



**Office of the Director General,
Directorate of Currency and Banking Operations,
The Bank of South Sudan.**

Issued on: 14th December 2015.

FOREIGN EXCHANGE MARKET CODE OF CONDUCT.

A handwritten signature in blue ink, consisting of a stylized 'S' shape with a horizontal line extending to the right.

A handwritten signature in blue ink, consisting of a stylized 'J' shape with a horizontal line extending to the right.

1. PREAMBLE

To address the market rigidities and further enhance the transparency, efficiency and effectiveness of the foreign exchange market in South Sudan, the Bank of South Sudan has decided, in collaboration with the Bankers Association of South Sudan, to establish sound interbank foreign exchange systems which also comply with the standards of professionalism and business conduct. It is in that order that this Code of Conduct has been established.

The Code sets out the principles which should govern the conduct of participating banks in the foreign exchange market and is aimed at encouraging high standards, in line with internationally accepted standards.

Compliance with the Code of conduct is mandatory.

2. STANDARDS OF BEHAVIOUR

Banks must ensure that personnel dealing on their behalf act in a manner consistent with the established code of Conduct. All dealers shall sign a copy of the Code and abide by its provisions.

3. DEALING GUIDELINES

Management shall issue guidelines to authorized dealing personnel stipulating the extent of their authorities and responsibilities. These shall include but not limited to:

- 1) Persons authorized to deal;
- 2) Instruments and currencies to be traded;
- 3) Limits on dealing, open and mismatch positions, counterparties and stop-loss orders.
- 4) Confirmation and settlement procedures;
- 5) Relationship with other dealers;
- 6) Reporting procedures;
- 7) Performance evaluation and measurement; and
- 8) Any other relevant issues to guide operations.



4. RESPONSIBILITIES

Management shall be held responsible for the actions of their staff and must therefore ensure that:

- 1) dealing personnel have the necessary authority to do so;
- 2) dealers are adequately trained, knowledgeable of the market and aware of their own and the firm's responsibilities; and
- 3) dealing personnel comply with any regulatory requirements relevant to the bank's activities in the wholesale market.

5. CONFIDENTIALITY

Confidentiality is a prerequisite for a reputable and efficient market. To ensure adherence to the principle of confidentiality, commercial banks shall share equal responsibility. Dealers shall not, without explicit authority from their respective management and that of the counterparty discusses or discloses information relating to counterparty business and specific deals which have been or are to be transacted. Management shall ensure that all dealing personnel are aware of the confidentiality requirement. Non-compliance with the confidentiality principle will attract sanctions as stipulated in the penalty clause.

6. PERSONAL CONDUCT

6.1 Drugs and Abused Substances

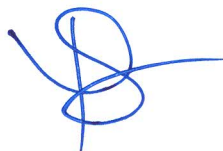
Management shall issue guidelines and educate itself and dealing personnel on the possible signs and effects of consumption of drugs including the intake of alcohol and other abused substances. The guidelines should clearly stipulate how drug cases once discovered shall be handled by the organization.

6.2 Entertainment and gifts

Management or dealing staff shall not offer or solicit inducements from counterparties to conduct business. However, consistent with normal practice amongst market practitioners, modest entertainment can be allowed.

Management shall:

- a) Formulates policy/guidelines on the treatment of offering/receiving gifts, entertainment and/or special favors by its employees. The guidelines should stipulate the threshold of



acceptable gifts, entertainment or special favors. Gifts or favors offered should be brought to the attention of the immediate supervisor(s) ;

- b) Monitor the form, frequency and cost of the gifts/entertainment being provided to its dealers ;
- c) Establish procedures to deal with gifts deemed to be excessive but cannot be declined without causing offence ;
- d) Ensure transparency in the handling of entertainment/gifts offered and/or received ; and
- e) Ensure that its dealing personnel do not attend entertainment activities where the host is not present.

6.3 Gambling and Betting amongst Market Participants

Gambling and betting amongst market participants shall be forbidden. Management should ensure that a clear policy is in place to deal with employees found engaging in such practices.

6.4 Dealing for personal account

Dealers should not be allowed to deal for their own personal account. In case where personal investments by dealers are allowed, Management shall ensure that a clear policy is in place to deal with dealer's investments and dealings on behalf of other personnel and family members.

6.5 Money Laundering/Know Your Counterparty

Banks shall be required to 'know their customers' and take necessary steps to ensure that transactions being conducted are free from any money laundering activity (ies). Management shall ensure that dealing personnel are aware of money laundering issues and vigilant of any suspicious transactions in line with the requirements of the Anti Money Laundering and Financing of Terrorism Act 2012.

