



DIRECTORATE OF SUPERVISION AND RESEARCH

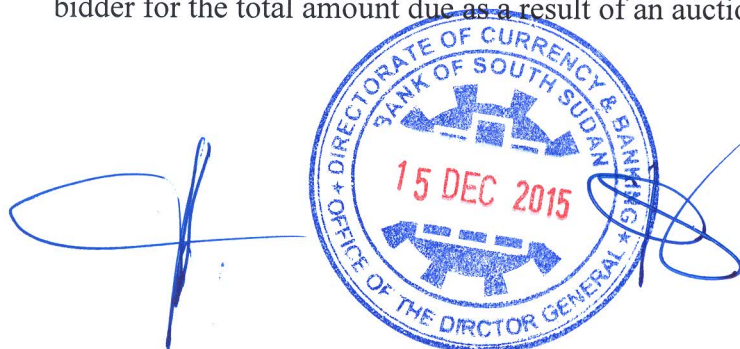
BANK OF SOUTH SUDAN

FOREIGN EXCHANGE AUCTION RULES AND PROCEDURES.

December 2015



1. **Introduction:** The Bank of South Sudan is introducing **Foreign Exchange Auction**, as a transparent and competitive tool, for implementing the Floating Exchange Rate (FER) policy. The foreign exchange auction will be restricted to the sale or purchase of U.S. dollars. Only authorized banks will be eligible to participate in the auction. This document establishes a methodology and procedures for participation of the eligible authorized dealers in the auctions process.
2. **Definitions:** Unless otherwise specified:
 - 'The Bank'** means the Bank of South Sudan
 - 'Auction'** means a bidding process by which the Bank sells (sale auction) or buys (purchase auction) foreign currency from eligible bidders.
 - 'Bid'** means a written offer to buy foreign currency in an auction, presented as prescribed in this document. Each bid amount must be expressed in multiples of one thousands.
 - 'Bid rate'** means the rate of exchange at which a bidder wishes to buy foreign currency (bid amount) in exchange for SSP.
 - 'Bid to cover ratio'** means the total of bid amounts divided by the total amount of foreign currency awarded to bidders.
 - 'Bidder'** means any authorized dealer eligible to participate in the auction.
 - 'Business day'** means any day other than Saturday, Sunday, or such other day on which the Bank is not open for business.
 - 'Eligible bidder'** means a bidder holding a valid license issued by the Bank, not permanently or temporarily suspended from participating in an auction, and meeting all requirements stipulated by the Bank.
 - 'Maximum bid'** means the highest bid amount allowed in an auction.
 - 'Minimum bid'** means the lowest bid amount allowed in an auction.
 - 'Offer'** means a written offer to sell foreign currency in an auction that must be presented as prescribed in this document. Each offer amount must be expressed in multiples of one thousands.
 - 'Offer rate'** means the rate of exchange at which a bidder wishes to sell foreign currency (offer amount) in exchange for SSP.
 - 'Offer to cover ratio'** means the total amount of foreign currency offered divided by the total amount of foreign currency awarded to bidders.
 - 'Purchase auction'** means an auction at which the Bank announces its intention to buy foreign currency from eligible bidders.
 - 'Reserve bid rate'** means the minimum rate of exchange at which the Bank is willing to accept bids in an auction.
 - 'Reserve offer rate'** means the maximum rate of exchange at which the Bank is willing to accept offers in an auction.
 - 'Sale auction'** means an auction at which the Bank announces its intention to sell foreign currency to eligible bidders.
 - 'Sealed bid'** means a bid and/or offer for an auction delivered in a sealed envelope.
 - 'Settlement'** means a full payment in SSP, USD between the Bank and a successful bidder for the total amount due as a result of an auction.



