



BANK OF SOUTH SUDAN

MONETARY AND BANKING POLICY

FOR THE YEAR 2025

Research and Statistics Department

(December 2024)

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List of Acronyms

ACH	Automated Clearing House
AML/CFT	Anti Money Laundering and Counter Finance of Terrorism
ATM	Automated Teller Machine
BoSS	Bank of South Sudan
CBR	Central Bank Rate
EAC	East African Community
FEO	Foreign Exchange Operations
FX	Foreign Exchange
GDP	Gross Domestic Product
KYC	Know Your Customer
LoLR	Lender of Last Resort
MPC	Monetary Policy Committee
NDS	National Development Strategy
NPS	National Payment System
OMO	Open Market Operations
PFM	Public Finance Management
POS	Point of Sale
R-ARCSS	Revitalized Agreement on the Resolution of the Conflict in South Sudan
RRR	Reserve Requirement Ratios
RTGS	Real Time Gross Settlement System
SMEs	Small and Medium Enterprises
SSP	South Sudan Pound

1 Introduction

The Bank of South Sudan (BoSS) issues this Monetary and Banking Policy, for the year 2025 in accordance with the BoSS Act, 2011 **as amended 2023**. This year Policy is directed at achieving and maintaining price stability to support the government of South Sudan's objective of consolidating a lasting peace and attaining macroeconomic stability. This policy is to guide commercial banks and other stakeholders' operations during the year 2025.

The Monetary and Banking Policy document is organized into six sections. Section one introduces the document, while section two summarizes the direction of macroeconomic policy and monetary policy stance for 2025. Section three outlines the key monetary policy targets and instruments necessary to achieve the set objectives. Section four presents the credit guidelines for 2025; while section five defines the Bank's Exchange rate policy. Finally, section six presents the key financial stability plans and reforms to be adopted by the BoSS during 2025.

2 Direction and Objectives of Monetary and Banking Policy Stance for 2025

The Bank of South Sudan Monetary and Banking policy, for the year 2025 are developed to support the macroeconomic policy objectives of the government. The 2025 policies are designed to provide optimal liquidity, while maintaining and consolidating gains of foreign exchange (FX) and public finance management (PFM) reforms undertaken by the government. This policy is also guided by the spirit of the signed Revitalized Agreement on the resolution of the conflict in South Sudan (R-ARCSS), the vision 2040, the National Development Strategy (NDS), BoSS strategic plan 2027 and the 2024/2025 budget objectives. In this context, the Bank of South Sudan Monetary and Banking Policy for the year 2025 will pursue the following objectives:

- a) to achieve **6.8%** projected growth of real GDP in 2025
- b) to maintain the headline inflation at **61.5% in 2025**
- c) to encourage commercial banks to increase lending to the private sector to **40 per cent** of their total deposits.
- d) to build international reserves equivalent to about **4.5 months of import cover**.

3 Monetary Policy Targets, Instruments and Communication

The mechanism through which the Bank of South Sudan intends to achieve monetary policy objective shall include enhancing monetary and credit policies; foreign exchange policies; macro prudential policies and National payment & settlement and currency policies:

3.1 Monetary Target:

Monetary and Banking Policy for 2025 is set in the context of supporting a projected growth in real GDP of about **6.8% percent**¹ and the objective of maintaining inflation at about **61.5% percent** with a margin of (+/-) **1 percent**, by the end of 2025. The policy operational target is to maintain a nominal growth of broad money at around **68.3% percent**, with a margin of (+/-) **1 percent**. To achieve these targets, the Bank will utilize a set of policy instruments.

3.2 Monetary Policy Instruments

3.2.1 Minimum Reserve Requirement:

Each bank shall be required to maintain with Bank of South Sudan a Minimum Reserve Requirement Ratio (RRR) of **25%** and **30%** on local and foreign currency denominated deposits, respectively.

The Reserves Holding/Maintenance Period is expected to remain at 14 days subject to review.

3.2.2 Open Market Operations (OMO):

The Bank of South Sudan will engage in Open Market Operations (OMO), involving purchases and sales of eligible securities to regulate the money supply and the credit conditions in the economy. In this regard, The Bank of South Sudan shall continue to deploy the Term Deposit Facility (TDF) to tackle excess liquidity. The Central Bank Rate (CBR) shall be the benchmark rate. i.e., the Maximum TDF Bidding rate shall be 15%.

The Bank of South Sudan shall also enroll the Central Bank Bills (CBB) to complement the TDF as an OMO tool. The operationalization of this instrument shall be guided by the CBB Guidelines to be drafted thereafter.

