

CENTRAL BANK OF LIBERIA



FINANCIAL MARKETS DEPARTMENT

FRAMEWORK NO. CBL/FMD/001/2018

**FRAMEWORK FOR THE ADMINISTRATION OF
THE INTERBANK MARKETS (IBM)**

JANUARY 10, 2018

TABLE OF CONTENTS

ACRONYMS AND ABBREVIATIONS	-	-	-	-	-	-	-	1
PART 1 INTRODUCTION	-	-	-	-	-	-	-	2
Objectives	-	-	-	-	-	-	-	3
General Definition	-	-	-	-	-	-	-	3
PART 2 BASIC ISSUES	-	-	-	-	-	-	-	6
Granting, Refusal and Withdrawal of IBM Membership Access	-							6
Responsibilities of IBM Members Management		-	-	-				8
Obligation of IBM Dealers-		-	-	-	-	-	-	9
Segregation of Duties	-	-	-	-	-	-	-	10
Risk Control	-	-	-	-	-	-	-	10
PART 3 ETHICAL STANDARDS	-	-	-	-	-	-	-	12
Prohibition of Questionable Activities	-	-	-	-	-	-	-	12
Maintaining Confidentiality	-	-	-	-	-	-	-	12
Dealing for Personal Account	-	-	-	-	-	-	-	13
Prevention of Fraud	-	-	-	-	-	-	-	14
Entertainment and Gifts	-	-	-	-	-	-	-	15
Abuse of Drug, Alcohol and Other Addictive Substance	-	-						15
Anti-Money Laundering	-	-	-	-	-	-	-	15
PART 4 DEALING PRACTICES	-	-	-	-	-	-	-	16
Market Opening and Closing Times	-	-	-	-	-	-	-	16
Acceptable Instruments	-	-	-	-	-	-	-	16

Quotation of Prices	-	-	-	-	-	-	-	16
Consummating a Deal	-	-	-	-	-	-	-	17
Confirmation Procedures	-	-	-	-	-	-	-	18
Payment and Settlement Instructions	-	-	-	-	-	-	-	19
Reporting IBM Transactions	-	-	-	-	-	-	-	20
Recording by Tapes and Other Means-	-	-	-	-	-	-	-	21
After-Hours Dealings and Off-Premises Dealing	-	-	-	-	-	-	-	21
Holidays and Standards for Value Dates	-	-	-	-	-	-	-	22
Relationship between Market Participants	-	-	-	-	-	-	-	23
Differences and Disputes Resolution	-	-	-	-	-	-	-	23
CBL Interventions	-	-	-	-	-	-	-	24
Penalty-	-	-	-	-	-	-	-	25
Information Disclosure Management	-	-	-	-	-	-	-	25
Supervision and Administration	-	-	-	-	-	-	-	26
Legal Liabilities	-	-	-	-	-	-	-	27
Supplementary Rules	-	-	-	-	-	-	-	28

ACRONYMS AND ABBREVIATIONS

AML	Anti-money laundering
CBL	Central Bank of Liberia
CFT	Counter Financing Terrorist
FIA	Financial Institutions Act
FX	Foreign exchange
IBM	Interbank markets
MIBOR	Monrovia Interbank Offer Rate
RTGS	Real Time Gross Settlement
RRR	Required reserve ratio

PART 1: INTRODUCTION

- 1.1 This framework is formulated in accordance with Section 39 (1)(2) of the New Financial Institutions Act (FIA) in order to further develop the interbank markets (IBM), regulate interbank lending and trading of foreign exchange, manage interbank lending and foreign exchange (FX) trading risks and maintain the legitimate rights and interests of all the parties involved in the IBM.
- 1.2 The Central Bank of Liberia (CBL) will supervise and administrate the IBM in accordance with this framework and all relevant laws.
- 1.3 The CBL will approved licensed bank that comply with the approval requirements set out in this framework for members of the IBM.
- 1.4 IBM members shall engage in interbank lending and FX trading under the supervision and inspection of the CBL.
- 1.5 The CBL shall levy requisite punishment in accordance with the FIA and this framework on members of the IBM found to have committed any infractions of this framework.
- 1.6 All members of the IBM shall be required to adhere to best practices and principle of fairness, free will, truthfulness, and self-discipline, while this framework shall ensure fairness, transparency, objectivity, integrity, market efficiency, information efficiency, etc., amongst IBM members.
- 1.7 This framework shall apply to all licensed banks participating in the IBM.

