

CENTRAL BANK OF LIBERIA



AMENDED FOREIGN EXCHANGE AUCTION RULES AND REGULATIONS NO.

CBL/FMD/09/2019

APPROVED SEPTEMBER 10, 2019

TABLE OF CONTENTS

Section	Page
i. Acronyms and Definitions -----	3
1.0 Introduction-----	4
2.0 Foreign Exchange Auction -----	4
2.1 Management/Supervisory Committee -----	4
2.2 Participants -----	5
2.3 Reporting Requirements-----	6
2.4 Auction Currency -----	7
2.5 Reserved Rights-----	7
2.6 Basic FX Auction Rules-----	7
2.7 Type of Auction-----	8
2.8 The Auction Process/Conducting the Auction-----	8
2.9 Withdrawal-----	9
2.10 Late submission-----	10
2.11 Allocation Process-----	10
2.12 Settlement-----	11
2.13 Disqualifications-----	11
2.14 Timing and Frequency-----	12
3.0 Penalties-----	12
4.0 Amendments-----	13
Appendix	
Foreign Exchange Sales Return (Form 1)-----	14
Top 20 depositors template (form 2)-----	15

i. **Acronyms and Definitions**

- CBL - Central Bank of Liberia
- FX - Foreign Exchange
- FMD - Financial Market Department
- ASC - Auction Supervisory Committee
- IPDs - Import Permit Declaration
- Depo/X - Also called Depository monitor/solution is the auction platform in the script-less securities settlement system (S4)
- DC - A documentary collection (D/C) is the documents obtained by the importers bank from the exporter's bank when the exporter entrusts the collection of payment to the exporter's bank. The DC includes instructions for payment (Bill of lading, /or air waybill), invoice, insurance certificate, etc.

1.0 Introduction

1.1 Pursuant to Sections 26 (2) (b), Section 26 (3) and Section 28 of the Central Bank of Liberia (CBL) Act of 1999, the CBL hereby issues these rules and regulations to guide the foreign exchange auction operations in the country in keeping with the exchange rate regime, which is a Managed Float Regime.

1.2 This revised FX auction Rules and Regulations No. CBL/FMD/xxx/2018 replaces the September 2013 Revised Foreign Exchange Sales Auction Rules and Regulations.

2.0 Objectives

- (i) To help smooth out volatility in the foreign exchange market and maintain broad stability in the exchange rate market;
- (ii) To serve as additional monetary policy tool to maintain price stability considering the significant pass-through effects of depreciation of the Liberian dollar on inflation; and
- (iii) To promote transparency and market-based pricing in the foreign exchange market to prevent distortions and speculation in the market.

2.0 Auction Supervisory Committee

2.1.1 Responsibility and oversight of the auction shall rest with the Auction Supervisory Committee (ASC). The Committee shall comprise the following:

- I. Deputy Governor of Economic Policy – Chairperson
- II. Deputy Governor of Operations - Co-chairperson

- III. Director of Research, Policy and Planning Department - Secretariat
- IV. Director of Finance Department – Member
- V. Director of Banking Department - Member
- VI. Director of Regulations and Supervision Department – Member
- VII. Director of Financial Markets Department – Member

2.1.2 A majority of members present at a meeting shall constitute a quorum.

2.1.3 The ASC shall meet the third Thursday of each month at 10:00 hours to review developments in the foreign exchange submitted by Research, Policy and Planning Department (RPPD) and recommend to the Executive Governor the foreign exchange intervention strategy of the CBL, including the amount and timing of CBL's FX intervention in the FX market.

2.1.4 The Executive Governor shall approve recommendations emanating from the ASC meeting. The approved recommendations of the ASC shall form the basis for the conduct of each FX auction.