6.6 Mis information and Rumours

Dealers shall not relay on information that has not been verified and shall exercise great care when discussing unsubstantiated information.

6.7 Customer Relation and Advice/Liability



All foreign exchange dealings should be taken at an arm's length basis unless otherwise agreed by the parties involved. This implies that dealing personnel shall separate the advisory role from the actual execution of the transactions; preferably the dealers operating in the market should be different from those dealing with clients.

Foreign exchange dealings with customers/clients should be clarified ensuring that:

- a) The customer understands the terms, conditions and risks of such transactions;
- b) The customer has made his or her own assessment and independent decision to enter into such a transaction;
- c) The customer understands that any information or communication by the other party should not be construed as an investment advice or recommendation to enter into such a transaction; and
- d) No advisory or fiduciary relationship exists between the parties.

7. BUSINESS HOURS

7.1 Market opening and Closing Hours

The market shall remain open for 8 hours on all business days, that is, open at 9:00 am and close at 3:00 pm local time, excluding lunch time and next two hours for bank internal work.

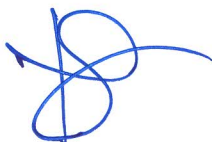
7.2 After Hours dealing

Normally, no deals shall be entered into force after normal business hours. However, taking into account, the globalization of financial markets, deals can be entered into after the normal working hours. To this end, any deal entered into after working hours shall only be entered into with prior approval of management of the two dealing institutions. Management shall:

- 1) issue clear written instructions of dealing outside normal business hours;
- 2) approve the names of dealing personnel who will be allowed to transact after business hours, clearly stipulating procedures for prompt reporting and recording thereof.

7.3 Holidays

The following procedures shall apply whenever the Government of the Republic of South Sudan



declares public holidays:

- a) The new value date becomes the first common business day following the original value date;
- b) Value date in foreign exchange settlement *will not be split* other than in cases where the two parties have agreed; and
- c) The exchange rates shall not be adjusted on the outstanding contracts.

8. TAPING

It has been established that tape recording of telephone conversations can be invaluable in dispute resolution over details of transactions as well as foster confidence in the dealing procedures.

All market participants shall be required to install telephone conversation recording equipment that can tape all conversations by dealers.

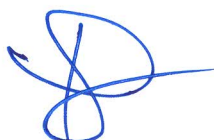
Management shall ensure that :

- 1) access to taping equipment and tapes is strictly controlled so that no tampering can occur ;
- 2) the tapes are kept for a reasonable period, preferably *3 months*, covering the settlement date of the transaction to ensure that trading differences and disputes discovered ex-post can be amicably resolved ;
- 3) dealing counterparties must be advised by the banks about the recording system in place for recording all the conversations ; and
- 4) The transaction recording equipment shall be installed in a secure location to ensure that no report can be erased without Management approval.

9. USE OF MOBILE COMMUNICATION DEVICES FOR BUSINESS TRANSACTIONS

Management shall issue guidelines to dealing and settlement personnel on the usage of mobile equipment to enter into deals. Some of the issues to be considered are :

- Whether private/company owned equipment could be used inside the dealing room and back-office to transact and confirm transactions ;
- Whether private/company owned devices should be allowed in the dealing room. If



allowed, can the devices be used for personal dealings ; and

- The terms and conditions under which such equipment can be authorized by management to be used to conduct dealing activities.

10. DEALING ROOM SECURITY

Management shall ensure that access to the dealing room is restricted only to authorized dealing personnel.

11. DEALING PRACTICE

11.1 Dealing Quotation-Firmness, Qualification Reference

Market participants shall quote on demand simultaneous bid and offer prices at a spread, which is mutually acceptable, and is good in normal circumstances for an accepted marketable amount provided the credit standing of the counterparty is satisfactory.

All market participants shall make it clear to the counterparty whether the prices quoted are firm or indicative.

11.2 Dealing at Non-Current Rates

Trading on non-current rates shall not be allowed so as to ensure transparency such that dealers do not conceal losses or profits.

11.3 Consummation of a deal: "My Word is my Bond"

Dealers should regard themselves bound once the terms have been agreed. Oral agreements shall be considered binding; the subsequent confirmation is evidence of the deal but shall not override the terms agreed orally. Deals concluded orally shall be validated promptly by telex, fax or email. This added check should not replace the formal confirmation, which would follow in due course (Swift).

