BANK OF GHANA

GHANA INTERBANK FOREX MARKET CONDUCT

FEBRUARY 2019

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1.0 PRELIMINARY

1.1 Title

These rules may be cited as Ghana Interbank Forex Market Conduct.

1.2 Legal Basis

These rules are issued by BoG under sections 17 and 31 of the FX Act 2006 (Act 723)

1.3 Application

These rules are issued under Section 92(1) of the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930), the Foreign Exchange Act, 2006 (Act 723) and accompanying operational guidelines. It shall apply to market participants as herein defined.

1.4 Interpretation

In this directive, unless the context otherwise requires, words used have the same meaning as that assigned to them in the applicable law or as follows:

“Act 930” means Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930)

“**Act 723**” means the Foreign Exchange Act, 2006 (Act 723)

“Financial Institutions”, refers to banks, regulated and supervised under the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930)

Market participants” refers to a person or organization (regardless of legal form) that:

(i) holds FX dealing license and is active in FX Markets as a regular part of its business and is engaged in the activity of the purchase or sale of one currency against another, or in transactions designed to result in gains or losses based upon the change in one or more FX rates and shall include spots, forwards, futures, swaps, swaptions, either directly or indirectly through other market participants; or

(ii) operates a facility, system, platform, or organization through which participants have the ability to execute the type of transactions described in (i); or

(iii) provides FX benchmark execution services;

The universe of Market Participants is considerably diverse in the type and level of engagement in the FX Market. But for the purpose of these rules, market participant is limited to the foregoing interpretation.

(iv) Net foreign exchange earners operating in Ghana including mining firms, oil companies and others.

“Market players” means firms, institutions and individuals who participate actively in foreign exchange business in Ghana.

“**Market-Maker”:** For the purpose of these rules, a market maker is a participant who sells to and also buys from the market and must be prepared to quote binding two-way prices: That is, a bid price which is the market maker’s **buying** price and an offer price which is their **selling** price to all inquiring market participants.

“LFXD” means a Licensed Foreign Exchange Dealer as licensed by the Bank of Ghana under relevant law and who operates in the interbank forex market and for the avoidance of doubt does not include the Bank of Ghana.

“Indicative rates/quotes” foreign exchange rates or quotes that is informative only. The quoted price may be changed prior to a foreign exchange transaction. The market maker is not obliged to honor the rate or quote.

“Interbank” Trading among Licensed Foreign Exchange Dealer Banks

“ACI Dealing certificate” A certificate issued by Association Cambiste Internationale for Treasury FX professionals.

“Dealing Officer” An employee of an LFXD who is authorised to buy foreign exchange from one party and then sells it to another party.

“FX Broker” means an intermediary authorized by BoG who buys and sells a currency on behalf of client for a commission.

“FX” means foreign exchange

“FX Auction” means the sale of forex by a net foreign exchange earner to a LFXD that offers the highest price after soliciting quotes from various LFXDs.

“**Principal”** refers to a Market Participant who transacts for its own account.

“Points” or “position” parking when forex market players engage in artificial transactions for the purpose of concealing positions or transferring profits and losses.

1.5 Objectives

- To more clearly regulate the conduct of interbank foreign exchange business in the Ghanaian financial market.
- To establish standards of practice expected of market participants to help ensure an efficient and effective FX market.
- To help develop and deepen the foreign exchange market in Ghana

2.0 ETHICS, FAIRNESS AND INTEGRITY

All market participants are required to conduct their activities ethically, transparently and professionally to ensure fairness and integrity of the foreign exchange market. Market participants are expected to act in an honest and fair manner when dealing with clients and other participants. Market players are also required to act with integrity in all their dealings or activities.

2.1 Professional Knowledge

It is imperative that market participants have a high level of awareness and understanding of market practices. Management of LFXDs is required to subject their staff to the highest test of knowledge and continuously provide avenues for knowledge updates.

2.2 Confidentiality

Market participants should identify confidential information and treat confidential items as such. Participants should help in preserving confidential information on transactions and information on clients and other counterparties. Information on clients should not be revealed, except compelled by law, Bank of Ghana (BoG) or court order.

