



FOREIGN EXCHANGE SALE AUCTION RULES AND REGULATIONS

Central Bank of Liberia

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1. Introduction

The Central Bank of Liberia introduced the Sale Auction as one of its policy tools to help maintain exchange rate stability. The auction will include the sale of U.S. dollars and will be implemented in a transparent and competitive manner.

2. Type of Auction

The auction will be conducted as a uniform price auction under which a single rate is applied to all successful bidders. The uniform rate shall be determined as the rate bid by banks, foreign exchange bureaux, and/or other participants, that finally exhausts the total offered amount or as the lowest price bid by these participants if the total bids are less than the sum being offered. Participants who offer rates higher than (or at) the clearing rate will receive all or some of the foreign exchange they have bid for; and those who offer rates lower than the clearing rate will not receive foreign exchange. The Bank however reserves the right to reject bid(s) that it considers to be outlier(s).

3. Supervisory Committee

Responsibility and oversight of the auction shall rest with the Foreign Exchange Sale Auction Supervisory Committee (FESASC), which shall comprise the following:

- Deputy Governor - Chairperson
- Director for Banking Department - Member
- Director for Research, Policy and Planning Department - Member
- Director for Finance Department – Member
- Head of Treasury Operations - Member

A majority of members present at a meeting shall constitute a quorum. In the absence of the Deputy Governor, the Committee shall be chaired by the Head of Treasury Operations or by the Director of Research in the absence

of the Head of Treasury Operations. The auction box shall be jointly controlled by the Heads of Treasury Operations and the Internal Audit Section; they are also given the task of opening the box to commence the auction and monitor the reading of the bids together with the other members of the committee.

a. Functions of the FESASC

The FESASC shall be the overall supervisory body; it shall:

- Make public service announcement relative to forthcoming auction;
- Provide and make available the bid box in the auction room;
- Conduct the weekly auctions;
- Supervise the opening and vetting of the sealed bids;
- Determine the eligibility of the bids submitted;
- Safeguard the rules of non-disclosure and confidentiality of information related to the proceedings of the auction;
- Determine the winning bids on the basis of the rules and regulations of the auction;
- Notify participating banks and forex bureaux of all winning bids;
- Print detailed and summary reports in the form prescribed ;
- Maintain the database of all statistics concerning the auction;

4. Basic Auction Rules and Regulations

The below-listed shall constitute the basic rules and regulations for effective implementation of the auction. These rules may be amended from time to time if and when deemed necessary by the CBL. All participants are expected to fully abide by these rules.

These rules do not prohibit the Central Bank of Liberia from taking other actions it may consider necessary in dealing with matters of foreign exchange aimed at stabilizing the exchange rate.

a. Conducting the Auction:

- The auction shall commence at 10:00 a.m. on the auction day;

- The box containing the sealed bids is opened in the presence of members of the FESASC and the participants;
- The sealed bids are opened and their eligibility is established in accordance with the rules and regulations of the auction. The eligible bids are then processed.
- Each bank selling foreign exchange proceeds from the auction shall be required to file a report on each foreign exchange sale transaction, in a format prescribed by the CBL. The report must be submitted to the Research Department of the CBL within seven business days as of the date of the auction.
- Each bank participating in the auction must ensure that they have sufficient funds in their Liberian dollar accounts with the CBL to cover their foreign exchange purchased from the auction.
- Settlement of all successful foreign exchange auction bids shall be made within three (3) business days. A business day is herewith defined as a day in which banking business is conducted in Liberia.
- Successful bidders shall be advised by 3:00 p.m. on the day an auction is conducted.

5. Participants

Commercial banks and the licensed Foreign Exchange Bureau Association are eligible to participate in the auction. Also, licensed foreign exchange bureau that have qualified under the CBL's FX Bureau reform program can participate directly. Accordingly, other businesses and members of the public wishing to participate in the auction may submit bids through the commercial banks.

6. Auction Currency

The currency to be auctioned shall be United States Dollars.

7. Withdrawal

Registered participants shall not be allowed to withdraw bids once lodged with the CBL.