Objectives

1.8 The purpose of this framework is to engender a complete interbank market structure, enhance efficiency and facilitate liquid and transparent interbank markets.

General Definition

1.9 In this framework, unless the context otherwise requires:

- A. **IBM** refers to the Interbank Markets.
- B. **Interbank Lending** refers to the secured financing as conducted between those licensed banks authorized by the CBL as members of the IBM to participate in the IBM.
- C. **Interbank Lending Market** is a market in which members of the IBM lend to and borrow from one another.
- D. **Interbank Foreign Exchange Market** is a market where members of the IBM exchange/trade different currencies.
- E. **Cash** is current assets comprising currency or currency equivalents that can be accessed immediately or near-immediately.
- F. **Financial Market** is a market that facilitates the raising of capital through the trading of financial securities (in the capital markets),

trading of currency (in the inter-bank and fx market), trading of financial instruments (in the money market), and the transfer of market risk (in the derivative market).

- G. **Interbank Rate** - is the rate of interest charge on short-term loan made between banks.

- H. **MIBOR (Monrovia Interbank Offer Rate)** - is a benchmark/average rate that IBM members charge each other for short-term loans. It serves as the first step to assessing the fairness of interbank rates charged by any member of the IBM. Upon the issuance of this framework, the MIBOR will be calculated using the weighted average of the available interbank lending rate that banks have charged each other in the preceding six months. If there were no interbank lending transactions, the CBL's overnight rate will serve as the ceiling rate in the IBM. The CBL's overnight rate will be used until the MIBOR can be calculated using weighted average of the preceding six months short-term loans and fx trades between IBM members.

- I. **Bid and Ask Price/Rate** – is a two-way price quotation that indicates the best price at which a currency can be sold and bought at a given point in time. The bid price represents the maximum price that a buying dealer is willing to pay for a security. The ask price represents the minimum price that a selling dealer is to receive for the currency.

- J. **Discount Window** is an instrument of monetary policy controlled by the CBL that allows eligible institutions to borrow money from the Bank, usually on a short-term basis, to meet temporary shortages of liquidity caused by internal or external disruptions.
- K. **CBL Overnight Rate** is the interest rate charged on loans extended by or deposits held at the CBL to or for a member of the IBM, respectively.
- L. **Required Reserve Ratio** is the portion of depositors' balances that banks must have kept at the CBL as cash. Members of the IBM are required to meet the ratio before providing credit to another bank.
- M. **Required Reserve Maintenance Day** is the day that the CBL require all financial institutions participating in the interbank market to meet their required reserve ratio.
- N. **Licensed Bank** means any person licensed by the CBL to engage in financial transactions consisting in the business of banking, the acceptance of deposits payable on demand and subject to transfer by check, credit, loan making, and lending or rendering non-banking financial services: unless the context otherwise requires, all offices and branches of a licensed bank in Liberia shall be deemed to be one institution.

- O. **Member of IBM** is a licensed bank that the CBL has approved to participate in the IBM.
- P. **Dealer** refers to dedicated staff of IBM members that is responsible to transact/deal in the interbank markets.
- Q. **Off-Market Rate** is a transacted price that is extremely deviated from the MIBOR at the time of execution that may result in concealment of profit or loss, perpetration of a fraud, or giving an unauthorized extension of credit.

PART 2: BASIC ISSUES

Granting, Refusal and Withdrawal of IBM Membership Access

- 2.1 The CBL shall authorize only licensed banks as members of the IBM.
- 2.2 Only approved IBM members shall participate in the IBM.
- 2.3 All licensed banks shall satisfy the below requirements to become a member of the IBM:
 - A. It shall have a sound organizational structure that incorporates an interbank market function, and risk management and internal control systems; and
 - B. It shall have a dedicated staff or dealer that conducts interbank lending and fx trading.

