



**Office of the Ag. Director General,
Directorate of Supervision, Research and Statistics,
The Bank of South Sudan.**

Circular Number 1/2015

Issued on: 14th December 2015

**Subject: Guidelines for Implementation of The
Regulation on Floating Exchange Rate Regime.**

To: All Eligible Financial Institutions licensed by the Bank of South Sudan.

PURPOSE

- 1.1. This guideline describes the status of Financial Institutions following the adoption of the Regulation No 3/2015 dated 14th December 2015 on Floating Exchange Rate regime. Under this regime foreign exchange shall be through auction system rather than direct allocations.
- 1.2. The Guidelines outline the minimum standards and requirements that eligible participating institutions are expected to follow in relation to participation in the floating exchange rate auction sessions.

2. REPEAL:

- 2.1. All Circulars and Guidelines contrary to the provisions of this Circular are hereby repealed.

3. APPLICABILITY

- 3.1. These Guidelines are applicable to all eligible financial institutions operating in South Sudan.
- 3.2. Certain provisions of these Guidelines are also applicable to the licensed foreign exchange bureaus operating in South Sudan and the eligible customers of the commercial banks.

4. PARTICIPATION IN FOREIGN EXCHANGE AUCTION

- 4.1. Only banks holding a valid licence issued by the BSS and not permanently or temporarily suspended from participating in an auction session and meeting all requirements stipulated by the BSS are allowed to participate in the auction. The Directorate of Supervision, Research shall verify that the banks submitting the bids in each auction session meet these criteria.
- 4.2. Licensed forex bureaus and other eligible customers may participate in the auction Sessions indirectly by submitting their applications through the eligible banks. The Directorate of Supervision and Research shall verify that the forex bureaus and other eligible customers submitting the bids in each auction session meet these criteria.
- 4.3. Banks shall not grant credit facilities to foreign exchange bureaus and other eligible clients for the purpose of bidding on their behalf. The Directorate of Supervision and Research shall conduct targeted examinations from time to time in order to verify that the licensed forex bureaus and other eligible customers at the time of submitting bids had sufficient funds in their accounts at the banks through which they submit bids.

5. ANNOUNCEMENT OF FOREIGN EXCHANGE AUCTION

- 5.1. The BSS shall make a public announcement for each auction session two working days before the auction session is due to take place.
- 5.2. The announcements shall be made by means of public notice displayed on the BSS notice board or website, and/or a direct written advice sent or made available to the eligible participants.
- 5.3. The announcement shall contain the time and place of an auction session, bid requirements, settlement date, and other relevant information.
- 5.4. No bid, whether made for own use or on behalf of clients, shall be accepted unless the bidder can demonstrate that it has sufficient funds on the books of the BSS to meet the bid amount in full. The Technical Supervisory Committee shall verify the account balances of all bidders as at close of business the previous day.
- 5.5. To avoid overbidding, and to ensure compliance with the rules of auctions and a prompt settlement of an auction, the BSS shall block the funds in the account of the bidding bank to the full extent of the submitted bid. The amount blocked on the account of the bidder shall equal the total amount of the bids submitted, i.e., for own use and on behalf of clients.

6. SUBMISSION OF BIDS:

- 6.1. All bids, whether for own use or on behalf of clients, must be submitted on the pre-printed forms provided by the BSS. Forms shall be distributed to the eligible participants together with the Auction Notice. Only one form shall be submitted by each bidder.
- 6.2. Bids must be submitted during the time stipulated in the Auction Session Notice. The auction box shall be placed at the reception desk of the BSS Head Office, unless the banks are advised otherwise. The BSS may, however, change the time of any auction session and bids submission, if deemed necessary. The time shall be stipulated in the auction announcement and the eligible participants should pay special attention to all the details stated therein.
- 6.3. No bids shall be accepted before or after the time stipulated in the auction announcement. It is advisable that the banks prepare their bids at the close of the previous day and are ready to submit during the time stipulated in the auction notice.
- 6.4. Bids submitted on behalf of forex bureaus and other eligible customers must be accompanied by the required documentation, i.e., copies of the duly completed application forms. The BSS prepared a standard form that

all banks should use for the forex bureaus and eligible customer they represent. The original of the form, duly signed and verified, shall be kept by the bidders (i.e., the bank for inspection by BSS any time). A list of all bids on behalf of forex and other eligible customer should be attached to the bid form of the bank.

