

FOREIGN EXCHANGE SALE AUCTION RULES & REGULATIONS

1. Introduction

As one of its policy tools to help maintain stability in the exchange rate, the Central Bank of Liberia's (CBL) Sale Auction is intended to facilitate access to the proceeds from the auction by legitimate importers in a transparent and competitive manner. The CBL hereby issues this rules and regulations governing participations in the Sale Auction.

2. Conduction of Foreign Exchange Sale Auction Rate

The auction will be conducted as a uniform price auction under which a single rate is applied to all successful bidders. The uniform rate, which shall apply to all successful bids, shall be determined as the rate bid by banks or foreign exchange bureaux that finally exhaust the total offered amount or as the lowest price bid by banks or bureaux if the total bids are less than the sum on offer. Participants who offer rates more depreciated (higher) than the marginal rate (in terms of Liberian dollars per U.S. dollar) will receive all the foreign exchange they have bid for at the marginal rate while those who offer rates more appreciated (lower) than the marginal rate will not receive foreign exchange.

3. Basic Auction Rules and Regulations

In order to have a transparent and effective implementation of the auction, the below-listed shall constitute the basic rules and regulations governing the sale auction. These rules and regulations may be amended from time to time as may be necessary. All participants shall be expected to fully abide by these rules and regulations.

These general rules and regulations govern the sale auction and foreign exchange transactions with members of the Foreign Exchange Bureau Association. These rules do not preclude other actions the Central Bank of Liberia will deem necessary in dealing with matters of foreign exchange aimed at stabilizing the exchange rate.

a) Supervisory Committee

The Foreign Exchange Sale Auction Supervisory Committee (FESASC) shall have the responsibility and oversight of the auction and the Committee shall comprise of the following:

1. Deputy Governor - Chairperson
2. Director for Banking Department - Member and Secretary to the Committee
3. Director for Research, Policy and Planning Department -Member
4. Director for Finance Department – Member

The Deputy Governor and any two members shall constitute a quorum.

The auction box shall be kept under the dual control of the Director of the Banking Department and the head of the Internal Audit Section; each one of them shall keep a key to the box. 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.

b) 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 on all winning bids;
- Print detailed and summary reports in the form prescribed;
- Maintain the database of all statistics concerning the auction;
- Act as a referee between the Central Bank of Liberia and the participants with the view to instilling confidence and promoting sustained transparency in the auction process.

c) Conducting the Auction:

- The auction shall commence at 10:00 a.m. on the auction day;
- The box containing the sealed bids shall be opened in the presence of the FESASC and the participants;
- The sealed bids shall be opened and their eligibility shall be established in accordance with the rules and regulations of the auction. The eligible bids shall then be processed.

d) Procedures governing the Auction

- All foreign exchange proceeds bought from the auction shall be sold only for import transactions.
- The spread between the auction price and the sale price shall not exceed fifty Liberian cents per United States Dollar. This spread shall also apply to inter-bank foreign exchange transactions using the proceeds of said auctions.
- Each bank selling foreign exchange proceeds from the auction shall be required to file a report on each foreign exchange sale transaction, in the attached format prescribed by the CBL (Reporting Template for Application of Auction Proceeds) . 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 current accounts with the CBL to cover their foreign exchange purchased from the auction.
- The Foreign Exchange Bureau Association is required to submit reports to the CBL of its transaction with members of the Association indicating all beneficiaries.

4. Participants

Commercial banks and the licensed Foreign Exchange Bureau Association are to participate in the auction. Accordingly, other businesses and members of the public wishing to participate in the auction shall submit bids through the commercial banks pursuant to the bidding procedures established under Section 14.

5. Auction Currency

The currency to be auctioned shall be United States Dollars.

6. No Withdrawal

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

7. Attendance

Attendance for bidding commercial banks and forex bureaux shall be compulsory. Participants who come late to the auction shall be subject to a fine of the equivalent of US\$100.00 in Liberian dollars.

8. 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 allocation process shall commence in a descending order in terms of Liberian dollars per US dollar. The CBL reserves the right to reject any bid in whole or in part.

