



FOREIGN EXCHANGE PURCHASE AUCTION RULES AND REGULATIONS

Central Bank of Liberia

1. Introduction

The Central Bank of Liberia (CBL) introduced the Purchase Auction as one of its policy tools to help maintain exchange rate stability. The auction will include the purchase of U.S. dollars, or any other convertible currency, 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, which shall apply to all successful bids, shall be determined as the rate bid by banks or bureaux that finally exhaust the total offered amount or as the lowest price bid by banks or bureaux if the total bid is less than the sum on offer. Participants who offer rates more appreciated (higher) than the marginal rate (in terms of U.S. dollars per Liberian dollar) will receive all the foreign exchange they have bid for at the marginal rate while those who offer rates more depreciated (lower) than the marginal rate will not receive foreign exchange.

3. 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 based on experience and prevailing circumstances. All participants shall be expected to fully abide by these rules.

These general rules and regulations govern the purchase auction. 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

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

- Deputy Governor - Chairperson
- Director of Banking Department - Member and Secretary to the Committee
- Director of Research, Policy and Planning Department - Member
- Director of 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 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 FEPASC

The FEPASC 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 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 of the auction;
- Announce the auction results and winners;
- Print detailed and summary reports in the form as prescribed ;
- Disseminate the auction reports among participants;

- Maintain the database of all statistics and related information on the auction;
- Act as a referee between the Central Bank of Liberia and the participants with a 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 FEPASC members, participants and the observers.
- 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.

4. Participants

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

5. Auction Currency

The currency to be auctioned shall be the US dollar or any other convertible currency.

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 after the commencement of the process shall be disqualified.

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 U.S. dollars per Liberian dollar. The CBL reserves the right to reject any bid, in whole or in part.

9. Disbursement Procedures:

- The current account of successful participating commercial banks at the CBL shall be credited with the total Liberian dollars obtained by the banks and their clients for value date within two (2) banking days including the day of the auction. To facilitate the transfer of purchased US dollars, the CBL shall provide to the commercial banks the details of its correspondent banks' transfer information.
- The commercial banks shall transfer or settle with the CBL the US dollars purchased for value date within two (2) banking days including the day of the auction.
- All settlements of successful bids must be completed within two (2) banking days including the day of the auction during which the accounts of the commercial banks would have been credited and the foreign exchange transferred to CBL's correspondent bank(s).
- Settlements arising from the foreign exchange purchase auction between the CBL and the Forex Bureaux Association shall be made on shore.

10. Minimum Bids

The minimum bid per participant shall be L\$60,000.00. There shall be no maximum.

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 L\$60,000.00;
- Bids not accompanied by a certified form indicating sufficient available counterpart U.S. dollars; and
- 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 Purchase Auction shall be held on a need-to-do basis and the auction announcement, which shall include the total Liberian dollars available for bidding, shall be made in good time through public media.

13. Pre-Announcing Available Sum for Auction

For every auction, the total available amount of Liberian dollars for the auction shall be announced to the public no later than 10:00 a.m. on the day preceding the auction.

14. Bidding Procedures

The commercial banks and forex 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, the bid amount shall be deposited with the CBL a day prior to the date of the auction. Each

commercial bank and the Association of Foreign Exchange Bureaux shall bid in their own names, following the procedure outlined herein above.

15. 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.

16. Amendments

This Foreign Exchange Purchase Auction Rules and Regulations may be amended by the CBL as deemed necessary.