- 6.5. The application forms submitted on behalf of forex bureaus and other eligible customers must be countersigned by the bank's authorised official confirming the sufficiency of funds in the clients' accounts with the bank. This amount should be blocked until the amounts allocated to the bank are cleared through its accounts at the BSS.
- 6.6. Eligible bank must also ensure that the sufficient balance is available in its BSS account to cover the total amount of bids it is submitting, both for its own use and on behalf of its clients.
- 6.7. Each bid form must clearly state the amount of the bid, which must be equal or higher than the minimum stipulated in the Auction Session Notice. Typically, this shall be U.S. dollars fifty thousand (USD 50,000), unless stated otherwise in the auction announcement.
- 6.8. Each bid amount must be in multiples of ten thousand U.S. dollars (USD 10,000) and expressed both in numbers and in words. If there is a discrepancy between numbers and words, the amount expressed in words shall be taken into account. Bank should make a special effort while completing their bid forms. Based on this and the preceding subsection, all individual bids, whether made for own use or on behalf of clients, must be in a minimum amount of U.S. dollars 50,000 and then multiples of U.S. dollars 10,000. While accepting the bids from the forex bureaus and other eligible customers, banks must ensure that the amounts of those bids comply with the Regulation.
- 6.9. Each duly completed bid form from the eligible banks must be placed in a sealed envelope together with all the accompanying documentation. The name and licence number of the eligible bank must appear on each sealed envelope. Banks should ensure that these details are clearly stated, as the incomplete application form may be rejected.
- 6.10. BSS shall not be responsible for any unauthorised bid or for any delays, errors or omissions in the submission of bids. Since the banks shall be representing their clients in the auction sessions, any failure to submit the bids may result in financial losses for the clients. So banks should take special care to ensure that their clients receive good service from them.

- 6.11. Once a bid has been submitted, it shall be final and irrevocably binding on the bidder and no information in the bid form may be changed. It is highly advisable that banks verify the previous day closing balance on their account before submitting the bids.

7. DISQUALIFICATIONS

- 7.1. The bids shall be rejected if submitted:
- 7.1.1. before or after the deadline;
 - 7.1.2. with incomplete or missing information;
 - 7.1.3. in amount lower than the prescribed minimum or not a multiple of ten thousand U.S. dollars; or
 - 7.1.4. by participants with insufficient funds in their designated accounts with the BSS (either SSP or U.S. dollar).

8. AMOUNTS OF AUCTIONS

- 8.1. All eligible bids to buy or sell U.S. dollars at the bid rate set by the BSS shall be satisfied. It is the intention of the BSS to make sufficient funds available at each auction session to satisfy the demand or supply expressed by the bidders.
- 8.2. Although there is no predefined maximum amount that any participating bank can bid for, certain limitation are based on the prudential limits on the open foreign exchange exposure position and reserve requirement. Banks are strongly advised to review the BSS Regulations No.20/2012 and No. 21/2012. Further guidelines on the prudential limits are provided in section 14 below.
- 8.3. In order to protect the local currency market from unfair competition, collusion, or other business malpractices, the BSS shall impose that a single participant may not be allotted more than 20 per cent of the aggregated bid amount received in respect to an auction session.

9. ANNOUNCEMENT OF FOREIGN EXCHANGE ALLOTMENTS

- 9.1. Successful bidders shall be informed that their bid was accepted. A written notice shall be issued to participating banks once the auction session is closed. The BSS shall prepare a standard notice letter to each bidder that shall be made available at the time stipulated in the auction announcement.

10. SETTLEMENT

10.1.Payment by Successful Bidders shall take place on the settlement date stated in the announcement. Until then, i.e. from the time of submission of bids until the settlement date, the funds shall be blocked and cannot be used by the bank. It is highly advisable that the bank maintains adequate additional liquidity during this period in order to fulfil its obligations during clearing of other payments.

10.2.Settlement shall only be executed across the designated current accounts on books of the BSS. This means that amounts bought and sold through auctions shall only be processed through the bank's accounts at the BSS, as nominated in the auction forms. Subsequent transfers of funds shall only be allowed once these amounts are cleared.