2.3 Conflict of Interest

Market participants are required to put in place a framework to identify the necessary conflict of interest that may compromise their ethical judgment. Participants should eliminate or manage conflict of interest to ensure fairness in the market. If a conflict of interest arises, the affected staff and/ or dealer should refrain from the underlying trade. Conflict of interest could arise among other things as a result of the interest of a firm, dealer or staff conflicting with a client or other market participants, or where interest among clients conflict. Where the dealer’s interest conflicts with that of his employer, the latter’s interest shall prevail.

3.0 MARKET RULES

3.1 Membership of the Interbank Foreign Exchange Market

3.1.1 A bank can only become a LFXD and a member of the interbank FX market if granted a license by Bank of Ghana under Section 3 of the Foreign Exchange Act, 2006 (Act 723).

3.2 Duties of LFXDs

3.2.1 All LFXDs are required to make market by showing a binding two-way quote for all currencies traded in the interbank market if requested by another LFXD. If the amount is not specified, the LFXD shall use the minimum traded lot of 250,000 US dollars or as agreed from time to time by the industry in consultation with the Bank of Ghana. The LFXD is obliged to trade for that amount at the specified quoted price. A LFXD with a different amount in mind shall specify it, but need not state whether the intention is to buy or sell. A LFXD is not obliged to present a quote for any other amount other than the minimum traded lots agreed by the industry.

3.2.2 Transactions in any currency other than the US dollar require the approval of both parties and a market-maker may refuse to make a quote for it even if requested.

3.3 Market Hours

The interbank foreign exchange market is open from 9:00 to 16:00 hours GMT on all business days. The Bank of Ghana is exempt from this clause and may trade with a LFXD outside the regular market hours stated here.

3.4 Indicative Quotes

LFXDs are required to update indicative quotes for buying and selling US dollars at regular intervals, on the Reuters and Bloomberg information systems. Indicative quotes shall be updated at intervals of no more than 30 minutes. (This will show the price at which a market-maker is prepared to buy and sell at the minimum traded lots).

3.5 Trade Reporting on Platforms

All interbank FX trades must be booked on the Reuters platform and appropriately confirmed within five (5) minutes after the trade is concluded. These trades must also be reported in the daily FX report submitted to the Bank of Ghana.

3.6 Participation in FX Auctions

LFXDs are prohibited from participating in any form of FX auction initiated by any exporter or foreign exchange earner in Ghana.

3.7 LFXDs' Obligation to Provide Information

LFXDs shall submit to the Bank of Ghana two types of statements, daily and monthly, on foreign exchange transactions in the interbank market and their foreign exchange balances, in the format prescribed by the Bank of Ghana. Data for each business day shall be received by the time specified by the Bank of Ghana and the monthly return no later than 15:30 hours GMT on the seventh business day of the following month. LFXDs are also obliged to provide the Bank of Ghana, by telephone, with other information about transactions and other factors likely to have a substantial effect on the market. Market-makers are obliged to give high priority to such communications.

3.8 The Bank of Ghana's Obligation to Provide Information

In respect of official exchange rate decisions, the Bank of Ghana shall publish the reference exchange rate once a day, on a page in the Reuters system, on its website and on Bloomberg. The Bank of Ghana shall provide LFXDs with regular information about total trading volume in the interbank foreign exchange market.

3.9 Fixing of the Official Exchange Rate

The Bank of Ghana shall publish the Ghana Cedi reference rate with respect to the US dollar on the Bank of Ghana website by 16:30 hours GMT daily except on holidays. The reference rate shall be computed using the weighted average exchange rate of all eligible US dollar transactions that are reported to the Bank of Ghana by the cut-off time of 15:30 hours GMT. The Bid and Offer reference rates are calculated by taking a +/- 0.05% bid/ask spread around the weighted average exchange rate.

The reference rate will also be published on Reuters and Bloomberg by 16.30 hours GMT.

3.10 Transactions by the Bank of Ghana

The Bank of Ghana is not obliged to trade with other market participants even if they request to do so. LFXDs are however, obliged to trade with the Bank of Ghana under these Rules.

LFXDs and other approved market participants are obliged to trade with the Bank of Ghana at rates they show on Reuters or Bloomberg or other official platforms that shall emerge with the passage of time.