¹ South Sudan Fiscal Budget FY2024/25

3.2.3 Central Bank Rate (CBR):

CBR provides the basis for all monetary policy operations, as it signals changes in monetary policy stance. Movements in the CBR are transmitted to changes in short-term interest rates. As such, a reduction of the CBR signals an easing of monetary policy and a desire for market interest rates to move downwards. Lower interest rates encourage economic activity and thus growth. When interest rates decline, the quantity of credit demanded should increase. CBR also enhances clarity and certainty in monetary policy implementation. The Bank of South Sudan through the monetary policy committee has therefore agree to maintain the central bank rate (CBR) at **15% percent** for 2025 subject to regular review during the year 2025. CBR will consequently be the lowest acceptable rate to the Bank when it is injecting liquidity into the economy, through the buying back of T-Bill (Reverse Repo). Likewise, whenever the Bank wishes to withdraw excess liquidity, through the selling of T-Bills (Vertical Repo), the CBR will be the highest rate that the Bank will pay on any bid received.

3.2.4 Foreign Exchange Reserves and Operations

To meet the country's external payment requirements, preserves the value of the South Sudan Pound, as well as to mitigate unforeseen shocks, the Bank shall strive to build its international reserves to achieve levels that meet the East African Community (EAC)'s convergence criterion on reserves maintenance.

The Bank of South Sudan will also continue to engage, from time to time, in foreign exchange intervention to inject or withdraw excess liquidity from the economy and to stabilize the market in the event of excess volatility. Participation of the Bank in this market will be determined by the need to build up its foreign exchange reserves in line with the targets set. The Bank endeavors, over the short and medium term, to reach the level of foreign reserves equivalent to **Four and a Half (4.5) Months** of imports cover as required by the EAC convergence criteria on the minimum reserve levels.

3.2.5 Government borrowing from the Central Bank:

The Bank of South Sudan shall make advances to the Government of South Sudan in accordance with Article 65 (1) and (2) a & b. which indicates that advances shall be given to government only in respect to:

- a. Temporary deficiencies in recurrent revenue.
- b. The outstanding amount should not always exceed 5 percent of gross recurrent revenue of government; or
- c. **Fifty percent** of the Capital of the Bank of South Sudan, whichever is less.

3.3 Monetary Policy Communication:

To improve monetary transmission, the BoSS will put in place mechanisms for enhancing communication with the market concerning monetary policy decisions, to help it make informed decisions based on the critical and reliable assessment of the economic outlook. Effective communication can help to avoid surprise interventions, thereby building the required trustworthiness of the BoSS to effectively conduct monetary policy in a forward-looking, credible, accountable, and dynamic manner. In this regard, the Bank will ensure continued regular interaction with Chief Executive Officers of banks to improve coordination and collaboration on the policy development and implementation. The Bank will also engage in regular Press Conferences and enhance the media understanding of monetary policy decisions. The Bank's website will also provide important sources of information about the economy, including interest rates, exchange rates, and the result of auctioning various securities, as well as the MPC releases. The Bank, therefore, commits itself to the following:

- a) Issue and publish a bi-annual Monetary Policy and Financial Stability Statement, and regular press releases on the outcomes of the Monetary Policy Committee (MPC) meetings.
- b) Build the capacity of the BoSS staff in different areas, particularly in economic and policy analysis and forecasting.
- c) Maintain close collaboration between the Ministry of Finance, South Sudan National Revenue Authority, and the National Bureau of Statistics.

4 Credit Guidelines

4.1 Uses of Resources:

Commercial banks shall use resources in the context of market-based mechanisms and are encouraged to use resources to finance key economic sectors and activities, except the following:



- a) Financing clients to purchase foreign currencies for trading.
- b) Lending to foreign exchange companies.
- c) Financing the buying of shares and securities by their customers.
- d) Financing of clients for repayment of outstanding loans.
- e) Financing of the central government, state, and local governments without prior consent of the Bank of South Sudan based on government resolution.

4.2 Private Sector Credit:

Lending to the private sector is a key driver of economic growth; in this context, BoSS shall periodically revise policies and regulations that encourage commercial banks to use their resources to finance key economic sectors and activities, such as:

- a) Small and medium enterprises (SMEs) engage in commercial productive activities that support the real sector.
- b) Agribusiness and small-scale industries.
- c) Energy sector, transport, and logistics.
- d) Real Estate and construction sector.
- e) Health and Education,
- f) Storage (warehouses) construction, etc.

4.3 Cost of Finance:

- a) Commercial banks are required to charge reasonable interest/commissions that are commensurate with the type and nature of business entered.
- b) To promote the culture of savings, commercial banks are expected to pay reasonable interest on savings and time deposits.