9. 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 for value date within two (2) 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 for value date within two (2) 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.

Settlements of all successful foreign exchange auction bids shall be made within two (2) business day. A business day is hereby defined as a day in which banking business is conducted in Liberia. The two business days include 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). Successful bidders shall be advised by 1:00 P.M. on the day each auction is conducted.

Payment to the Forex Bureau Association shall be made on shore. Payments to other successful bidders could be made on shore provided that a formal request is made prior to the holding of the auction; implementation of this clause shall also depend on the availability of resources on shore.

10. Minimum Bids

The minimum bid per participant shall be US\$1,000.00.

11. 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 counterpart Liberian dollars;
- A participant with accounts at more than one bank who submits more than one bid through such banks for the same auction.

12. 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.

13. 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.

14. Bidding Procedures

The commercial banks and forex exchange bureaux shall submit bids in sealed envelopes to the CBL by 9:30 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.

15. CBL Special Window for the Sale of Foreign Exchange-USD

The CBL shall reserve the right to sell the residual funds at any given auction, through a Special Window as it may deem necessary at the auction clearing rate. Under this arrangement, all those who submitted unsuccessful bids will be given the opportunity to directly purchase from the special window at the auction rate. Payment of the Liberian dollar equivalent of the auction proceeds shall be made with a Manager's check issued to the order of the CBL.

Additional allocations of foreign exchange may be offered through the "Special Window" at the preceding weekly auction sale rate and made available exclusively to the Foreign Exchange Bureau Association.

16. Procedures for the Direct Foreign Exchange Transaction with Forex Bureau Association

- The amount to be sold to the Foreign Exchange Bureau Association through the special window shall be determined by the Money Management and Policy Review committee (MMPRC);
- The MMPRC reviews the CBL's reserve position to ensure that reserve accumulation is consistent with the foreign reserve position for the year before deciding on the amount;
- The Director of the Banking Department shall inform the leadership of the Association of the amount of US dollars the Bank has agreed to sell to them and ask them to mobilize the Liberian dollar equivalent and surrender to the CBL;
- The Association shall mobilize the required amount of Liberian dollars from registered forex bureau operators located in various commercial districts of Monrovia and its environs;
- When the full amount of Liberian dollars involved is brought to the Bank, it shall be deposited on a subject-to-count basis with an authorization to debit or credit the Association's account for any shortage or overage discovered after the count and verification by the Bank's tellers and the Association's representative(s). Meanwhile the Foreign Exchange Bureau Association shall be paid in advance on shore by the CBL the US dollars equivalent of the Liberian dollars.

- At the end of the transaction, the Banking Department, in consultation with the Finance Department, shall carry out the appropriate accounting entries.
- The Foreign Exchange Bureau Association is required to submit reports to the CBL of its transaction with members of the Association indicating all beneficiaries.

17. Amendments

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

18. Penalty for Non-compliance

Any bank that fails to comply with this directive shall be subject to the appropriate supervisory sanctions, including but not limited to suspension from future auction exercises and/or imposition of a fine not less than L\$100,000.

CENTRAL BANK OF LIBERIA
REPORTING TEMPLATE FOR APPLICATION OF AUCTION PROCEEDS
NAME OF BANK _____
DATE: _____

| Date of Auction 1 | Auction Number 2 | Auction Clearing Rate 3 | Importer 4* | Importer Address & Cell # 5 | Action Amount Won (Or Purchased) 6 | Amount Transferred for Imports 7 | Amount Unused 8 | FX Sales Rate 9** | Transfer Date 10 | Transferring Bank in Liberia 11 | Name of Destination Bank Outside Liberia 12 | Supplier to Whom Transfer was Sent 13 | Brief Description of Imports 14 |
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Note:

*4 Means importer who either purchased the auction proceeds from the commercial bank or at the auction.

**9 Applies only where the bank has treated its auction proceeds; does not apply to importers who participated in the auction.

PREPARED BY: _____
Name and Signature

APPROVED BY: _____
Authorized Signatory of Bank