3.11 Qualifications and Staffing

LFXDs shall ensure that their dealing officers are adequately qualified to deal with foreign exchange transactions. They must possess the ACI Dealing certificate and or other equivalent/relevant qualification/certificate including but not limited to the Chartered Financial Analyst (CFA) charter.

LFXDs shall also notify the Bank of Ghana of the persons authorized to transact in interbank foreign exchange trading and settlements on their behalf and any changes thereafter.

3.12 Meetings with LFXDs

LFXDs shall nominate their Treasurer and a dealing officer as key representatives for their dealings with Bank of Ghana on matters affecting the interbank FX market.

3.13 FX Brokers

3.13.1 Local and International FX Brokers who want to operate in Ghana's forex market are required to obtain prior approval from the Bank of Ghana at the beginning of every calendar year. The Bank of Ghana shall publish a list of approved Local and International FX Brokers on its website.

3.13.2 LFXDs shall not deal with a FX Broker that has not been approved by the Bank of Ghana.

3.14 Contingencies

If the trading system(s) temporarily ceases to function, the Bank of Ghana may decide without notice that trading shall be conducted in a different mode from those described in these rules and shall notify all market participants of this immediately.

3.15 Swap Deals

The tenor of all foreign exchange forward contracts, options and/ or swaps involving the Ghana Cedi, shall be as follows:

- Transactions between resident counterparties:
  - A minimum tenor of two weeks

- Transactions involving a non-resident counterparty and a resident:
  - A minimum tenor of three(3) months

4.0 GENERAL DEALING PRINCIPLES AND MARKET CONDUCT

4.1 Price/Rate Quotations

4.1.1 All market participants, whether acting as Principal or Broker, have a duty to make clear whether the prices they are quoting are binding or merely indicative. Prices quoted by Brokers should be taken to be binding in marketable amounts unless otherwise qualified.

4.1.2 A Principal, quoting a firm rate and stating his requirements to a FX Broker, is bound to deal at those terms with an acceptable name, regardless of the market level. For their part, a Broker is expected to confirm with his/her Principal at regular intervals on whether the latter’s interests at specific rates are still firm.

4.1.3 If a Principal has interest on one side of a two-way price and the other side is dealt away by other parties, the Broker should automatically put the price “under reference”. The FX Broker should then check with the Principal to ascertain his original interest.

4.1.4 When Principals place orders with special conditions attached, Brokers must accurately relay the said conditions to the market.

4.2 Frivolous Quotes

4.2.1 Dealers and Brokers are strictly prohibited from making frivolous quotes; these are quotes which they have no intention of honoring and are designed merely to mislead market participants.

4.2.2 Dealers and Brokers should not engage in practices by which they may realize immediate gain (or avoid loss) but may compromise their clients, employers or their own reputation.

4.2.3 Dealers and Brokers should immediately report to their Management and to the Bank of Ghana whenever they spot other Brokers or Dealers acting in a way that jeopardizes the interests or reputation of the foreign exchange market.

4.2.4 The Management of the institution upon receipt of the report stated in 4.2.3 shall report the incident to the Bank of Ghana within 24 hours.

4.3 After-Hours and Off-Premises Dealing

4.3.1 Dealings after-hours and/or off-premises should only be undertaken with the prior permission of the Management of the LFXD.

4.3.2 The Management of LFXD should issue clear guidelines to their staff on the extent of such dealings including names of persons authorized to deal, transaction limits, and so on.

4.3.3 The Management of LFXD should also institute a control system to enable prompt recording and confirmation of all after-hours, off-premises dealings and holidays.

4.3.4 Brokers, on their part, should satisfy themselves as to the identity of the Dealing officer. FX Brokers should refuse to quote to any party that they cannot identify on the phone.

4.3.5 The Management of LFXD must report all after-hours dealings to the Bank of Ghana by 9:00 hours GMT the following business day.

4.4. FX Broker Positions

4.4.1 A FX Broker must not engage, however temporarily, in taking positions by closing a deal without first having a counterparty to substantiate the price and assume a deal. A Broker must not quote a price, which he represents to be firm, but which is not substantiated by a Principal.