5 Foreign Exchange Policy

To maintain the stability of the foreign exchange market, resources shall optimally be managed. The Bank of South Sudan shall develop and implement the following foreign exchange measures to this respect:

5.1 The Exchange Rate Regime:

The Bank shall continue to consolidate the exchange rate reforms and implementation of managed float exchange rate regime where the value of the South Sudan Pound (SSP) against other convertible currencies is determined by the market forces of supply and demand. The Bank of South Sudan shall conduct occasional intervention to stabilize the foreign exchange market.

In addition to the above, the Bank of South Sudan shall also embark on necessary reforms aimed at narrowing the spread between the official and parallel market exchange rates.

5.2 Foreign Exchange Reserves Management:

The Bank of South Sudan as a member of the IMF develops its foreign exchange reserve management strategy in accordance with international standards. The foreign exchange reserves will be managed in a prudent manner:

- a) To support and maintain confidence in the policies for monetary and exchange rate management including the capacity to intervene in support of the national or union currency.
- b) To limit external vulnerability by maintaining foreign currency liquidity to absorb shocks during times of crisis or when access to borrowing is curtailed and in doing so.
- c) To provide a level of confidence in markets that a country can meet its external obligations.
- d) To cushion the domestic currency by external assets.
- e) To assist the government in meeting its foreign exchange needs and external debt obligations; and
- f) To maintain a reserve for national disasters or emergencies.

5.3 Gold Project:

To enhance the Foreign Exchange Reserves, The Bank of South Sudan shall enroll a program on Domestic Gold Purchase Program (DGPP). The operationalization of DGPP should be guided by the DGPP Guidelines to be drafted.

5.4 Foreign Exchange Exposure Limits:

All banks shall maintain overall foreign exchange exposure positions of (+/-) **10 percent** of core capital.

6 Financial Stability

6.1 Banking Policy:

The Bank shall strengthen pro-active supervisory mechanisms compatible with international norms and standards capable of coping with the dynamic and fast-growing banking industry.

6.1.1 Customer Due Diligence and Know Your Customer (KYC) Guidelines:

Pursuant to Circular No. DSR/SD/1/2017 issued under Section 12 of Bank of South Sudan Act, 2011, as amended 2023, Section 77 of the Banking and other Financial Institution Act, 2012 as amended 2023 and Sections, 16 of the Anti-Money Laundering and Counter Financing of Terrorism Act 2012 (AML/CFT) and in exercise of oversight role, the Bank of South Sudan commits to enforce application of Customer Due diligence and KYC guidelines in order to prevent the banks from being used by fraudulent elements. Thus, all banks are required to comply with the elements of KYC and AML/CFT and shall put in place adequate policies and procedures that promote high ethical and professional standards including the following:

- a) Customer acceptance policy.
- b) Customer identification procedures.
- c) Ongoing monitoring of high-risk accounts such as dormant, clearing, and inter-branch accounts.
- d) Risk management; and
- e) Submission of all types of reports and information on a timely manner.

6.1.2 Liquidity Ratio:

To meet customers' liquidity needs, each bank shall be required to maintain a liquidity ratio of at least **twenty percent (20%)** of local and foreign currency denominated deposits.

6.1.3 Discount Window of the Bank:

As a lender of last resort (LoLR), the Bank of South Sudan will be extending financing to support commercial banks that experience temporary liquidity challenges subject to the provisions of section 54 of the Bank of South Sudan Act 2011 as amended 2023. These will be secured loans on an overnight basis extended at a penal rate above the CBR. That is, the Bank of South Sudan will charge banks an interest rate equivalent to CBR +2% when exercising this tool. Access to the Discount Window will be governed by rules and regulations, which shall be reviewed from time to time by the Bank of South Sudan. Commercial banks that use this facility more than twice a week will be scrutinized closely, and appropriate supervisory action will be taken. The Bank encourages commercial banks to trade among themselves (interbank trading) before invoking the Central Banks' window of last resort.

6.1.4 Consortia/Syndicated Loans:

To mitigate the risk of large exposure by single institutions, commercial banks are encouraged to diversify risk through the formulation of consortia/syndicated financing of economic activities in the country.

6.1.5 Licensing and Product diversification:

The Bank will adopt prudent and transparent licensing policies aimed at broadening and deepening financial services including microfinance and electronic money services, for optimal outreach. The Bank will also promote the diversification of Banking Products.

6.1.6 Minimum Capital Requirement:

The Board of Directors, in consideration of the MPC recommendations for the restoration of Minimum Paid-up Capital Requirements for all banks incorporated in Republic of South Sudan. Further noted that the current economic environment requires all banks to have adequate capital to insulate them from inflationary pressures, and to build a resilient, safe financial system in the country, all banks must comply with the new minimum paid-up capital requirement for banks which demands that:

- a) The Minimum Paid-up Capital Requirement for foreign banks have been restored to **USD 30 million (only thirty million US dollars)** or its equivalent South Sudan Pounds.
- b) The Minimum Paid-up Capital Requirement for local banks has been raised to **USD20 million** (only twenty million US Dollars) or its equivalent in South Sudan pounds.

