



## BANK OF SOUTH SUDAN (BSS)

### REGULATION NO. 20, 2012

#### FOREIGN EXCHANGE EXPOSURE LIMITS OF BANKS

In accordance with the provisions of section 12 of the Bank of South Sudan Act, 2011, and section 69 of the Banking Act 2012 (the Banking Act), and consistent with internationally accepted standards on prudent management of foreign exchange risk, I hereby issue the following Regulation that sets the limits on foreign exchange exposure of banks operating in South Sudan.

This Regulation shall be cited as Foreign Exchange Exposure Limits of Banks, 2012, and shall come into effect as from the date of its signature.

#### I. Introduction, purpose and definitions

1. The acceptance of deposits and extension of credit in foreign currencies, as well as taking positions in foreign currency, pose potential foreign exchange risk to the balance sheet of commercial banks, which could have serious negative impact on the capital position of banks. Therefore, prudent management of banks' activities in foreign currencies is crucial to ensuring the safety and soundness of the individual banks and the banking system as a whole.
2. The purpose of this regulation is to ensure that the potential risk of loss arising from foreign exchange rate fluctuations to a bank's capital base is within prudential limits.
3. In this regulation, unless the context requires otherwise the following words and expressions shall mean:
  - (a) **Central Bank** or **the Bank** or the **BSS** means the Bank of South Sudan;
  - (b) **Core Capital** or **Tier 1 Capital** means permanent shareholders' equity in the form of issued and fully paid-up shares plus all disclosed reserves, less goodwill and any intangible assets;
  - (c) **Foreign currency** or **foreign exchange** means a currency other than legal tender in South Sudan;
  - (d) **Foreign exchange business** means any facility offered, business undertaken or transaction executed with any person involving a foreign currency inclusive of any account facility, credit extension, lending, issuance of guarantee, counter-guarantee, purchase or sale by means of cash, cheque, draft, transfer or any other instrument denominated in a foreign currency;
  - (e) **Forward transaction** or **forward purchase** or **forward buy** or **forward sale** means a transaction that is to be executed after more than two working days from the date the transaction is contracted or agreed;
  - (f) **Licensed bank** or **a bank** has the meaning assigned to it in the Banking Act;
  - (g) **Long position** or **long open position** or **overbought position** of a bank in a foreign currency means the holding by the bank of that foreign currency for its own account in excess of all its contractual spot, same day value and forward transaction commitments in that foreign currency;
  - (h) **Net open position** of a bank in a foreign currency means the net sum of all its assets and liabilities inclusive of all its spot, same day value and forward transactions, and its off balance sheet items in that foreign currency;



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- (i) **Overall open position** or **overall foreign exchange exposure** means a bank's foreign currency risk exposure as calculated using a shorthand method;
- (j) **Same day transaction** or **same day purchase** or **same day-buy** or **same day-sale** means a transaction having same day value;
- (k) **Same day value** means the transaction to which it is referred is to be executed on the day it is contracted or agreed;
- (l) **Shorthand method** means the method for measuring the overall foreign exchange risk exposure by (i) adding all short positions separately and all long positions separately, (ii) comparing the two totals, and (iii) using the larger of the two totals as the overall open position;
- (m) **Short position** or **short open position** or **oversold position** of a bank in a foreign currency means the holding by the bank of that foreign currency for its own account is less than all its contractual spot, same day value and forward transaction commitments in that foreign currency;
- (n) **Spot transaction** or **spot purchase** or **spot buy** or **spot sale** means a transaction having a spot value;
- (o) **Spot value** means the transaction to which it is referred is to be executed two working days from the date it is contracted or agreed;
- (p) **Value date** of a transaction means the date on which it is to be executed.

### II. Prudential rules

#### 4. Limit on overall foreign exchange open position

The overall foreign exchange risk exposure, as measured using spot mid-rates and shorthand method, shall not exceed +/- 25% of the bank's core capital. Any excess to the net open position shall be absorbed within the following two (2) business days.

#### 5. Prohibition on transactions with a bank's related parties

Banks are prohibited to make any transactions with a bank's related parties, except on an arm's length basis, in order to bring their foreign exchange position within the limits set in section 4.

#### 6. Limit on single currency foreign exchange risk exposure

The foreign exchange risk exposure in any single currency, irrespective of short or long position, shall be determined by the individual bank provided it remains within the overall exposure limit of +/- 20% of its core capital.

#### 7. Limit on intra-day foreign exchange risk exposure

Intra-day foreign exchange risk exposures, both in single currencies and overall, shall be maintained within prudent limits as established by a bank's Board of Directors in a written policy covering foreign exchange risk exposure.

#### 8. Methodology of calculation

Each bank shall calculate its single currency and overall foreign exchange risk exposure daily using the methodology required by the Bank as set out in Appendices I and II.