2.1.5 The Financial Markets Department (FMD) shall be responsible for the conduct of the FX auction using the Depo/X platform in line with the decisions of the ASC. The Department shall:

- I. Provide information to the public about each auction;
- II. Ensure compliance with all CBL's rules, regulations and directives related to the FX market;
- III. Determine the successful bids based on the rules of the FX auction;
- IV. Notify participating banks of all successful bids;
- V. Maintain the database of all statistics concerning the auction; and

VI. Advise the ASC on the outcome of each FX auction.

2.2 Participants

2.2.1 Commercial banks are eligible to participate in the auction for themselves and on behalf of their clients. All licensed foreign exchange bureaus, and businesses wishing to participate in the auction may submit bids only through the commercial banks.

2.3 Reporting Requirements

2.3.1 Commercial banks shall submit the names, positions, and signature specimen of relevant authorized personnel responsible for FX auctions documents to the CBL.

2.3.2 Importers desirous of participating in the FX auction are required to have and submit to their respective banks relevant documents to support their bid request. The relevant documents include but are not limited to IPDs, letter of credit, documentary collections (bill of lading, invoices for goods and quantity, BIVAC inspection documents) regarding import transactions or international trade and sales or contract agreement. No local cash receipt shall be used to support bids in the auction. No documents shall be older than three months, except IPDs, which shall not be older than 6 months.

2.3.3 Businesses desirous of participating in the FX auction are required to have and submit to their respective banks legitimate cash receipts/invoices, sales/purchase agreement and all relevant documents related to their importation to support their bid requests.

2.3.4 All commercial banks shall ensure that each bid submitted online on behalf of a client must be accompanied by the required certified auction form, relevant documents from importers and business as indicated in section 2.3.2 and 2.3.3 above of this document and the sufficiency of funds to support the bid.

2.3.5 Commercial banks should submit the names of their top twenty (20) importers, with the highest volume of L\$ deposits of the last two (2) preceding months on the last Wednesday of each month using form 2 found in the appendix of this document.

2.3.6 A successful commercial bank or FX bureau participating in the auction should submit their FX auction proceeds sales report to the Director of the FMD three business days after the FX auction. The report should be submitted in Form 1 of this document. See Form 1 in the appendix.

2.4 Auction Currency

2.4.1 Only United States Dollars and Liberian Dollars shall be auctioned.

2.5 Reserved Rights

2.5.1 The CBL reserves the right to accept or reject any or all bids and may or may not provide reason for doing so.

2.6 Basic FX Auction Rules

2.6.1 These FX auction rules shall constitute the basic rules for effective conduct and implementation of the auction. All participants are required

to comply with these rules. These rules may be amended from time to time as may be deemed necessary by the CBL.

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

2.7 Type of Auction

2.7.1 The auction shall be conducted as a uniform price auction under which a single rate will be applied to all successful bidders. The cut-off/clearing rate shall be determined from the highest to the lowest rate that exhaust the total offered amount in the FX sales auction and the lowest to the highest rate that exhaust the total offered amount in the FX purchased auction.

2.8 The Auction Process/Conducting the Auction

2.8.1 The frequency of the Foreign Exchange Auction shall be determined by the Auction Supervisory Committee and will be announced to the public two working days in advance.

2.8.2 FX Auctions shall be announced by 10:00 hours on the Depo/X platform within two working days before the date of the auction. The announcement shall include the date of the auction, total available offered amount, the minimum and maximum bid to be submitted per participant and/or any other information determined by the CBL. The announcement shall also be published on the CBL's website.

2.8.3 The CBL shall open the auction to bidders through the Depo/X platform by 10:00 hours and close the auction by 12:00 hours on the day of an FX auction.