11.SETTING THE EXCHANGE RATE BY THE ELIGIBLE FINANCIAL INSTITUTIONS

11.1.All the current restrictions on exchange rates quotation by banks are hereby removed. Banks can now set their own buying and selling exchange rates freely.

11.2.Banks and forex bureaus need to be aware that they shall now operate in a far more competitive environment, in which institutions shall be competing for business by reducing their spread and commissions. Customers shall be free to search for the best rate available. The BSS shall collect the daily rates quoted by the banks and forex bureaus with intention of making this information public through newspapers and other media.

11.3.Banks and forex bureaus are reminded that the duty to display the current exchange rates remains in place. Banking Supervision shall conduct targeted examinations to ascertain whether the displayed rates are offered to the customers. Institution displaying misleading information may be penalised.

12.PENALTIES

12.1.Bidders who breach the auction rules shall be penalised by the BSS.

12.2.Auction participants found not to have sufficient balances in their designated accounts to meet the amount of their bid shall be excluded from five consecutive auction sessions. Banks must therefore ensure that sufficient balance (at least equal to their total bid amount) is available in their accounts at the time of submitting the bids. The BSS shall monitor the balances closely and apply the prescribed penalties without exceptions.

12.3. Auction participants found not to have sufficient balances in their designated accounts to meet the amount of their bids for more than twice shall be excluded from twelve consecutive auction sessions.

12.4. For any other breach of the auction rules, BSS may impose fines or other penalties depending on the circumstances and the past record of the bidder. As stated earlier, the BSS inspection teams shall conduct targeted examinations to verify that the banks properly process applications of their clients and the required balances are maintained and blocked, and the allocated amounts are disbursed in a timely manner. The BSS shall also monitor that no credit facilities are extended by banks to their clients to enable them participate in auctions.

13. REGULATORY ISSUES

13.1. The participants are reminded to comply strictly with the BSS Regulation No.20/2012 on foreign exchange exposure limits of banks stating that any long/short net open position shall be adjusted within the following two business days. Banks are strongly advised to acquaint themselves with the provisions of this Regulation. The BSS shall implement the requirement of regular reporting of the overall open foreign exchange position for all the banks. Until further notice, these reports shall be required on a daily basis. A copy of the form and an electronic file should be obtained by the banks from the Banking Supervision Department. The duly filled daily reporting forms shall be required to be submitted to the BSS on the following working day beginning from Monday 21st December 2015. Banks that fail to submit the forms in a timely manner may be penalised.

13.2. Participating banks are also reminded to comply strictly with the BSS Regulation No.21/2012 on Minimum Reserves Requirement which states that 'banks are required to maintain on average the amount of eligible reserves at least equal to 20% of their deposits base during a Reserve Maintenance Period'. Banks are strongly advised to acquaint themselves with the provisions of this Regulation.

13.3. The BSS shall implement the regular reporting of the reserves requirement for all the banks beginning from Tuesday 15th December 2015 (calculation period) and Thursday 17th December (maintenance period). A copy of the form and an electronic file should be obtained by the banks from the Banking Supervision Department. The first duly completed Minimum Reserve Requirement reports are therefore due on Monday 04 January 2016 (fourth business day after the end of the maintenance period). Banks that fail to submit the forms on time shall be penalised.

14.REPORTING REQUIREMENTS

14.1.Banks are reminded that they are required to submit to the BSS the following:

14.1.1. Daily foreign exchange exposure reports; and

14.1.2. Bi-weekly reserve requirement reports.

15.MISCELLANEOUS

15.1.The Bank of South Sudan shall occasionally conduct purchase and/or sale auctions of U.S. dollar when it deemed necessary.

15.2.The regulation and procedures for participating bidders may be amended by the BSS from time to time, as deemed necessary.

15.3.The BSS reserves the right to terminate an auction session if it judges that collusion among the bidders or other malfeasance has occurred, or if the bid amounts are significantly out of line with the market needs. Decisions by the BSS (supervisory committee) under this section shall be final.

Sign: _____

Name: Marial Mabeny Bawuor,

Title: Director, Research and Statistics.

Sign: _____

Name: Albino Dak Othow.

Title: Ag. D/G, Supervision & Research.

Directorate of Supervision and Research

Bank of South Sudan