#### 9. Correction of excess foreign risk exposure

Each bank shall take every reasonable action to immediately correct any and all foreign exchange risk exposures which exceed the limits set forth in this regulation and in its



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board-adopted policy. Failure to correct any non-complying risk exposure by the closure of business on the following day may result in administrative sanctions as set forth in this regulation.

### 10. Maintenance of supporting documentation

Each bank shall maintain records which are sufficient to determine at all times its single currency and overall foreign exchange risk exposures. Each bank shall also maintain a daily record showing close-of-business foreign exchange risk exposures (both single currencies and overall) and a reconciliation of opening-to-closing positions.

### 11. Calculation of exposure on net open position in a single currency

The measurement of bank's exposure in a single currency involves determining if the bank has a long or short open position in that particular currency, and how large this position is. The open position in a currency is the sum of the net spot position and the net forward position. These are explained below as follows:

#### (a) Net spot position

The spot position is simply the position which appears directly on the balance sheet. The net spot position is the difference between foreign currency assets and liabilities in a particular currency. This must also include all accrued income and accrued expenses.

#### (b) Net forward position

The net forward position represents all amounts to be received less all amounts to be paid in the future in a particular currency as a result of foreign exchange transactions which have already taken place. These transactions which are recorded as off-balance sheet items would include:

- i. Spot transactions which are not yet settled,
- ii. Forward foreign exchange transactions,
- iii. Documentary credits, guarantees and similar commitments denominated in foreign currencies, irrespective of whether cash margin or collateral is held against them,
- iv. Currency futures and Swaps: All amounts to be received less all amounts to be paid in the future as a result of transactions in currency futures, and also the principal on currency swaps, must be measured and included in the net forward position.

### 12. Calculations of overall foreign exchange risk exposure

A calculation of overall foreign exchange risk exposure involves measurement of risks inherent in a banking institution's mix of long and short positions in different currencies. Banks shall use the shorthand method in order to calculate the overall foreign exchange risk exposure or overall open position as follows:

- (a) Calculate the net open position in each currency as set out in section 11;
- (b) Find the sum of all net long positions;
- (c) Find the sum of all net short positions;
- (d) Overall foreign exchange risk exposure or overall open position is the higher of (b) and (c).

### 13. Reporting requirements

Banks shall submit their returns to the Bank of South Sudan on a semi-monthly basis, in the format presented the attached Schedules.

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## III. Remedial measures, sanctions, and final provisions

### 14. Remedial measures and administrative sanctions

If a bank fails to comply with this regulation in a manner that result, or threatens to result, in an unsafe or unsound condition, the Bank of South Sudan may pursue any or all corrective actions as provided under Banking Act.

In addition to the use of corrective actions noted above, the Bank of South Sudan may prohibit the non-compliant bank from engaging in any further foreign exchange activities or impose any other sanctions deemed necessary.

### 15. Repealing of inconsistent provisions

All prior provisions contrary to this regulation are hereby repealed.