3. **Type of Auction:** The auction will be conducted as a uniform price auction in which every successful bidder pays or receives the final rate at which BSS elects to close the auction. All transactions will be settled in form of bank transfers. Any amount of foreign currency offered for sale by a bidder at a purchase auction must be in form of a credit balance on a designated current account maintained by a bidder at the Bank.
4. **Auction Rules:** These are rules for effective implementation of the foreign exchange auction. The Bank reserves the right to amend these rules from time to time based on experience and prevailing circumstances. Furthermore, these rules do not preclude other actions that the Bank may deem necessary in dealing with matters of foreign exchange aimed at smoothing the exchange rate. All participants shall be expected to fully abide by these rules.
- a. **Auction Supervisory Committee:**
- i. Oversight of foreign exchange auction shall rest with the Bank Auction Supervisory Committee. The Committee shall comprise of three officials of the Bank selected by the Governor or his designee.
 - ii. The auction box shall be kept under their control when bids are being submitted. They are also given the task of opening the box to commence the auction and monitor the reading of the bids and offers.
- b. **Functions of the Auction Supervisory Committee**
- i. Make a public announcement for each auction two working days before the auction is due to take place;
 - ii. Announce the total amount of USD or other foreign currencies that the Bank wishes to buy or sell. It also set the minimum and maximum amount of each bid or offer.
 - iii. It will determine the reserves bid or offer exchange rate acceptable to BSS. The rate will not be made public until after the auction.
 - iv. Supervise the opening and checking of the sealed bids;
 - v. Verify the eligibility of the submitted bids;
 - vi. Determine the winning bids on the basis of the rules of the auction;
 - vii. Announce the auction results and winners;
 - viii. Maintain the database of all statistics and information on the auction;
- c. **Auction Procedures**
- i. The auction box shall be placed at the Bank reception between 09:15 and 10:00 a.m. on a day of an auction;
 - ii. No bids shall be accepted after 10:00 a.m.;
 - iii. The box containing the sealed bids shall be opened at 10:15 a.m. on the auction day in the presence of the Auction Supervisory Committee members and two independent observers;
 - iv. The sealed bids, signed by an authorized signatory of the bidders, shall be opened and their eligibility established in accordance with the rules of the auction;



- v. The eligible bids shall be processed and listed in descending order of bid exchange rates;
- vi. The eligible offers shall be processed and listed in ascending order of offer exchange rates;
- vii. The Auction Supervisory Committee shall follow the allocation process in order to determine successful winners;

d. Announcement of auction results

- i. Results of each auction shall be announced at 11:45 a.m. on the day of an auction.
- ii. A written summary of the auction results, containing the names of the winning bidders, the amounts of allocated bids and accepted offers, and the rate of each allocation and purchase, shall be posted on the Bank public notice board. The same list shall also contain the names of the unsuccessful bidders, their bid and offer amounts and exchange rates, bid-to-cover and offer-to-cover ratios, and reserve bid and offer exchange rate set by the Bank.

e. Disqualifications: The following bids will be rejected:

- i. Bids submitted after the deadline;
- ii. Bids with incomplete or missing information;
- iii. Bids lower than the allowable minimum amount at a particular auction;
- iv. Bids higher than the allowable maximum amount at a particular auction;
- v. Bids with bid exchange rate below the reserve bid exchange rate set by the Bank;
- vi. Bids with offer exchange rate above the reserve offer exchange rate set by the Bank;
- vii. Bids from participants with insufficient funds in their designated current account with the Bank;
- viii. Multiple bids from a participant;

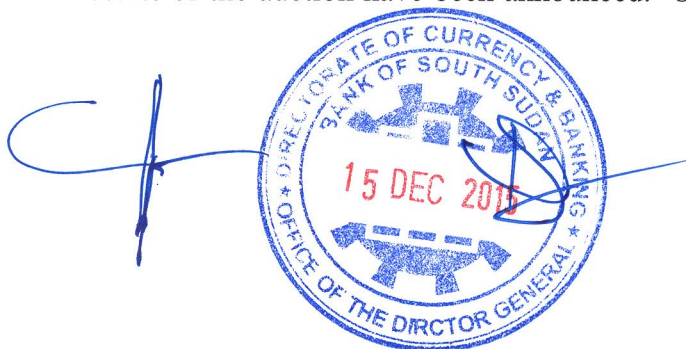
- 5. **Participants:** Only commercial banks that meet the criteria of eligible bidder shall be allowed to participate in the auction.
- 6. **Participation in an auction:** Participation in an auction for commercial banks shall be voluntary.
- 7. **Withdrawal of Bids:** Participants shall not be allowed to withdraw bids once lodged with the Bank.
- 8. **Auction Currency:** The currency of the auction shall be the US dollar.
- 9. **Attendance at a bid opening:** Participation in a bid opening for bidding commercial banks shall be voluntary and limited to two randomly selected representatives from among all eligible bidders.