4.4.2 Where a FX Broker quotes a firm price to a Principal, the latter is entitled to hold him to that price. Dealing officers are however prohibited from holding a FX Broker to a price, where the FX Broker is unable to substantiate a firm quote, provided that the Broker informs the Dealing officer immediately of the fact, and a good reason for the inability to substantiate a firm quote, is given.

4.4.3 If holding a FX Broker to a price is deemed justifiable in accordance with section 4.4.2 above, the Management of both the LFXD and the FX Broker must be informed. In addition, a Dealer should not insist on a replacement deal at the price or with the counterparty originally proposed by the Broker. The FX Broker is permitted and the Dealer is obliged to settle the difference between the price quoted and the replacement price by way of a cheque or wire transfer payable to the Bank. Settlement by any other means where accountability and transparency is impaired must be avoided. Such settlements must be clearly documented by both the Broker and the Bank.

4.5. Points and Position Parking

Under no circumstances shall LFXDs or Brokers engage in artificial transactions for the purpose of concealing positions or transferring profits and losses. Such activities sometimes referred to as "points" or "position" parking, not only undermine the integrity of the markets but may also attract legal liability for the individuals and/ or firms concerned.

4.6 Stop-Loss Orders

4.6.1 Parties giving or receiving stop-loss orders shall ensure that both parties mutually understand the terms under which such orders are made. In accepting these orders, whilst an institution assumes an obligation to make every reasonable effort to execute the order promptly, there is no guarantee of fixed price execution to the counterparty.

4.6.2 Anyone accepting orders under 4.6.1 above should have adequate lines of communication with the giver of the order so that contact can be made in the event of extremely volatile market conditions or other unusual situations.

4.6.3 Where a dispute arises as to whether the market reached the level required to trigger the execution of the order, it should be borne in mind that whichever source is used to verify the market range, a totally accurate definitive record may be difficult to obtain.

4.6.4 Any one source such as an individual FX Broker who may be asked to indicate market highs and lows may not always have the full trading range for the day and can only indicate the highs and lows which it has seen. Consequently, such information should be treated with professional discretion and caution.

4.6.5 Dealing officers should not deliberately enter into transactions with the sole intention of triggering stop losses or barriers left with them by their own clients.

4.7 Telephone Recording

4.7.1 LFXDs and FX Brokers are required to have recording devices in their offices. LFXDs and Brokers should inform their counterparties and clients that conversations will be recorded. LFXDs and Brokers should have internal policies that ensure compliance with appropriate data and tape-recording retention requirements. In general, tapes should be kept for a minimum period of 6 years (First two years shall be in active state) in compliance with Electronic Transactions Act, 2008(Act 772) section 8(2).

4.7.2 The Management of LFXDs and Brokers should ensure that access to tapes whether in use or in store, is strictly controlled so that they cannot be tampered with.

4.7.3 LFXDs should implement policies to ensure that appropriate confidentiality of taped conversations is maintained.

4.7.4 The Management of LFXDs and Brokers should recognize that mobile phones and other smart devices could be used to circumvent telephone recording and compromise confidentiality. They should adopt appropriate policies to restrict the usage of such devices in their dealing rooms.

4.8. Direct Dealing

Dealing officers should not place partial orders with Brokers with the intention of identifying the counterparty, so as to conclude the full amount of the order, in a direct transaction.

4.9. Dealing Amounts

4.9.1 Dealing amounts on the interbank FX market shall be the minimum traded lot of 250,000 US dollars or as agreed from time to time by the industry in consultation with the Bank of Ghana.

Where there is any doubt between two participants about what constitutes such a dealing amount, it is required that a clear understanding be established before attempting to transact with each other.

4.9.2 Principals who wish to deal in odd amounts should specify their conditions to their counterparties at the outset. The counterparty has the right to reject odd amounts if no prior indication of the amount is given.

4.10 Complaints Procedure

4.10.1 If the Management of a LFXD or a FX Broker believes that an institution it has dealt with has breached the letter or spirit of the guidelines or its contracts or some provisions in the law, it should escalate appropriately and seek to settle this amicably with the other party. If this is not possible, either party to the complaint may bring the matter to the attention of the Head of Financial Markets, Bank of Ghana. If a LFXD or FX Broker observes serious misconduct or material breaches of this guideline it should notify the Head of Financial Stability and copy Head of Financial Markets, Bank of Ghana in writing.

