BANK OF SOUTH SUDAN

FOREIGN EXCAHNGE AUCTION RULES AND PROCEDURES FOR FOREX BUREAUS

DECEMBER 2019

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 Forex Bureaus that meet Bank of South Sudan's rules, regulations and guidelines, will be eligible to participate in the auction. This document establishes a methodology and procedures for participation of the eligible authorized dealers in the auction process.

2. **Definition:** Unless otherwise specified:
   'The Bank' means the Bank of South Sudan;
   'Auction' means a bidding process by which the Forex Bureau 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.
   'Bid rate' means the rate of exchange at which a bidder wishers to buy the total foreign currency (bid amount) in exchange for SSP.
   'Bid to cover ratio' means the total of bid amount 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.
   '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 the foreign currency awarded to bidder.
   '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.

GOVERNOR
BANK OF SOUTH SUDAN

'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 successful bidders for total amount due as a result of an auction.

3. **Type of Auction**: The auction will be conducted as a multiple price auction in which every successful bidder pays or receives the allocated/offered amount base on his bidding/offering rate. 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 Commercial Bank.

4. **Auction Rules:** There are rules for effective implementation of the foreign exchange auction. The Bank reserves the right to amend these rules from time to time base 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 (BASC). The Committee shall comprise of three official 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. Function 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.

GOVERNOR BANK OF SOUTH SUDAN

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 of all 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 present of the Auction Supervisory Committee members and two independents observers;
iv. The sealed bids, signed by an authorized signatories 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 rate;
vi. The eligible offers shall be processed and listed in ascending order of offer exchange rate;
vii. Each bid amount must be expressed in multiples of one thousands;
viii. 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 mounts 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 amount and exchange rate, bid-to-cover and offer –to-cover ratios, and reserve bid and offer exchange rate 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 the exchange rate below the reserve bid exchange rate set by the Bank;

GOVERNOR
BANK OF SOUTH SUDAN

vi. Bids with offer exchange rate above the reserve offer exchange rate set by the Bank;
vii. Bids from participant with insufficient funds in their designated current account with the Commercial Bank;
viii. Multiple bids from a participant;

5. **Participants:** Only forex bureaus 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 forex bureau 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 U.S dollar.

9. **Attendance at the bids opening:** Participation in a bid opening for bidding forex bureaus shall be voluntary and limited to two randomly selected representatives from among all eligible bidders.

10. Allocation Process:

a. At sale auction:
   i. The allocation process shall commence in a descending order in terms of SSP per U.S dollar (Exchange rate).
   ii. Bid amount will be allocated among successful bidders until the total amount of foreign currency available on a day of auction is sold. In selecting of 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 arrange from the largest 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 dollar (exchange rate)
   ii. Subject to a reserve offer exchange rate, offer amount 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 BANK OF SOUTH SUDAN BSS

Governor (or Designee) will select bidders consecutively from the list of bidders arranged from the lowest to the highest offer exchange rate.

c. The final rate applied to successful bid or offer shall be the rate of which has been submitted by the bidder.

d. The Bank reserve the right to reject any bid, in whole or part, if there is information of collusion or irregularities. The Bank also reserve the right to increase or to reduce the amount of foreign currency it sells or buys through an auction, if the total of bid/offer amount is insufficient, or market conditions warrant an increase 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 credit balance at least equal to the bid or offer amount respectively. Participants are required to submit a certified balance in their account, as proof of availability of funds. No additional funds can be deposited in the designated current account in 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 dollar won by successful bidders will be credited to their respective designated USD and the corresponding SSP equivalent debited from their account at the commercial Bank.

14. **Provision of Bank Account 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 20,000 (US dollar Twenty Thousand), unless otherwise stipulated in an auction announcement.

GOVERNOR
BANK OF SOUTH SUDAN

16. **Maximum Bid and Offer amounts:** A single participant's bid or offer may not exceed 10% of the amount offered 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.

Dier Tong Ngor
Governor
Bank of South Sudan

GOVERNOR
BANK OF SOUTH SUDAN
BSS
BANK OF SOUTH SUDAN

Exhibit A-1

Public Announcement of Foreign Exchange Sell Auction
(Eligible Forex Bureaus Only)

The Bank of South Sudan will sell US dollar xxx,xxx (US dollars_________________ thousand) to eligible bidders (eligible forex bureaus) 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

Exhibit A-2

Public Announcement of Foreign Exchange Purchase Auction (Eligible Forex Bureaus Only)

The Bank of South Sudan will sell US dollar xxx,xxx (US dollars__________________ thousand) to eligible bidders (eligible forex bureaus) 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