Made under my hand on  
This 19th day of SEPT. 2012

Kornelio Koriom Mayik  
Governor  
Bank of South Sudan

**FOREIGN EXCHANGE EXPOSURE**

**SCHEDULE 1**

<b>A. FOREIGN CURRENCY ASSETS</b>		<b>USD</b>	<b>EUR</b>	<b>GBP</b>	<b>UGX</b>	<b>KES</b>	<b>Others (SSP equivalent)</b>	<b>TOTAL (SSP equivalent)</b>
<b>BALANCE SHEET ITEMS</b>								
1. Cash on hand		0	0	0	0	0	0	0
2. Due from banks abroad (nostro accounts)		0	0	0	0	0	0	0
3. Balances with Central Bank (incl. items in clearing)		0	0	0	0	0	0	0
4. Loans & advances		0	0	0	0	0	0	0
5. Accrued interest receivable		0	0	0	0	0	0	0
6. Investments (incl. Gov't Securities)		0	0	0	0	0	0	0
7. Other assets		0	0	0	0	0	0	0
<b>8. Subtotal</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>OFF BALANCE SHEET ITEMS</b>								
9. Undelivered spot purchases		0	0	0	0	0	0	0
10. Forward purchases		0	0	0	0	0	0	0
11. Other off-balance sheet items		0	0	0	0	0	0	0
<b>12. Subtotal</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>13. TOTAL FOREIGN CURRENCY ASSETS</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>B. FOREIGN CURRENCY LIABILITIES</b>		<b>USD</b>	<b>EUR</b>	<b>GBP</b>	<b>UGX</b>	<b>KES</b>	<b>Others (SSP equivalent)</b>	<b>TOTAL (SSP equivalent)</b>
14. Due to banks		0.0	0.0	0.0	0.0	0.0	0.0	0.0
15. Deposits		0.0	0.0	0.0	0.0	0.0	0.0	0.0
16. Loans and Advances		0.0	0.0	0.0	0.0	0.0	0.0	0.0
17. Accrued interest payable		0.0	0.0	0.0	0.0	0.0	0.0	0.0
18. Other liabilities		0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>19. Subtotal</b>		<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>OFF BALANCE SHEET ITEMS</b>								
20. Undelivered spot sales		0.0	0.0	0.0	0.0	0.0	0.0	0.0
21. Forward sales		0.0	0.0	0.0	0.0	0.0	0.0	0.0
22. Other off-balance sheet items		0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>23. Subtotal</b>		<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>24. TOTAL FOREIGN CURRENCY LIABILITIES</b>		<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>D. NET FOREIGN EXCHANGE OPEN POSITION</b>								
25. Net Long (+) or Short (-) position in foreign currency		<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
26. Exchange rate in SSP per unit of foreign currency (mid-rate)		0.0000	0.0000	1.0000	0.0000	0.0000	0.0000	
<b>27. Net LONG position (SSP equivalent)</b>		<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>28. Net SHORT position (SSP equivalent)</b>		<b>---</b>	<b>---</b>	<b>---</b>	<b>---</b>	<b>---</b>	<b>---</b>	<b>0.0</b>
<b>29. OVERALL FOREIGN CURRENCY OPEN POSITION</b>								<b>0.0</b>

## FOREIGN EXCHANGE EXPOSURE

## SCHEDULE 1 (cont.)

30. Tier 1 Capital ( <i>SSP '000</i> )	
<b>E. NET FOREIGN EXCHANGE OPEN POSITION IN INDIVIDUAL CURRENCIES</b>	
31. USD foreign exchange exposure ( <i>SSP '000 equivalent</i> )	
32. USD foreign exchange exposure as % of Tier 1 Capital	
33. EUR foreign exchange exposure ( <i>SSP '000 equivalent</i> )	
34. EUR foreign exchange exposure as % of Tier 1 Capital	
35. GBP foreign exchange exposure ( <i>SSP '000 equivalent</i> )	
36. GBP foreign exchange exposure as % of Tier 1 Capital	
37. UGX foreign exchange exposure ( <i>SSP '000 equivalent</i> )	
38. UGX foreign exchange exposure as % of Tier 1 Capital	
39. KES foreign exchange exposure ( <i>SSP '000 equivalent</i> )	
40. KES foreign exchange exposure as % of Tier 1 Capital	
41. OTHERS foreign exchange exposure ( <i>SSP '000 equivalent</i> )	
42. OTHERS foreign exchange exposure as % of Tier 1 Capital	
<b>F. OVERALL FOREIGN EXCHANGE OPEN POSITION</b>	
43. Net overall foreign exchange exposure ( <i>SSP '000 equivalent</i> )	
44. Net foreign exchange exposure as % of Tier 1 Capital	

**FOREIGN EXCHANGE EXPOSURE**

**SCHEDULE 2**

**OFF-BALANCE SHEET FOREIGN CURRENCY LIABILITIES (SSP equivalent)**

Type and due date of FOREX commitment (SSP equivalent)	One week	Two weeks	Three weeks	Four weeks and over	Total amount	Margin held*	Balance
Letters of credit	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Guarantees, performance bonds, etc.	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Undelivered Spot and Forward sales	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other commitments**	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

\* In foreign currency only  
 \*\* If material, provide details as an attachment

SCHEDULE 3

FOREIGN EXCHANGE EXPOSURE

CORE (TIER 1) CAPITAL CALCULATIONS

<b>Core Capital (Tier 1)</b>	
<b>SSP '000</b>	
1. Permanent Shareholders' Equity (issued and fully paid-up common shares and irredeemable, non-cumulative preference shares)	0.00
2. Share premium	0.00
3. Prior years' retained profits	0.00
4. Net after-tax profits current year-to-date (enter 50% only)	0.00
5. General reserves (permanent, unencumbered and able to absorb losses)	0.00
6. Less deductions	0.00
(a) goodwill and other intangible assets	0.00
(b) current year's losses	0.00
(c) investments in unconsolidated financial subsidiaries	0.00
(d) deficiencies in provisions for losses	0.00
(e) prohibited loans to insiders	0.00
(f) other deductions determined by BOSS	0.00
<b>Total Core Capital (Tier 1)</b>	<b>0.00</b>



