



**BANK OF SOUTH SUDAN (BSS)**

**Office of the Governor**

Plot No. 1, Block D 6, P. O. Box 136, Juba Market, Juba, South Sudan

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Date: 1<sup>st</sup> December, 2016

**Circular No. DSR/DS/4/2016**

**Guidelines on Offshore Banking Activities**

**Title and Commencement**

1. This circular shall be cited as “the Guideline on the Offshore Banking Activities” and shall come into force from the date of its signature by the Governor of the Bank of South Sudan.

**Purpose**

2. The purpose of this Circular is to provide guidelines to licensed banks and non-banks financial institutions, operating in South Sudan, on the offshore banking activities, particularly the activities relating to the business of foreign exchange trading with entities based in South Sudan, and which maintain offshore accounts.

**Authority and Application**

3. This Circular is issued in accordance with the provisions of Section 12.1 of the Bank of South Sudan Act, 2011, which authorizes the Bank to issue circulars, read together with Section (6) of the Foreign Exchange Business Act of 2012, which gives the Bank the regulatory authority of the foreign exchange business in the country; and Section (14) of the Anti-Money Laundering and counter Terrorist Financing Act 2012 on the money laundering offences.
4. This circular shall apply to all licensed banks and non-banks financial institutions, including forex bureaus and any other authorized dealer in foreign exchange.

**Context**

5. The Bank of South Sudan has observed with serious concern the increasing involvement of some licensed banks and non-banks financial institutions, operating in South Sudan, in offshore banking activities with entities and organizations based in South Sudan, and which maintain



offshore accounts. As the financial institutions are aware, offshore banking activities are often associated with underground economic activities, including money laundering, violation of foreign exchange regulations, tax evasion, illicit transactions, and other illegal activities.

6. One of the key concerns of the Bank of South Sudan, regarding the offshore banking activities, is the growing engagement of banks and non-banks financial institutions in the business of foreign exchange trading with various entities, including NGOs, International organizations, and other bodies that are based in South Sudan, and which maintain offshore accounts. Such activities involve trading in foreign exchange, offshore, often against the delivery of South Sudanese pounds inside South Sudan.
7. It is obvious that these practice have harmful effects on the South Sudanese economy, as it denies the country of considerable foreign exchange resources. The practice is significantly encouraging underground economy and fuels parallel foreign exchange market, as the funds purchased offshore find way into the parallel market in the country.

#### **Guidelines on the Offshore Banking Activities**

8. To restraint banks from these practices, the Bank of South Sudan hereby issues the following guidelines to all licensed banks and non-banks financial institutions on the conduct of offshore banking activities and the relationship between the financial institutions and the entities operating offshore accounts:
  - a. With immediate effect, and until further notice, all licensed banks and non-banks financial institutions, operating in South Sudan, are hereby prohibited from engaging in any offshore trading activities in foreign exchange with entities that are based in South Sudan, and which maintain and operate offshore accounts.
  - b. Until further notice, all offshore trading in foreign exchange shall be only conducted through the Bank of South Sudan. Any entity, which is a holder of offshore account, which would like to engage in offshore foreign exchange trading, against delivery of South Sudanese Pound equivalent in the country, should do so through the Bank of South Sudan. In this case the client concern would be requested to credit the Bank of South Sudan NOSTRO account, with correspondent abroad, against immediate delivery of SSP equivalent (using prevailing exchange rate) into their respective account with any commercial bank in South Sudan. Bank of South Sudan will set-up a dedicated desk for these types of transactions to facilitate efficient and timely execution of such transactions.

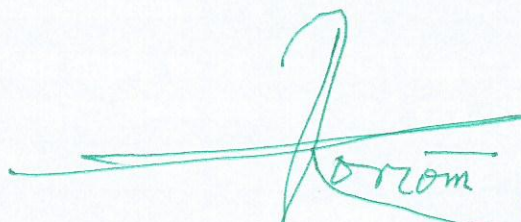


- c. The Bank of South Sudan shall consider, on case-by-case basis, approval of banks or non-banks financial institutions that would like to participate in offshore foreign exchange trading. Interested banks and non-banks financial institutions would be requested to formally apply to Bank of South Sudan for consideration. The Bank of South Sudan shall, upon such request, discuss the terms and condition for their participation.

### **Offences and Penalties**

9. Any bank or non-bank financial institution that engages in offshore banking activities, without the authorization of the Bank of South Sudan, commits an offence and shall be subject to penalties and fines, including prohibition from engaging in foreign exchange business, and any other penalties stipulated in the Foreign Exchange Act, 2012, Anti-Money Laundering & counter Terrorist Financing Act, 2012, and the provisions contained in the Bank of South Sudan Administrative and Financial Penalties Regulation 2011.
10. In accordance with Article (7.1) of the Foreign Exchange Business Act 2012, no person, or entity should engage in foreign exchange business unless such person or entity is licensed by the Bank of South Sudan. As such, all payments in foreign currency, to or from South Sudan, between residents and non-residents, or between non-residents, should only be made through a licensed entity by the Bank of South Sudan. Any person, company, organization based in South Sudan that is found to be trading in foreign exchange with an un-licensed entity, whether offshore or onshore, commits an offence under the provisions of the Foreign Exchange Business Act 2012, shall be subject to penalties and fines that are mentioned in section (6) above.

Issued under my hand in Juba, this 1<sup>st</sup> Day of the Month of *December* in the year, 2016



Kornelio Koriom Mayik  
Governor  
Bank of South Sudan