10. Allocation Process:

- a. At the sale auction:
 - i. The allocation process shall commence in a descending order in terms of SSP per U.S. dollars (exchange rate).
 - ii. Bid amounts will be allocated among successful bidders until the total amount of foreign currency available on a day of auction is sold. In selecting successful bidders and allocating bid amounts, the Bank Auction Supervisory Committee acting on behalf of the Governor (or designee) will select bidders consecutively from the list of bidders arranged from the highest to the lowest bid exchange rates.
- b. At the purchase auction:
 - i. The acceptance process shall commence in an ascending order in terms of SSP per U.S. dollars (exchange rate).
 - ii. Subject to a reserve offer exchange rate, offer amounts will be accepted from bidders until the total amount of foreign currency required on a day of auction is purchased. In selecting successful bidders and accepting offer amounts, the Bank Auction Supervisory Committee acting on behalf of the Governor (or designee) will select bidders consecutively from the list of bidders arranged from the lowest to the highest offer exchange rates.
- c. The final rate applied to successful bids or offers shall be rate at which BSS declares the auction closed. The amount allocated to two or more participants bidding at the lowest accepted bid exchange rate or the highest accepted offer exchange rate shall be prorated in proportion to their submitted bid or offer amounts.
- d. The Bank reserves the right to reject any bid, in whole or in part, if there is information of collusion or irregularities. The Bank also reserves the right to increase or reduce the amount of foreign currency it sells or buys through an auction, if the total of bid/offer amounts is insufficient, or market conditions warrant an increase or decrease from the amount indicated.

11. **Designated current account:** Each participant in the auction shall make sure that their designated current account at the time of submitting their bid or offer has a credit balance at least equal to the bid or offer amount respectively. No additional funds can be deposited in the designated current account on the day of an auction until the results of the auction have been announced. Opening balance on a bidder's



designated current account on the auction day shall be used to determine whether the balance is sufficient to cover the submitted bid or offer amounts.

12. **Sanctions:** Bidders who breach the auction rules will be sanctioned by the Bank. Irrespective of whether successful or not, auction participants found not to have sufficient balance in their designated current account to meet the amount of their bid or offer shall be penalized by exclusion from five consecutive auctions. Participants found to have insufficient funds to participate in an auction more than twice in a period of 20 working days shall be excluded from 20 consecutive auctions.
13. **Disbursement Procedures:** The amount of dollars won by successful bidders will be credited to their respective designated USD accounts and the corresponding SSP equivalent debited from their accounts at the Bank.
14. **Provision of Bank Accounts Details:** To facilitate the transfer of purchased foreign currencies, participants shall provide the Bank with details of their bank accounts. Amounts of foreign currency offered for sale through an auction by the participants must be deposited with the Bank before an auction.
15. **Minimum Bid and Offer amounts:** The minimum bid or offer per participant shall be USD 50,000 (US dollars fifty thousand), unless otherwise stipulated in auction announcement.
16. **Maximum Bid and Offer amounts:** A single participant's bid or offer may not exceed 20% of the amount offered for sale during an auction, as per the Bank auction announcement. Furthermore, Bank may, at its discretion, set a different maximum bid or offer amount and publish it in the auction announcement.
17. **Timing and Frequency:** The Foreign Exchange Auction shall be held on an 'as needed' basis. The auction announcement shall be made through a notice board at the Bank and/or any other medium of communication.
18. **Amendments:** This Foreign Exchange Auction and Procedures for Participating Institutions may be amended by the Bank as deemed necessary.



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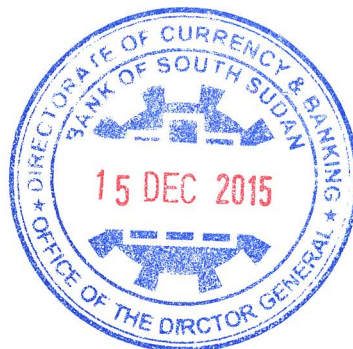
**Public Announcement of Foreign Exchange Sale Auction
(Eligible Commercial Banks Only)**

The Bank of South Sudan will sell US dollars X,XXX,XXX (US dollars _____ million), in form of bank transfers, to eligible bidders (eligible commercial banks) through an auction to be held on Day-Month-20XX. The auction process will be governed by the Bank 'Foreign Exchange Auction Rules and Procedures'.

Juba, Day-Month-20XX

[name]

Chairperson, Auction Supervisory Committee
Bank of South Sudan



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**Public Announcement of Foreign Exchange Purchase Auction
(Eligible Commercial Banks Only)**

The Bank of South Sudan will buy US dollars X,XXX,XXX (US dollars _____ million), in form of bank transfers, to eligible bidders (eligible commercial banks) through an auction to be held on Day-Month-20XX. The auction process will be governed by the Bank 'Foreign Exchange Auction Rules and Procedures'.