- 2.4 Where any member of the IBM decides to withdraw from the IBM, it shall write the CBL 30 days in advance, and specify the reasons for withdrawal from the interbank markets, at the same time it shall submit a liquidation and disposal of creditor's rights and debts plan to the CBL for approval.
- 2.5 A licensed bank granted the right to withdraw from the IBM by the CBL should take effective and relevant measures in line with its approved plan to ensure the smooth liquidation of creditor's rights and debts.
- 2.6 The CBL shall announce new and exiting members of the IBM. No institution may release any relevant information concerning new entrant, refusal or withdrawal from the IBM to the market/public before the CBL announces it.
- 2.7 The CBL shall not accept any application from the bank financial institution for re-entering the IBM within one year as of the date of its notice to withdraw from the IBM.
- 2.8 The CBL may refuse to approve a licensed bank as member of the IBM or may suspend an IBM member from participating in the market, if the CBL has analyzed and found the following conditions exist with the institution:
- A. consistently in a shortfall position in the CBL clearing for one year;
 - B. classified as significant or critically illiquid bank as defined in the CBL's Guideline for Supervisory intervention (CBL/SD/005/2009);

- C. classified as significant or critically undercapitalized bank defined in the CBL's Guideline for Supervisory intervention (CBL/SD/005/2009);
- D. assisted by a provisional administrator in running the affairs of the bank;
- E. it has shown circumstance of insolvency in the past one year; and
- F. other supervisory intervention or regulatory requirements issues as prescribed by the CBL from time to time.

2.9 The CBL will inform the licensed bank of its decision in writing and inform the market immediately.

2.10 All suspended IBM members shall be required to fulfill sections 2.4 and 2.5 of this framework, where applicable.

Responsibilities of IBM Members Management

2.11 The activities of dealers of IBM members shall be controlled by the management of the respective member institution. Besides, the management shall prepare a written policy for its interbank lending and foreign exchange trading operations, describing functions, rights and duties of dealers. In particular the policy should include:

- A. Reporting procedures;
- B. Personnel authorized to deal;
- C. Provision and maintenance of a dedicated telephone for dealing purposes only,

- D. Verification of the identity of counterparties and the creation and storage of such verification records as part of “Know Your Customers” requirements;
- E. The list of financial products to be offered;
- F. Acceptable market risk limits, such as position and stop-loss limits;
- G. Confirmation and settlement procedures;
- H. Relationship with counterparties;
- I. Business Continuity Planning;
- J. Other relevant guidance as considered appropriate to be explicitly stated.

2.12 Management of the institutions shall submit to the CBL and to all other IBM members the names of dealers of the said institution and immediately update the CBL and the members of the IBM in case of new recruitment or change of dealing personnel.

Obligation of IBM Dealers

2.13 All IBM members shall ensure that their dealers observe the following standards of behavior:

- A. Carry out their duties in accordance with the instructions of their management not contravening this framework, within the limit of the authority that has been granted to them.
- B. Should immediately report to their management any problems arising during dealing operations, or other matters, which could

seriously affect their business, and follow any instructions they are given.

- C. Resolve cooperatively and with high degree of integrity and mutual respect any disputes on any transaction or settlement arising between a dealer and counterparty or other concerned parties.
- D. Report any unresolved dispute between a dealer and counterparty to the Consumer Protection Unit of the CBL with a copy to the Financial Markets Department.

Segregation of Duties

2.14 Each duty and reporting line should be segregated between the front office and the middle office and between the front office and the back office and controlled to minimize the perpetration of dealing fraud.

Risk Control

2.15 The IBM member shall ensure that IBM risk management is integrated into its overall institutional risk management framework.

2.16 An IBM member shall appropriately keep all the transaction records on the interbank lending and fx activities, and all the relevant documents, accounts, original vouchers, statements, telephone recording and other materials to the said transaction records in line with its information preservation policy.