11.4 Dealing Conduct

Management shall issue clear guidelines that promote the highest standards of conduct and ethics where honor, honesty and integrity should be guiding principles in dealing and ensure that

Two handwritten signatures in blue ink. The signature on the left is a stylized, cursive 'S' or 'B' shape. The signature on the right is a stylized 'J' or 'I' shape with a horizontal crossbar.

dealing personnel shall at all times maintain the highest ethical standards.

11.5 Internet/Online Trading

Where a market participant has established an online trading facility, it must ensure that the dealing personnel and/or counterparty understand the rules governing the operation of such a system.

Management shall ensure that there is secure access and authentication of personnel authorized to utilize such facilities.

12. MARKET DISRUPTION

There are instances where the parties are prevented from performing their obligations under a transaction due to an event, which was unforeseeable at the time the transaction was entered into and which is beyond the parties' control. These include capital controls, illegality or impossibility of performance, acts of God, illiquidity etc.

Market participants are encouraged to provide for these events in their contracts. Various industry groups have developed standard practices to cover these types of events and the consequences of such events to their contractual relationships. Market participants should adopt the appropriate provisions in order to avoid disputes as much as possible.

Where there are instances of general market disruption caused by sudden events, such as, extreme weather or other unforeseen developments, the Bank of South Sudan may intervene with the publication of applicable procedures, including interest rates to be applied to complete interrupted settlement. Market participants should strictly adhere to these rules in the absence of any written agreement dealing with such circumstances.

13. BACK-OFFICE PAYMENTS, CONFIRMATION AND SETTLEMENTS

13.1 Back-Office Location and Segregation of Duties

Market makers shall have well-defined organizational structures that clearly segregate the duties, reporting lines and risk management control arrangements between the Front (dealing operations)

Two handwritten signatures in blue ink. The signature on the left is a stylized, circular scribble. The signature on the right is a more linear, horizontal stroke with a loop at the end.

and the back (transaction processing and settlement) offices. In the situation where there is an established middle-office, segregation of duties should also be clearly specified.

13.2 Confirmation of Deals Concluded

Confirmation of deals shall be done independently of the dealing personnel by the respective back office personnel *electronically (Swift) or through telex or fax*. Confirmations shall contain the following details:

- a) Date and time of the transaction;
- b) Name and location of the counterparty;
- c) Rate, amount and currency;
- d) Type and side of the deal;
- e) Value date;
- f) Standard terms/conditions applicable; and
- g) Any other important information

13.3 Payment and Settlement Instructions

Once a deal has been concluded payment and settlement instruction shall be passed as quickly as possible to ensure settlement on the due date. The normal spot (two-day settlement) shall apply. Late deliveries shall attract a penalty charge at the *prime/base rate on the applicable currency*.

To help circumvent fraud, standard settlement instructions (SSIs) shall be exchanged at the beginning of each year, which shall apply for deals concluded. Any changes to the settlement instructions shall be immediately advised to the respective counterparties.

Participants shall allow for payment instructions to be exchanged at the time of arranging a deal by mutual consent or at confirmation time by the respective settlement departments.

13.4 Settlement of Differences

Any differences that occur shall not be settled through adjustment of subsequent dealing rates.

14. FRAUD

Market makers shall put in place administrative and internal controls to deal with cases of fraud/potential fraud. Payments to third parties shall be strictly monitored, controlled and no

Two handwritten signatures in blue ink. The signature on the left is a stylized, circular scribble. The signature on the right is a more elongated, horizontal stroke with a loop at the end.

payments shall be made without prior approval of the counterparty.

15. DISPUTE RESOLUTION, MEDIATION AND COMPLIANCE

15.1 Disputes and Mediation

Market makers shall put in place dispute resolution procedures and ensure that the dispute is resolved promptly to avoid delays in settlements. A high degree of integrity and mutual respect is encouraged. The dispute resolutions procedures shall be submitted to the Bank of South Sudan by the Banker's Association of South Sudan

15.2 Compliance

Market makers shall comply with the provisions of this dealer's code of conduct to ensure that the highest standard of integrity and fair dealing will be observed.

16. PENALTY

Failure to observe acceptable standards as provided by this dealer's Code of conduct shall result in either immediate revocation of the institution or individual dealers trading license or refusal to renew the license whichever is applicable in accordance with the Banking Laws.


17. GENERAL RISK MANAGEMENT

Management shall ensure that dealing personnel have a sound understanding of associated risks, such as, operational, legal, market and liquidity risks and the necessary skills and tools to manage and mitigate risks.