- 2.8.4 Commercial banks are to register their participants in the Depo/X platform before submission of bids.
- 2.8.5 All bids are to be submitted online by commercial banks through the Depo/X platform on the day of the auction. The supporting documents must be submitted to the FMD before the close of each auction.
- 2.8.6 Commercial banks that experience technical problem before or during the auction shall be allowed to submit their bids through the Depo/X platform at the CBL's HELP DESK in the Financial Markets Department before the auction closes at 12:00 hours.
- 2.8.7 Each bank participating in the auction on behalf of their customers must ensure that they have sufficient funds in their aligned accounts (LRD or USD) with the CBL to settle their foreign exchange purchase or sale auction transactions.
- 2.8.8 Eligibility of bids shall be established in accordance with the rules and regulations of the auction. Only eligible bids will be processed.
- 2.8.9 The Financial Markets Department shall advise the commercial banks of the approved successful bids in hard copy.
- 2.8.10 The CBL shall publish the FX Auction results within three working days after the conduct of the auction. The publication shall include but not be limited to the amount sold, the names of successful bidders and the clearing rates.

2.8.11 Each commercial bank or FX bureau selling foreign exchange proceeds from the auction shall be required to file a report on each foreign exchange purchase or sale transaction in form 1 in the appendix of this document. The report must be submitted to Financial Markets Department as specified in section 2.3.6 above.

2.9 Withdrawal

2.9.1 Registered participants shall not be allowed to withdraw bids once the auction is closed.

2.9.2 Submitted bids shall be irrevocable, representing firm commitments of the eligible participants. By submitting bids, banks confirm that settlement of successful bids can be processed through their current accounts held at the CBL.

2.10 Late submission

2.10.1 Bids and/or supporting documents shall not be accepted after the closing of an auction. All bids whose supporting documents are not received by the FMD before 12 hours on the auction day will be considered late.

2.11 Allocation Process

2.11.1 The CBL reserves the right to reject bid(s) that it considers to be outlier(s).

2.11.2 The clearing rate will be applied to all successful bidders, paying bids with highest rates first in FX sales auction and bids with the lowest rates first in FX purchase auction. If more than one participants bid at the clearing rate, and their bids are higher than the outstanding offered amount their bids shall be prorated to exhaust the balance offered amount.

2.12 Settlement

2.12.1 Settlement of all successful foreign exchange auction bids shall be made automatically the same day of the auction (T+0).

2.12.2 Settlements of all successful bids shall be done through commercial banks.

2.12.3 No commercial bank shall transfer to any of its successful FX bidders or sell proceeds from the FX auction until they have received approved auction result from Financial Markets Department.

2.12.4 Commercial Banks are to effectuate payments to successful participants no later than 24 hours (T+1) after settlement of the successful bids by the CBL.

2.13 Disqualifications

2.13.1 The following bids will be rejected under the following conditions:

- I. Late bids (bids submitted after the close of auction);
- II. Bids with incomplete or missing information;

- III. Bids lower or higher than the allowable minimum and maximum amount announced;
- IV. Bids not accompanied by a certified form indicating the same information submitted online by the close of auction;
- V. A participant who submits more than one bid through different banks for the same auction;
- VI. Bids received with requested amount higher than available Liberian dollars in bidders account, as seen in the supporting document; and
- VII. Any other reason as determined by the CBL.

3.0 Penalty

3.1.1 Commercial banks and FX bureaus found to have falsified bids documents for an FX auction shall be suspended from participating in (four) successive FX auctions and penalized in line with section 30(1) of the new Financial Institutions Act of 1999.

- I. Importers and other businesses found to have falsified bid documents for an FX auction shall be suspended from participating in four successive FX auction.

4.0 Amendments

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

CENTRAL BANK OF LIBERIA
 Financial Markets Department
REPORT ON TOP 20 DEPOSITORS

Name of institution: _____

NO.	NAME OF BUSINESS	ADDRESS/CELL	TOTAL DEPOSIT PER MONTH		TYPE OF BUSINESS	AMOUNT WON FROM PREVIOUS AUCTION (USD)
			Month/Year	Month/Year		

TO: DIRECTOR
 FINANCIAL MARKETS DEPARTMENT
 CENTRAL BANK OF LIBERIA

 AUTHORIZED NAME AND SIGNATORY
 DATE: _____