- 2.17 A borrowing IBM member must have sufficient, at least 125%, marketable assets or securities to secure the requested credit.
- 2.18 An IBM member can only lend to another IBM member if it maintains an excess of $\geq 25\%$ of its required reserve ratio on a day other than the RRR maintenance day and 100% of its required reserves on RRR maintenance day.
- 2.19 Restructuring or rolling over of a transaction shall be permitted in the IBM provided it is agreed by all counterparties in the transaction and the defaulting institution pays all delinquent interest accrued on the transaction.
- 2.20 No IBM member will be allowed to select a payment currency other than the currency of trade or transaction.
- 2.21 No IBM member shall be allowed to use the borrowed funds to invest in any assets except for the purpose for which the funds were required.
- 2.22 The interbank transaction term shall be determined upon negotiations of both trading parties.
- 2.23 IBM members should disclose risks involved in transactions to customers in sufficient detail and in such a way as to allow customers to engage in transactions according to their own judgment, without coercive solicitation or advice.

PART 3: ETHICAL STANDARDS

Prohibition of Questionable Activities

- 3.1 IBM members shall not take the following unfair actions or seek to profit themselves or their customers from the following unfair actions:
- A. perpetrating rumors that may reflect adversely on professionalism;
 - B. abusing market practices;
 - C. attempting to obtain or obtaining and using non-public information that may affect market prices from other IBM members illegitimately;
 - D. exploiting illegitimately obtained information; and
 - E. charging off-market rates.

Maintaining Confidentiality

- 3.2 Confidentiality is essential for the preservation of a reputable and efficient market.
- 3.3 IBM members should ensure that every dealer and other dedicated staff have a thorough knowledge of the basic principle of confidentiality and take necessary measures to prevent confidential information from being passed on to outside parties.
- 3.4 Parties involved in a specific transaction must not disclose any information to a third party, and neither should the third party press for undisclosed information unless required by law.
- 3.5 Confidential information controlled by an IBM member should not be transmitted to other sections within the institution where such information is irrelevant.

- 3.6 IBM members should ensure that confidentiality is not breached through the use of telecommunications systems for IBM transactions. Security measures for these systems should be implemented if necessary.
- 3.7 In the event of any breach of confidentiality, it is the role of management to act promptly to implement appropriate corrective measures.
- 3.8 IBM members should strictly control the entry of non-dealing room personnel and visitors into the dealing room/area.

Dealing for Personal Account

- 3.9 IBM members should consider carefully whether their employees should be allowed to deal for their own account, as it has a high risk of adversely affecting the interest of the institution's customers, or the institution itself. Where allowed, the institution must set out in writing the procedures in detail, in line with its regulations.
- 3.10 Dedicated staff should not trade for their personal account taking advantage of non-public, price-sensitive information obtained in the course of their duties.
- 3.11 Where dealing for personal account is permitted, member of the IBM should establish systems to monitor transaction details (transaction type, counterparty, amount, applied market rate, period, etc.), check objectivity of the applied market rate, verifying any existence of inside information, etc.

Prevention of Fraud

- 3.12 IBM members should be cautious against the practices listed below in order to prevent acts of fraud.
- 3.13 If any of the below listed activities and/or any other suspicious activities are observed, they shall be reported to management and investigated without delay:
- A. discovering transactions conducted over telephone lines that are not taped;
 - B. receiving unusual settlement instructions from the counterparties;
 - C. discovering that the party receiving funds is a third party that is different from the counterparty to the transaction;
 - D. being unable to confirm details of transactions after transactions are concluded; and
 - E. experiencing any anomalies in transactions.
- 3.14 Dealers shall not accept commissions from another member dealer.
- 3.15 Dealers shall report to management without delay, whenever they receive proposals from dealers/brokers for unusual transactions that deviate from market practices.
- 3.16 Dealers shall not engage in position parking, where a dealer in agreement with other market members concludes a transaction that will be reversed on a future date, with the effect of manipulating the dealer's position for profit and loss.

Entertainment and Gifts

3.17 In order to maintain a fair market environment, prudent and reasonable relationships should be maintained with all counterparties. It is not acceptable to offer, accept or demand entertainment or gifts that have been determined as excessive by the board or management of bank-financial institution.

3.18 IBM members should formulate explicit guidelines for offering and accepting entertainment and gifts, and ensure compliance by all dealers.

3.19 IBM members should request, as appropriate, reports on entertainment and gifts from other IBM members to check the relevant details.