Senior Management should be involved in the designing of the risk management framework. The Board of Directors should approve the risk management policy and senior management should be accountable for the implementation of the policy. Considerations for the risk management and control framework shall, at the minimum, include the following:

a) Organizational structure

- Clear delegation of authority and reporting lines.
- Independent monitoring function to ensure compliance with risk management guidelines.
- Complete segregation of duties between front, middle and back office activities.



- Regular independent internal audit of trading and risk management functions to ensure early identification of weaknesses in internal controls.
- Open and effective communications.

b) Professional management in the administrative process

- Policy on human resource management to ensure high standards of professionalism.
- Guidelines to minimize deal input cycles, errors and down time should be in place.
- Regular review of internal processes and controls so as to identify and rectify weaknesses in the shortest time possible.

c) Provide appropriate systems and operational support

- Appropriate systems for timely documentation, processing and reporting.
- Technology policy and strategy to provide adequate system support and disaster recovery arrangements.

d) Ensure timely and accurate risk measurement and evaluation

- Clear mark-to-market rules and procedures. Trading positions should be marked to market on a daily basis by an independent operating unit from trading function, preferably the middle office. In the absence of a full-fledged middle office, the back office can take up this function.
- Frequent position valuation in cases where the market is volatile.

e) A sound legal foundation.

f) Adequate expertise in trading and risk management

18. MARKET TERMINOLOGY

Foreign exchange markets are dynamic and activity can move at a very fast pace. Thus, there is a high possibility of misunderstanding occurring. In order to mitigate the misunderstandings, standard generally accepted market terminology should be used. Special care should be taken to specify the particular currency. The following market terminology may be used for buying and selling:

Mine

Yours

I bid

I pay

I take



I buy

Offered

Comes

I give

I sell

I offer

Choice price i.e. price is good for bid or offer.

Nothing done there i.e. deal not done

Guidelines should clarify which terminology will be used for buying and selling activities.

- ***Spot Transactions***

Cash settlement is two working days from deal time.

- ***Short date***

Maturity dates of less than or up to one month

- ***Overnight, O/N***

Value today against tomorrow (or next business day)

- ***Tom-Next, T/N***

Value tomorrow (or next business day) against next business day (spot)

- ***Spot-Next, S/N***

Value spot against next business day

- ***One week***

Value spot against one week from the spot date

- ***Tom-one week (One week over tomorrow)***

Value tomorrow (or next business day) against one week from that date.

- ***Turn of the month***

Value last business day of the month against the first business day of the following month.

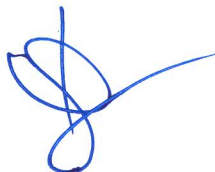
- ***Spot against month(end month)***

Value spot against last business day of the month.

- ***Turn of the year***

Value last business day of the year

- ***Forward***



All transactions with maturity beyond spot.

- ***Forward/Forward transactions***

Value any forward date against any other forward date.

- ***At a premium***

A transaction that is more expensive to buy than the face value.

A currency which is more expensive to purchase forward than for spot delivery.

- ***At discount***

A security that is trading at less than the face value.

A currency which is cheaper to purchase forward than for spot delivery.

- ***At par***

A price which is the same on both sides of the swap. A swap is the simultaneous purchase and sale of the same amount of a given currency for two different dates, against the sale and purchase of another currency.

- ***Long***

Excessive purchases over sales of a particular currency.

- ***Short***

Excessive sales over purchases of a particular currency.

- ***Open position***

The difference between total outright purchases and outright sales

- ***Square***

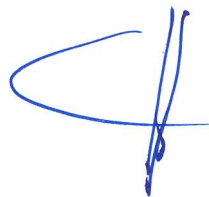
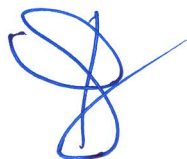
Purchases that is equal to sales leaving an institution with no currency exposure.

- ***Exposure limit definition***

Uncovered portion of foreign exchange purchased or sold outstanding in the books, including structural mismatches.

- ***Currency exposure limit***

Market makers shall be required to monitor and observe the foreign exchange exposure limits as set by the regulatory authority from time to time.



Sign: _____

Name: Moses Makur Deng,

Title: Director, Financial Markets.
operations.

Date: 15/12/2015

Sign: _____

Name: Dier Tong Ngor,

Title: D/G, Currency and Banking

Date: 15/12/2015