Juba, Day-Month-20XX

[name]

Chairperson, Auction Supervisory Committee
Bank of South Sudan



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**Foreign Exchange Auction
Bid Auction Application Form
Auction date: Day-Month-20XX**

To Be Completed by Bidder

Bid for BANK TRANSFER		
1.	Full Name of Commercial Bank	
2 a.	Bid Rate (Exchange Rate of SSP to USD)	
2b.	Bid Amount (Amount of <i>currency</i> requested)	In numbers: In words:
3.	Date of Submission	
We, the undersigned, understand and accept the terms and conditions of the Foreign Exchange Auction. We also confirm that the balance of our designated Account is at least equal to the submitted bid amount. We authorize you to use our designated Account for the settlement of the auction transactions.		
4.	Authorized Signatories	a. b.
5.	Company seal	

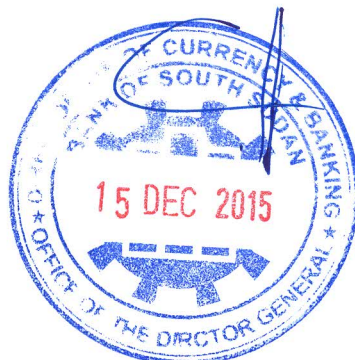
For office use only:

Received, verified and accepted by the Bank Auction Supervisory Committee:

Signature

Date

Stamp



(Handwritten signature)

**Foreign Exchange Auction
Purchase Auction Application Form
Auction date: Day-Month-20XX**

To Be Completed by Bidder

Bid for BANK TRANSFER		
1.	Full Name of Commercial Bank	
2 a.	Offer Rate (Exchange Rate of SSP to USD)	
2b.	Offer Amount (Amount of <i>currency</i> requested)	In numbers: In words:
3.	Date of Submission	
<p>We, the undersigned, understand and accept the terms and conditions of the Foreign Exchange Auction. We also confirm that the balance of our designated Account is at least equal to the submitted offer amount.</p> <p>We authorize you to use our designated Account for the settlement of the auction transactions.</p>		
4.	Authorized Signatories	a. b.
5.	Company seal	

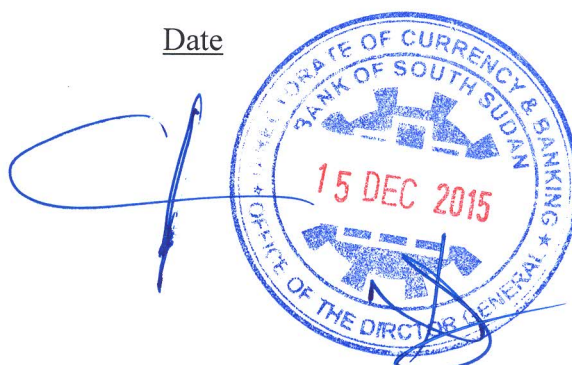
For office use only:

Received, verified and accepted by the Bank Auction Supervisory Committee:

Signature

Date

Stamp



**Results of Foreign Exchange Sale Auction
held on Day-Month-20XX**

The Bank of South Sudan announces the following results:

The total number of bids submitted	----- (number)
The total number of transactions processed	----- (number)
Total amount traded through the auction	----- [US dollars]
The cut off bid rate (lowest successful bid)	----- SSP to 1 (One) [US dollar]
The highest bid rate received	----- SSP to 1 (One) [US dollar]
The lowest bid rate received	----- SSP to 1 (One) [US dollar]
Bid-to-cover ratio	----- %
Reserve bid exchange rate (set by the BOSS)	----- SSP to 1 (One) [US dollar]

Continued on page 2

Successful bidders:			
Name of Bidder	Amount allocated	Allocated at the rate of	Bank Transfer
Total located amount			
Average rate:			



**Results of Foreign Exchange Purchase Auction
held on Day-Month-20XX**

The Bank of South Sudan announces the following results:

The total number of offers submitted	----- (number)
The total number of transactions processed	----- (number)
Total amount traded through the auction	----- [US dollars]
The cut off offer rate (highest successful offer)	----- SSP to 1 (One) [US dollar]
The highest offer rate received was	----- SSP to 1 (One) [US dollar]
The lowest offer rate received was	----- SSP to 1 (One) [US dollar]
Offer-to-cover ratio	----- %
Reserve offer exchange rate (set by the BOSS)	----- SSP to 1 (One) [US dollar]

Continued on page 2

Successful bidders:			
Name of Bidder	Amount allocated	Allocated at the rate of	Bank Transfer
Total located amount			
Average rate:			



Foreign Currency Auctions Operational Guidelines

1. Bank of South Sudan

- Decide on the amount of currency to be sold or purchased by the Bank through an auction on a particular day.
- Announce the auction (Exhibit A-1, A-2).
- Receive and process bids (Exhibit B-1, B-2).
- Award bid (and/or offer) amounts to the successful bidders.
- Announce the auction results (Exhibit C-1, C-2).
- Send the final list to the Financial Markets Department for processing.
- Settle the amounts awarded through the auction through bidders' correspondent bank accounts.