Abuse of Drug, Alcohol and Other Addictive Substance

3.20 IBM members are strongly recommended to take all reasonable steps to educate dealers about the detrimental effects of drugs and alcohol abuse on the business of the organization.

3.21 IBM members should categorically prohibit members to undertake dealing operations when not sober. Should such instances be identified, the dealer shall be dismissed from the position.

Anti-Money Laundering

3.22 Members of IBM shall take all necessary measures, including verification of customers and other counterparties identity and preservation of transaction records, in order to prevent the provision of funds to terrorists and the money laundering involved in certain major crimes.

3.23 Members must familiarize themselves and comply with relevant consumer protection and anti-money laundering and counter financing terrorist (AML-CFT) laws and regulations of Liberia, which stipulate matters relating to the verification of the identity of counterparties and the creation and storage of such verification and transaction records.

PART 4: DEALING PRACTICES

Market Opening and Closing Times

4.1 The recognized dealing time in the inter-bank market shall run from 9:00 hours to 15:30 hours from Monday to Friday except for non-working public holidays or unless otherwise communicated by the CBL.

Acceptable Instruments

4.2 Instruments to be traded in the IBM will be only cash (i.e. current assets comprising currency or currency equivalents that can be accessed immediately or near-immediately).

4.3 Products developed by IBM members must be approved by the CBL before being offered in the IBM.

4.4 From time to time, the CBL may determine and approve other instruments that will be traded in the IBM.

Quotation of Prices

4.5 The MIBOR shall serve as the benchmark for interbank lending and fx trading transactions and shall be used to negotiate and determine the price acceptable to both trading parties.

- 4.6 All IBM members are obliged to present a binding two-way quote at the start of each fx trading market day i.e., providing both bid and ask rates. Changes to the two-way quote will only be allowed on an hourly basis during trading hours.
- 4.7 A price quoted by a dealer in the IBM should be deemed as firm unless they are expressed to be indicative prior to quoting or until the dealer indicates an intention to withdraw (call off) the price.

Consummating a Deal

- 4.8 The interbank lending and fx trading shall be performed by means of inquiries, upon independent negotiations, and transaction by transaction.
- 4.9 Where a dealer in the fx trading market calls for a firm quote, he/she will be required to specify the amount but need not state whether the intention is to buy or sell.
- 4.10 IBM members must verify the existence and sufficiency of all securities pledged as collateral before consummating a deal.
- 4.11 IBM member can verify Government and/or CBL securities through the Financial Markets Department of the CBL.
- 4.12 In a IBM, a transaction is concluded when one shows a firm price and the other deals at that price.

Confirmation Procedures

4.13 Members must exchange written confirmation immediately upon conclusion of the transaction through their back offices independent of the dealer concerned, in order to affirm the transaction. In exchanging confirmations, it is required to use a secured electronic media.

4.14 Where financial institutions conduct interbank transactions, they shall conclude transaction contracts one by one. The counterparties of each transaction shall confirm the transaction to the other by way of Official Confirmation (“Confirmations”) no later than half hour after the close of the IBM on a business day.

4.15 A transaction contract shall be detailed and specific, and the rights and obligations of both parties in the interbank market shall be stipulated in detail. A contract shall include the items as follows:

- A. Names, domiciles of both parties in the interbank market and names of legal representatives thereof;
- B. The interbank transaction date;
- C. The transaction amount;
- D. The term of the transaction;
- E. Security Pledged as collateral (in cases other than direct purchase of currency)
- F. The interbank rate and rules for payment of interests;
- G. Liabilities for breach of contract; and

H. Other items as may be required by the CBL.

4.16 A transaction contract may be the transaction sheet or other written form as the contract, letter, and data message, etc.

4.17 All confirmations must be checked immediately and appropriate actions should be taken to rectify any differences upon receipt by the back office. The back office should inform the counterparty immediately when there is any discrepancy in the counterparty's confirmation. The counterparty must re-check the details and issue or send an amended confirmation when correction is necessary.

Payment and Settlement Instructions

4.18 All payment and settlement instructions related to IBM transactions should be arranged directly between the relevant members. Settlement instructions for payments of funds should be communicated promptly and accurately. The relevant bank must notify the counterparty of any changes in payment and settlement instructions without delay.

