph 4.6.5 of these directives.

11. Issuance of License to Local Merchants or Entities

- a) Local merchants or entities may obtain a license from the Bank for accepting foreign currency cash notes, and to use credit/debit card in settlement of payments under one permit or separately, as the case may be.
- b) The license granted by the Bank shall strictly be applicable for the permitted activities only.

12. Obligation of Local Merchants or Entities

In accepting credit/debit card, cash notes payments local merchants or entities:

- a) shall use appropriate instruments to verify and validate the authenticity of the currency and payment instrument;
- b) shall identify the customer and retain copies of documents in case a need arises for tracing back and a recourse action is needed;
- c) shall keep the proper details of the customer like passport number, homeland address, telephone number etc. and require customs declaration form issued by Ethiopian Revenues and Customs Authority on arrival at the time of collecting payments from their client;
- d) are required to convert all foreign currencies collected during one business day at forex bureaus within two working days; and
- e) are required to keep all supporting documents with copies of their reports in a proper file for onsite inspection.

13. Requirements to Fix and Post the Exchange Rate Applicable

- a) Local merchants or entities are required to fix their own buying rate for payments of services collected in credit card/debit card and different foreign currency cash notes.
- b) Local merchants or entities shall carefully estimate the prices for buying different currencies and consider processing costs that may be involved.
- c) The rates fixed for different types of currencies shall be clearly shown and placed in a visible position on a display panel.
- d) Local merchants or entities shall only quote one way buying rate and must not involve in currency trading.
- e) Local merchants or entities authorized to accept payments using credit card/debit card and cash notes/ shall clearly post the rate at which they buy US Dollars, Euro, Pound Sterling, Japanese Yen, Swiss Franc, Swedish Kroner, Norwegian Kroner, Danish

Kroner, Canadian Dollar, Saudi Riyal and United Arab Emirates Dirham. The Bank may change the list from time to time.

14. Retention Rights

Local merchants or entities may apply to be included in the Retention Accounts Scheme and shall be allowed to retain as provided by the Retention and Utilization of Export Earnings and Inward Remittances Directives of the Bank. Authorized banks shall credit directly to the retention account the proceeds from receipts of cash notes—and card transactions as stipulated in the Bank’s directives stated above.

15. Submission of Returns and Inspection

- a) Authorized banks are required to submit returns and cooperate with the Bank to conduct onsite inspection on credit card/debit card/prepaid cards and cash notes, ~~and~~ and related transactions.
- b) Authorized banks are required to report using prescribed formats on a weekly basis or online providing details of credit card/debit card transactions and cash notes, received by local merchants or entities.
- c) Forex bureaus shall report on monthly basis information on the monthly transaction on prepaid/debit card issued in a prescribed format.
- d) Authorized banks having agreement with local merchants or entities to collect vouchers and acquire credit card/debit card payments should submit report on prescribed format monthly stating the foreign exchange received from the sale of goods and services by the local merchants or entities.
- e) Local merchants or entities shall report their foreign exchange earnings on a monthly basis to the Bank using prescribed formats.
- f) The Bank may conduct inspection at any time on the premises of local merchants or entities and/or banks. The inspection may include reviewing books of accounts, request for information or explanations of the records of transactions, and examination of records related to payments received against prepaid/credit/debit card and cash notes,
- g) Notwithstanding any other provision of these Directives to the contrary, the local merchants or entities are required to maintain records of the last three consecutive years with all corresponding supportive documents.

16. Measures Against Non-Compliance with These Directives

16.1. Warning Notice and Cancellation of License

- 16.1.1. If the Bank finds that local merchants or entities commit one or several of the following violations, it may issue a warning advising them to refrain from such acts promptly:

- a) fail to keep proper records of credit card/debit card and cash note
- b) operate under an expired license;
- c) fail to forward vouchers of credit card/debit card to the designated authorized bank in Ethiopia and divert resources to other purposes;
- d) fail to communicate online credit card/debit card settlements to the designated authorized banks;
- e) fail to repatriate proceeds of credit/debit cards in foreign exchange;
- f) fail to deposit cash notes collected to banks on time;
- g) fail to submit for three consecutive months reports of credit/debit cards/prepaid cards transaction or payments or cash notes collected to the Bank; and
- h) submit false and misleading information.

16.1.2. If local merchants or entities fail to redress violations stated in warning notices issued in line with paragraph 16.1.1 herein above, the Bank may cancel the license it gave to such local merchants or entities.

16.2. Penalty

16.2.1. Any local merchants or entities who:

- a) accept payments using credit/debit card and foreign currency cash notes ~~or~~ without possessing the required license in conformity with the eligibility criteria established;
- b) submit false and misleading information; and
- c) involve in black market operation;

without prejudice to the confiscation of the property with which the offense is committed, unless a higher penalty is applicable under the criminal code, shall be punished according to article 26 (2) b &c of Proclamation number 591/2008.

16.2.2 A bank that fails to comply with the provisions of these directives shall be penalized as per article 26 or Proclamation number 591/2008.

17. Repealed Directive

“Issuance, Use and Acceptance of International Credit/Debit Card, Foreign Currency Cash Notes and Travellers” Directive No. FXD/42/2013 is hereby repealed and replaced by this Directive.

18. Effective Date

This Directive shall enter into force as of the 29th day of August 2018.