4.10.2 The Management of LFXDs or Brokers should ensure that all complaints are investigated and resolved in accordance with the Bank of Ghana Consumer Recourse Mechanism Guideline for Financial Service Providers, February 2017.

4.11. Dispute Resolution Procedure

4.11.1 Where disputes arise, it is essential that the management of the parties involved take prompt action to resolve or settle the matter fairly and with utmost integrity and mutual respect. The Bank of Ghana shall provide a forum for resolution of any dispute between market participants on dealing ethics or current market practices in relation to specific transactions in the Interbank FX market, after the parties have exhausted their own efforts to resolve the matter directly.

4.11.2 Requests for dispute resolution should be addressed to the Head of Financial Stability and copy Head of Financial Markets, Bank of Ghana in writing. A request shall be concise but shall contain all necessary information to facilitate the Bank of Ghana's actions.

4.12. Error Trades

4.12.1 The Bank of Ghana considers it essential to the integrity of the market that trades, once executed, will stand and not be adjusted or cancelled arbitrarily. Trades, once executed, may trigger further trades and the subsequent cancellation of the trigger may cause confusion and loss to other market participants who have acted in good faith.

4.12.2 Trades should only be cancelled on the basis that the trade was genuinely entered in error.

5.0 GOVERNANCE

5.1 Market Participants are expected to have a sound and effective governance framework to provide for clear responsibility, comprehensive oversight and effective supervision of their FX Market activity and to promote responsible engagement in the FX Market.

5.2 Market Participants should, among other things;

i. Involve senior management in engaging the relevant personnel and in articulating and modeling the desired practices, values, and conduct;
ii. Take appropriate steps to promote and reinforce all relevant personnel's awareness and understanding of (a) the values, conduct and the ethical standards that should be adhered to in their engagement in the FX Market; and (b) the FX Act 2006 and accompanying operational guidelines;
iii. Make all relevant personnel (including senior management and the Board) aware that disciplinary or other actions may result from unacceptable behaviours and transgressions of the Market Participant's policies.

6.0 RISK MANAGEMENT AND COMPLIANCE

Appropriate risk management, compliance, and review structures approved by the Board should be in place to manage and mitigate the risks that arise from a LFXD or Broker's activities in the FX Market. To this end, the following practices are strongly recommended;

i. The senior body or individual(s) should make strategic decisions on the risk appetite of the FX business.
ii. Periodic independent reviews of risk and compliance controls should be undertaken, including a review of the qualitative and quantitative assumptions within the risk management system.
iii. Effective oversight by the senior management or individual(s) in the day to day foreign exchange business.

iv. The senior body or individual(s) should be responsible for the establishment, communication, enforcement, and regular review of a risk management and compliance framework that clearly specifies authorities, limits, and policies.

v. Appropriate segregation of duties and independent reporting lines, including the segregation of trading from risk management and compliance and from deal processing, accounting, and settlement.

vi. Adequate resources and employees with clearly specified roles, responsibilities, and authority, including appropriate access to information and systems. These personnel should have appropriate knowledge, experience, and training.

vii. Regular monitoring of trading activities, including the identification and internal escalation, as appropriate, of failed, cancelled, or erroneous trades.

viii. Automated or manual monitoring systems to detect actual or attempted market misconduct and market manipulation.

In addition to the above desired practices, LFXD and Brokers are advised to develop their own internal risk management framework to avoid the occurrence of losses that may arise from the conduct of foreign exchange business.

7. CONFIRMATION AND SETTLEMENT (BACK OFFICE)

i. Market Participants are expected to put in place efficient, transparent, and risk-mitigating post-trade processes to promote the smooth and timely settlement of transactions in the FX Market.

ii. Market Participants should have sufficient technical and operational capability to support end-to-end FX processing in both normal and peak market conditions without undue impact on the processing timeline.

iii. Market Participants should implement operating practices that segregate responsibility for trade confirmation from trade execution.

iv. The settlement period for spot foreign exchange trades shall be T+2, unless otherwise stated.