4.19 Concluded transactions should be settled through the RTGS.

4.20 Settlement shall not be allowed on Saturdays, Sundays or public holidays and any transactions processed by any bank on these days would only be considered under the next valid date (working day).

Reporting IBM Transactions

4.21 It is the responsibility of all IBM members who are parties to a transaction to report all interbank lending and foreign exchange transactions they engage in to the CBL by 16:30 hours on the trade date. The report shall be submitted through the V-regCoSS to the CBL and hard copy of said report shall be submitted to the Financial Markets Department detailing the following:

- A. Name of Reporting Institution;
- B. Type of transaction;
- C. Name of counterparty;
- D. Value/Maturity date;
- E. Amount;
- F. Rate; and
- G. Purpose of the transaction
- H. Security Pledged as collateral (in cases other than direct purchase of currency)

4.22 Members are obliged to immediately report to the Financial Markets and Banking and Payment Systems Departments of the CBL on conclusion of after-hours transactions.

4.23 Members are obliged to immediately provide the Financial Markets Department of the CBL with other information about transactions and other factors that are likely to have substantial effect on the market.

4.24 Each IBM member shall properly preserve all the transaction records about its inter-bank activities as well as all the documents, accounts, original vouchers, statements, and other materials about the said transaction, which will be subject to CBL's inspection or examination.

Recording by Tapes and Other Means

4.25 Members of the IBM are required to record conversations with their dealing counterparties by tapes or other means.

4.26 The recorded media should be strictly controlled to prevent their contents from being tampered with. They should be kept for a at least a year after settlement to enable the details of any transaction to be confirmed or based on information preservation policy of said institution.

4.27 When initially installing tape equipment or taking on new counterparties, members should take steps to inform their counterparties that conversations will be recorded.

4.28 As calls via mobile phones are not normally recorded, it is desirable that dealing via mobile phones should be immediately confirmed by emails/telephone which can be easily stored.

After-Hours Dealings and Off-Premises Dealing

4.29 The performance of dealing operations outside dealing rooms is the source of additional risk such as not being recorded or rejected by

counterparty. Dealing activities after the designated trading hours and off-premises shall not be encouraged.

4.30 After-hours and off-premises dealing including dealing at home by dealers should only be undertaken with the prior approval of the IBM member management.

4.31 Management should issue written guidelines to their staff that had been approved in accordance with the provisions of the preceding paragraph on the extent of transaction limit and names of persons authorized to trade.

4.32 Management should put in place controls that enable prompt recording, verification and reporting of transactions conducted after-hours and off-premises.

Holidays and Standards for Value Dates

4.33 The value date for USD/LRD spot transactions will be the same business day of the transaction date (T). In the event of value dates falling on any Liberian holiday, in the absence of any specific agreement between the two relevant parties, the following procedures shall be adopted:

- A. The new value date for transactions will be the next business day following such holiday.
- B. Changes in value dates should be carried out without any alteration to the agreed terms.

Relationship between Market Participants

4.34 IBM member and their dealers shall undertake to maintain and develop the fellowship and loyalty that are indispensable in foreign exchange market operations.

4.35 They shall be prepared, in the best interests of the profession, to render assistance to one another, in so far as they are able to do so, within the confines of this framework.

4.36 Members shall do all in their power to give the profession the importance and high reputation to which it is entitled under all circumstances.

Differences and Disputes Resolution

4.37 Where a problem arises in relation to the transaction and the settlement and handling or other aspects of a transaction with the counterparty, the problem should be reported to management immediately. Under instructions of management, the dealer in charge of the transaction should make every effort to resolve the situation quickly and in good faith.

4.38 In case of disputes arising from problems that cannot be resolved amicably by the parties involved through usual procedures, it may be possible to bring the case to the attention of the CBL's Consumer

Protection Unit and a copy of the dispute forwarded to the Director of Financial Markets Department.

4.39 The Consumer Protection Unit shall be responsible to settle disputes reported to it and share said information with all parties involved within 14 days after receipt of the complaint. A copy of the resolution should be forwarded to the Financial Markets Department for their information.