8. Attendance

Attendance for bidding commercial banks and forex bureaux shall be compulsory. Participants who come late (i.e. after the opening of the auction box) to the auction shall not be allowed to participate.

9. Allocation Process

The auction allocation process shall be based on the marginal approach. The clearing rate will be applied to all successful bidders. The amount allocated to two or more participants bidding at the clearing rate shall be prorated in order to match bids received with the amount on offer. The Bank reserves the right to employ its discretion in the allocation process and also to reject any bid in whole or in part.

10. Disbursement Procedures

- The Central Bank of Liberia shall transfer to the correspondent bank(s) of the commercial banks, all foreign exchange sold to the banks and their clients within three (3) banking days including the day of the auction. To facilitate the transfer of sold foreign exchange, the commercial banks shall provide, in each foreign exchange bid, the details of their correspondent banks' transfer information. The Central Bank shall pay on shore all foreign exchange to those commercial banks wishing to be paid on shore.
- The commercial banks shall transfer or settle with the Central Bank of Liberia, the Liberian dollar equivalent of U.S. dollars sold, within three (3) banking days including the day of the auction. No transfer or on shore payment shall be effected

unless and until full payment of the Liberian dollars has been received by the CBL.

- All settlements of successful bids must be completed within three (3) banking days including the day of the auction, during which the accounts of the commercial banks would have been debited and the foreign exchange transferred to the correspondent bank(s);
- Payment to the Forex Bureau Association and those forex bureaus participating individually and directly shall be made on shore.

11. Minimum & Maximum Bids

The minimum bid per participant shall be US\$1,000.00. The maximum bids per auction shall be determined, based upon resource availability, by the FESASC. Said amount shall be communicated to participants at least 24 hours in advance of a given auction.

12. Disqualifications

The following bids will be rejected:

- Bids submitted after the deadline;
- Bids with incomplete or missing information;
- Bids lower than the allowable minimum amount of US\$1,000.00;
- Bids not accompanied by a certified form indicating sufficient available Liberian dollars;
- A participant who submits more than one bid through different banks for the same auction.

All participants must be present at the time of the opening of the auction box containing the sealed bids. Any participant not present at the time of the opening of the auction box will be disqualified.

13. Timing and Frequency

The Foreign Exchange Auction shall be held on a weekly basis on Wednesdays, or as may be deemed necessary by the CBL at a time that will be announced in advance.

14. Pre-Announcing Available Sum for Auction

For every auction, the total available amount of U.S. dollars for the auction shall be announced to the public at least 24 hours before the time of the auction.

15. Bidding Procedures

The commercial banks and forex exchange bureaux shall submit bids in sealed envelopes to the CBL before 10:00 a.m. on the day of the auction. The bids are to be deposited in a locked box situated in the auction room by each participant. The commercial banks shall ensure that each bid is accompanied by a certified form indicating the sufficiency of funds to support said bid. In the case of the forex bureaux and banks bidding in their own names, the Banking Department of the CBL shall certify such bids.

Each commercial bank and the Foreign Exchange Bureaux Association may bid in their own names, following the procedures mentioned herein above.

16. Sanctions

Bidders who breach the Auction Rules and Regulations will be sanctioned by the CBL, including suspension or exclusion from future auctions for a period to be determined by the CBL or be subject to pay a penalty of L\$100,000.

17. Amendments

The Auction Rules and Regulations may be amended by the CBL if and when the Bank deems necessary.

All allocations of foreign exchange will be offered through the weekly foreign exchange auction to all participants bidding through their commercial banks.

Procedures for the Foreign Exchange Transaction with all Auction Participants

- The amount to be sold to all participants through the auction shall be determined by the Money Management and Policy Review committee (MMPRC);
- The MMPRC reviews the CBL's reserves position to ensure that reserves accumulation is consistent with the foreign reserves position for the year before deciding on the amount;
- The Director of the Banking Department shall inform all participants about the amount of US dollars the Bank has agreed to sell to them through the commercial banks with whom they have their respective accounts;
- The participants shall ensure at all times that the required amount of Liberian dollar equivalent is in their accounts at their respective commercial banks
- At the end of the transaction, the Banking Department, in consultation with the Finance Department, carries out the appropriate accounting entries.