7.1 Confirmation Process

Market Participants should confirm trades as soon as practicable, and in a secure and efficient manner.

i. All deals shall be confirmed directly by phone or via a common secured electronic platform at the Back Office immediately after the trade is concluded to ensure that the transaction details correspond to those received from the Dealing Officers.

ii. Confirmation letters shall be sent to the counterparty within 24 hours after the trade is concluded by the Dealing Officers.

8.0 COMPLIANCE WITH OTHER FX PRUDENTIAL REQUIREMENTS

All LFXDs shall comply with all prudential requirements that pertain to the foreign exchange market. LFXDs are to comply with foreign exchange exposure limits and the provision of cedi cover for their vostro balances. All other regulatory requirements of BoG including in the areas of anti-money laundering/Countering the Financing of Terrorism, Know Your Customer and Corporate Governance directives of Bank of Ghana shall apply.

9.0 PENALTY REGIME

Penalties for Breach of Relevant Sections of this regulation

Any action which contravenes any section of these rules shall attract one or more of the penalties listed below as Bank of Ghana finds appropriate:

Penalties/Sanctions shall include:

i. Issuance of warning letters to the dealing officer and their LFXDs or FX Broker.

ii. Administrative Fines / Monetary Penalties (see table below)

iii. Suspension of LXFD, dealing officer, FX Broker and the publication of same in the news papers

iv. Revocation of FX dealing license, and the publication of same in the news papers

v. Legal prosecution of fraudulent cases. Where appropriate, Bank of Ghana will refer fraudulent cases to the law enforcement agents and the Attorney General for prosecution

vi. Exclusion from trading with the Bank of Ghana

vii. Name and shame of recalcitrant market participants.

The following Administrative fines / penalties shall apply:

Infringement	**Penalty Points (e.g)**	**Sections of Act 930**
Participation in any form of FX auction with unauthorised FX dealers (including all net foreign exchange earners)	An administrative penalty of not more than one hundred and twenty per cent of the gross income accruing from the forex business/transaction.	76 (2)

Failure to comply with foreign exchange exposure limits	Each day during which the deficiency exists, an amount calculated as one half per mile of the deficiency.	41 (4)
Broker trading without authorization from the Bank of Ghana	An administrative penalty of not more than one hundred and twenty per cent of the gross income accruing from the forex business.	76 (2)
Failure to submit exchange rate report on time	Administrative penalty of not more than five hundred penalty units each day that the default continues a further penalty of fifty penalty units in respect of the default.	93 (3)
Failure to confirm trade deals within 5 minutes of execution	Administrative penalty of not more than five hundred penalty units each day that the default continues a further penalty of fifty penalty units in respect of the default.	93 (3)
Failure to settle deals on spot or agreed value date	Each day during which the deficiency exists, an amount calculated as one half per mille of the deficiency.	41 (4)
Failure to update indicative quotes regularly on both Reuters and Bloomberg platforms	Administrative penalty of not more than five hundred penalty units each day that the default continues a further penalty of fifty penalty units in respect of the default.	93 (3)
Failure to quote firm two-way prices in the interbank foreign exchange market	Administrative penalty of not more than five hundred penalty units each day that the default	93 (3)

	continues a further penalty of fifty penalty units in respect of the default.	
Failure to sell Bank of Ghana forex market support to the designated buyer directed by BoG	Administrative penalty of not more than five hundred penalty units each day that the default continues a further penalty of fifty penalty units in respect of the default.	93 (3)
Any other inaccurate reporting	Administrative penalty of not more than five hundred penalty units each day that the default continues a further penalty of fifty penalty units in respect of the default.	93 (3)
Making frivolous quotes to mislead market participants	Administrative penalty of not more than five hundred penalty units each day that the default continues a further penalty of fifty penalty units in respect of the default.	93 (3)

10.0 AMENDMENTS TO MARKET RULES

The Bank of Ghana reserves the right to make amendments to these rules at any time without recourse to LFXDs or FX Brokers.

11.0 EFFECTIVE DATE

These rules become effective on 25th February, 2019.