2. BIDDERS

- Receive Auction Announcement.
- Collect Auction Form.
- Decide on the Bid/Offer Amount and Bid/Offer Exchange rate
- Submit the Auction Forms, to BSS.
- Make the necessary deposit in designated current account at the Bank
- Deliver a sealed envelope with a duly completed Auction Form to the Bank between 09:15 and 10:00 am on the day of the auction.
- If interested in being an observer at the bid opening at the next auction, submit a name, commercial bank name and a contact telephone number.



The image shows a handwritten signature in blue ink on the left. To its right is a circular official stamp. The stamp's outer ring contains the text "STATE OF SUDAN" at the top and "BANK OF SOUTH SUDAN" at the bottom. Inside the ring, there is a central emblem featuring a map of Sudan. Below the emblem, the text "OFFICE OF THE DIRECTOR GENERAL" is visible. A red date stamp "15 DEC 2015" is placed over the central emblem.

Auction example:

Amount to be sold: USD 1,000,000		Reserve bid rate: 2.8500		
Cash: USD 600,000		Bank Transfer: USD 400,000		
Minimum bid amount: USD 10,000		Maximum bid amount: USD 200,000		
	Name of Bidder	Bid Rate	Bid Amount	C or BT
1	ABC1	2.83	150,000	C
2	ABC2	2.85	75,000	C
3	ABC3	2.88	130,000	C
4	ABC4	2.92	200,000	C
5	ABC5	2.97	250,000	C
6	ABC6	2.91	200,000	BT
7	ABC7	2.99	150,000	BT
8	ABC8	2.93	100,000	C
9	ABC9	2.92	75,000	C
10	ABC10	2.94	80,000	C
11	ABC11	2.97	95,000	BT
12	ABC12	2.99	120,000	BT
13	ABC13	3.02	110,000	C
14	ABC13	3.01	150,000	BT
...
...
...
45	ABC45	3.00	200,000	C
46	ABC46	2.91	175,000	BT
47	ABC47	2.93	100,000	BT
48	ABC48	2.98	180,000	C
49	ABC49	2.94	100,000	C
50	ABC50	2.94	120,000	BT
Total				

Table 1

Step 1 - all bids are input into a spreadsheet (Table 1). These are reviewed by the Auction Supervisory Committee.

Note:

Bidder ABC1 is disqualified as the bid rate is below the reserve bid exchange rate stipulated by the Bank;
 Bidder ABC5 is disqualified as the bid amount exceeds the maximum bid amount of USD 200,000 set by the Bank;

Bidder ABC13 is disqualified as the total of two bids submitted exceeds the maximum bid amount of USD 200,000 set by the Bank.

Step 2 - all bids are arranged in descending order of the submitted bid exchange rates.



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(Table 2).

Cash: USD 600,000		Bank Transfer: USD 400,000		
	Name of Bidder	Bid Exchange rate	Bid Amount	C or BT
7	ABC7	2.99	150,000	BT
12	ABC12	2.99	120,000	BT
11	ABC11	2.97	95,000	BT
50	ABC50	2.94	120,000	BT
47	ABC47	2.93	100,000	BT
6	ABC6	2.91	200,000	BT
46	ABC46	2.91	175,000	BT
45	ABC45	3.00	200,000	C
48	ABC48	2.98	180,000	C
10	ABC10	2.94	80,000	C
49	ABC49	2.94	100,000	C
8	ABC8	2.93	100,000	C
4	ABC4	2.92	200,000	C
9	ABC9	2.92	75,000	C
3	ABC3	2.88	130,000	C
2	ABC2	2.85	75,000	C

The following bidders (ABC7, ABC12, and ABC11 are awarded their allocations in full, while the bidder ABC50 receives only USD 35,000 (despite their bid amount of USD 120,000):

ABC7	2.99	150,000
ABC12	2.99	120,000
ABC11	2.97	95,000
Subtotal:		365,000
ABC50	2.94	35,000
Total		400,000

This way the full auction amount of USD 400,000 has been allocated among the top four bidders.

The following bidders ABC45, ABC48, ABC10 and ABC49 are awarded their allocations in full, while the bidder ABC8 receives only USD 40,000 (despite their bid amount of USD 100,000):

ABC45	3.00	200,000
ABC48	2.98	180,000
ABC10	2.94	80,000
ABC49	2.94	100,000
Subtotal:		560,000
ABC8	2.93	40,000
Total		600,000

Step 3 - The final result is then announced to the public.

Step 4 - Accounting entries are then passed by the Financial Markets department and bank transfers executed according to the bidders' instructions.