**FOREIGN EXCHANGE EXPOSURE**

**SCHEDULE 4**

**SUMMARY OF FOREIGN CURRENCY TRANSACTIONS**      **START DATE** \_\_\_\_\_ **END DATE** \_\_\_\_\_

	USD equivalent	SSP equivalent
<b>OPENING POSITION</b> <i>(previous period closing position)</i>	<b>0.00</b>	<b>0.00</b>
<b>SPOT PURCHASES - Residents</b>		
Central Bank	0.00	0.00
Banks and other financial institutions	0.00	0.00
Other customers	0.00	0.00
<b>subtotal</b>	<b>0.00</b>	<b>0.00</b>
<b>SPOT PURCHASES - Non residents</b>		
Banks and other financial institutions	0.00	0.00
Other customers	0.00	0.00
<b>subtotal</b>	<b>0.00</b>	<b>0.00</b>
<b>TOTAL SPOT PURCHASES</b>	<b>0.00</b>	<b>0.00</b>
<b>SPOT SALES - Residents</b>		
Central Bank	0.00	0.00
Banks and other financial institutions	0.00	0.00
Other customers	0.00	0.00
<b>subtotal</b>	<b>0.00</b>	<b>0.00</b>
<b>SPOT SALES - Non residents</b>		
Banks and other financial institutions	0.00	0.00
Other customers	0.00	0.00
<b>subtotal</b>	<b>0.00</b>	<b>0.00</b>
<b>TOTAL SPOT SALES</b>	<b>0.00</b>	<b>0.00</b>
<b>NET SPOT POSITION</b>	<b>0.00</b>	<b>0.00</b>
<b>FORWARD and SWAP PURCHASES - Residents</b>		
Central Bank	0.00	0.00
Banks and other financial institutions	0.00	0.00
Other customers	0.00	0.00
<b>subtotal</b>	<b>0.00</b>	<b>0.00</b>
<b>FORWARD and SWAP PURCHASES - Non residents</b>		
Banks and other financial institutions	0.00	0.00
Other customers	0.00	0.00
<b>subtotal</b>	<b>0.00</b>	<b>0.00</b>
<b>TOTAL FORWARD and SWAP PURCHASES</b>	<b>0.00</b>	<b>0.00</b>
<b>FORWARD and SWAP SALES - Residents</b>		
Central Bank	0.00	0.00
Banks and other financial institutions	0.00	0.00
Other customers	0.00	0.00
<b>subtotal</b>	<b>0.00</b>	<b>0.00</b>
<b>FORWARD and SWAP SALES - Non residents</b>		
Banks and other financial institutions	0.00	0.00
Other customers	0.00	0.00
<b>subtotal</b>	<b>0.00</b>	<b>0.00</b>
<b>TOTAL FORWARD and SWAP SALES</b>	<b>0.00</b>	<b>0.00</b>
<b>NET FORWARD and SWAP POSITION</b>	<b>0.00</b>	<b>0.00</b>
<b>OTHER OFF-BALANCE SHEET ITEMS (NET)</b>	<b>0.00</b>	<b>0.00</b>
<b>CLOSING POSITION</b>	<b>0.00</b>	<b>0.00</b>

**FOREIGN EXCHANGE EXPOSURE**

**SCHEDULE 4 (cont.)**

**SUMMARY OF EXCHANGE RATES APPLIED BY THE BANK**

**START DATE \_\_\_\_\_ END DATE \_\_\_\_\_**

<b>TRANSACTION RATES:</b>	<b>LOW</b>	<b>HIGH</b>
<b>USD BUYING RATE -</b>	0.000000	0.000000
<b>USD SELLING RATE -</b>	0.000000	0.000000
<b>EUR BUYING RATE -</b>	0.000000	0.000000
<b>EUR SELLING RATE -</b>	0.000000	0.000000
<b>GBP BUYING RATE -</b>	0.000000	0.000000
<b>GBP SELLING RATE -</b>	0.000000	0.000000
<b>UGX BUYING RATE -</b>	0.000000	0.000000
<b>UGX SELLING RATE -</b>	0.000000	0.000000
<b>KES BUYING RATE -</b>	0.000000	0.000000
<b>KES SELLING RATE -</b>	0.000000	0.000000
<b>OTHER CURRENCIES (please list below)</b>	<b>LOW</b>	<b>HIGH</b>
_____ <b>BUYING RATE -</b>	0.000000	0.000000
_____ <b>SELLING RATE -</b>	0.000000	0.000000
_____ <b>BUYING RATE -</b>	0.000000	0.000000
_____ <b>SELLING RATE -</b>	0.000000	0.000000
_____ <b>BUYING RATE -</b>	0.000000	0.000000
_____ <b>SELLING RATE -</b>	0.000000	0.000000
_____ <b>BUYING RATE -</b>	0.000000	0.000000
_____ <b>SELLING RATE -</b>	0.000000	0.000000