CBL Interventions

4.40 The CBL shall operate a single market structure through the IBM for both interbank lending and fx trading with the CBL participating in the FX or interbank lending markets through intervention mechanisms.

4.41 Furthermore, the inter-bank and fx market will be supported by the introduction of additional risk management products offered by the CBL to IBM Members to further deepen, boost liquidity and promote financial security in the market.

4.42 A commercial bank may borrow from the CBL on a short term basis using the Standing Credit Facility through the CBL's discount window in order to meet its required reserve ratio or satisfied other liquidity needs.

4.43 A bank may keep excess deposits at the CBL through the Standing Deposit Facility and the CBL shall pay interest based on its published overnight rate.

Penalty

4.44 Members who will default to honor their obligations and have their obligation settled by the CBL shall be charged to pay default fee of CBL overnight discount rate + 5% in addition to the price of the transaction for the period of time in arear.

4.45 The CBL reserves the right to impose a penalty for any other misconduct carried out by the IBM members.

Information Disclosure Management

4.46 Applying to become a member of the IBM, the bank-financial institution guarantees the genuineness, accuracy, integrity and timeliness of the disclosed information and compliance to any CBL's directive, guidelines or regulations regarding disclosure.

4.47 Where a bank financial institution has entered the interbank market, it shall bear the obligation for information disclosure to the interbank market.

4.48 The CBL shall publicize to the market such market information and statistical data as the interest rate, transaction volume, significant abnormal transactions, etc. in a timely manner.

4.49 Where a member of IBM fails to reveal information to the interbank market as prescribed by the CBL, or discloses any information including any false recording, misleading statement or major omission, the CBL is

entitled to take such restraining measures as ordering it to supplement the disclosure of information within a time limit, reducing its interbank lending quota upon verification, shortening its longest interbank lending term, restricting its scope of interbank lending, suspending or stopping its networking with the interbank market, etc.

Supervision and Administration

4.50 The CBL shall be the superintendent for the IBM and its first line adjudicator for disputes and settlements between or among banks. Banks in breach of the framework on IBM will be subject to supervisory sanction(s) as may be determined by the CBL.

4.51 The CBL will conduct market intelligence assessments and routine and spot inspections on the IBM in keeping with the FIA, and give guidance and supervision in the interbank market.

4.52 Market intelligence assessments: In addition to reporting requirement spelled out in Sections 4.19 through 4.22 of this framework, the Financial Markets Department shall make hourly calls to a dedicated IBM staff of the IBM member to gather information on the transactions and current state of the IBM to determine the need for CBL's intervention.

4.53 When implementing spot interbank market inspections, the CBL shall observe the relevant provisions of the FIA on supervision and inspection procedures.

4.54 The CBL may have conversations with directors and senior managers of IBM members to assess and understand the performance of the interbank market.

Legal Liabilities

4.55 In the case of any of the following acts committed by a financial institution, the CBL shall impose on it the required punishment in accordance with relevant provisions of the FIA:

- A. it performs the IBM transactions with any institution without the authorization to transact in the IBM;
- B. it uses the borrowed capital for any purpose in violation of relevant laws or regulations;
- C. it performs the interbank lending business by excess of the longest borrowing term as prescribed by the CBL;
- D. its interbank lending balance is more than its quota as verified by the CBL;
- E. it fails to disclose required information to the IBM market in accordance with the provisions as prescribed by the CBL or
- F. any other act in violation of the provisions on the IBM.

4.56 Any director, senior manager or other staff of a IBM member that have direct responsibility of an act referred to in Section 4.53 of this framework shall be punished as prescribed in the FIA.

4.57 Where any certified public accountant, attorney, credit rating institution, any other professional institution or person that provides professional services to the IBM issues any document including any false recording, misleading statement or major omission, he/it shall not provide further professional service to the IBM; and shall bear corresponding legal liabilities if he/she is in violation of any relevant legal provisions.

Supplementary Rules

4.58 This framework is subject to the interpretation of the CBL, and implementation by the IBM members.

This framework shall enter into force as of January 10, 2018. In case any, if other provision on interbank and foreign exchange operations conflicts with this framework, the latter shall prevail.