- c) Commercial banks are encouraged to establish correspondent relationships with highly rated banks.
- d) Banks that cannot meet the capital requirement individually are encouraged to enter mergers and joint ventures with other banks.

6.1.7 Segmentation of Capital Requirements for Non. Banks

This new policy requirement will create space to bring and encourage unauthorized currency dealers into FX mainstream market at an affordable capital based with a limitation in terms of activities.

- a) Forex Bureaus, with capital requirements of the equivalent of USD 600,000, shall engage in full activities as prescribed in the regulations.
- b) Money exchange spots shall be organized and a new guideline to regulate them and supervise their activities would be rolled out. They shall only and strictly engage in exchange of foreign currencies and those money exchange spots will not be allowed to engage in money transfer and their capital requirements shall be determined by regulations and guidelines issued by the Banking Supervision Department.
- c) As a new policy to regulate domestic and local money transfers for the positive role and services they provide to the citizens across the country, the Bank of South Sudan will devise specific policy and regulatory toolkit proportionate to the scope and nature of their activities.

6.1.8 Deposit Insurance Fund:

The Bank shall formulate the necessary legal framework and lay down the basic building blocks of establishing. Deposit Insurance Fund to ensure financial stability and protect depositors in the event of insolvency and crisis resolution.

The Directorate of Supervision and Financial Stability shall closely advise the implementation of the bank's resolution action plan in managing the status of critically undercapitalized banks considering the recommendation of the IMF.

6.1.9 Microfinance & Insurance Sectors:

The Bank will develop and finalize the legal frameworks for microfinance and insurance industries in collaboration with the stakeholders and encourages the development of both Sectors as a

mechanism for broadening banking services in the country and to contribute to poverty reduction and attainment of the sustainable development goals.

6.2 Implementation of Anti-money Laundering and Combating the Financing of Terrorism AML/CFT Policy Framework

Effective anti-money laundering and combating the financing of terrorism (AML/CFT) policies and measures are key to the integrity and stability of the financial system. The Bank of South Sudan will further strengthen its AML/CFT regime and develop standard policy framework to be strictly implemented by regulated entities through collaboration with key stakeholders including the Financial Intelligence Unit (FIU).

6.3 Payments & Currency Policies

6.3.1 Payment Systems:

As part of modernization strategy, the Bank will develop the ‘South Sudan National Payment, Security and Settlement System’ as per the international standards and such system will include the following payment components:

- a) Real Time Gross Settlement System (RTGS).
- b) Automate Clearance House (ACH).
- c) Electronic money.

In line with the National Payment System (NPS) standard and legal groundings, the following are the regulations/rules being developed by the NPS legal and regulatory framework consultant.

- 1) Regulations on security standard payment cards,
- 2) Payment channels including internet banking.
- 3) Regulations/rules for mobile banking,
- 4) Regulations/rules for Automated Teller Machines (ATMs), Point of Sale (POS) and mobile payment.
- 5) Regulations/rules for governing remittance services.
- 6) Regulations/rules for payment gateways
- 7) Regulation/rules on RTGS operations.

- 8) Regulation/rules on automated clearing house
- 9) Oversight policy framework.
- 10) Vision and strategic framework for National Payment systems.

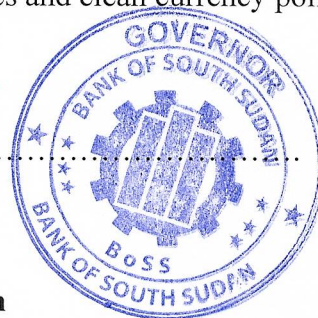
6.3.2 Currency Management Policies:

South Sudan Pound is the legal tender for South Sudan and hence all the transactions in South Sudan shall be done in South Sudan Pound (SSP).

The Bank of South Sudan commits to improve and develop the currency management system, through:

- a) Meeting the liquidity needs in the economy, regarding making available the required banknotes and coins in the system.
- b) Review, from time to time, the optimal structure of currency denominations that suit the prevailing economic environment.
- c) Promotion of the Clean Notes Policy, through:
 - i. Improving the quality of banknotes in circulation.
 - ii. Developing rules and guidelines for sorting banknotes and detecting counterfeits.
 - iii. Expand currency destruction centers.
 - iv. Raising public awareness about currency features and clean currency policy.

Signed



Hon. Johnny Ohisa Damian
Governor and Chairperson, Board of Directors
Bank of South Sudan, Juba