



## **BANK OF GHANA GUIDELINES FOR ALLOCATION OF FOREIGN EXCHANGE THROUGH FORWARD AUCTIONS**

The Bank of Ghana (BOG) announces the following guidelines to govern the conduct of foreign exchange (FX) forward auctions on the interbank foreign exchange market in Ghana. The multiple-price forward FX auctions will further aid price discovery, deepen the FX market and reduce uncertainty on the future availability of the FX to meet the FX need of the banks' clients.

All participants shall be expected to fully abide by the following rules.

### **REGULATIONS GOVERNING THE FOREIGN EXCHANGE AUCTION PROCESS**

#### **1. Publication of Foreign Exchange Auction Calendar**

- a) The BOG will publish an auction calendar for the foreign exchange forwards on quarterly basis. The calendar will be published one week preceding the quarter on the Bank of Ghana website and on the BOG Page ***cpurl://ts.cp/Apps/Auctions*** on Reuters Terminal to enable market participants to adequately plan. The announcement shall list the date and time, auction volume target, settlement and other relevant information. Annex I provides a sample auction announcement.

#### **2. Eligibility**

- a) Participation in the auction is restricted only to the Authorized Licensed Foreign Exchange Dealing Banks.

##### **Eligible Currency and Quotation Convention:**

- a) The auctions shall be limited to the purchase or sale of the United States Dollar (USD) against equivalent value in the national currency – Ghana Cedi (GHS) on a forward basis at various tenors including but not limited to 7day, 15day, 30day, 45day, 60day and 75day tenors.
- b) The quotation of rates for bids placed in the auction shall indicate the equivalent value in the national currency (Ghana Cedi/ GHS), expressed against one unit of the USD quoted up to 4 decimal places. Example of the rate quotation for bid is 5.3900



### **3. Auction Schedule and Frequency:**

- a) The FX auction shall be held on dates as per the announced quarterly calendar by the BOG on Tuesday. In the event that a national holiday falls on Tuesday the auction will be held on the next business day.

### **4. Bidding Process:**

- a) Authorized Banks shall submit their bids via a designated email in the approved format provided by the BOG. Annex II of these regulations provides the format.
- b) Each bank is permitted to submit a maximum of [3] bids per tenor in the auction, quoting their desired amount and at their freely determined exchange rate as per quotation convention.
- c) The minimum bid size is US\$500,000 and in multiples of US\$250,000, and expressed in numbers. Maximum bid size of a single bid shall not exceed ten percent (10%) of the announced auction target. The cumulative volume of all bids from any single bank shall not exceed twenty percent (20%) of the announced target for the auction.
- d) Bids with incomplete or missing information or submitted after deadline shall not be accepted.
- e) Bids exceeding the maximum single bid amount or lower than the minimum bid amount shall not be accepted. BOG reserves the right to reject the bid placed at the lowest exchange rate in the case of a sell-auction and highest exchange rate in the case of a buy-auction if bids of any bank exceed the cumulative volume limit.
- f) Each bid is final and is irrevocably binding on the bidding bank. Once a bid has been submitted, no request for changes will be entertained by the BOG.

### **5. Allocation Methodology**

- a) The multiple-price auctions would be fixed volume format; the auction cut-off rate would clear the target volume offered in the said auction.
- b) The amount rule would require that not less than 25 percent of the auction target is allocated. (Failed auctions)
- c) The general principle followed would be that the amount accepted at the auction be kept close to the announced volume, probable variance of not more than  $\pm 10$  percent of auction target.

### **6. Auction Committee**

- a) An auction committee comprising of BOG staff appointed by the Governor shall oversee the conduct of the auction and decide on the cut-off, guided by the allocation methodology in paragraph 6.
- b) Only authorized BOG officials may be present at the time of the auction allocation process. Details of individual bids of banks will be kept confidential.



## **7. Communication of auction results to the market**

- a) FX Auction results will be published on Reuters dealing system by 2.00pm, on the day of the auction.
- b) Please see Annex III for the format of Auction Results.

## **8. Confirmation and Settlement of Trade:**

- a) Unless otherwise announced, the settlement period for the auction shall be the day of trade for the cedi leg whilst the FX obligation is settled at the end of the applicable tenor.
- b) BOG dealers shall call FX dealers of the successful banks via the Reuters Dealing System to confirm and conclude trades for accepted bids to facilitate STP settlement.

## **9. Funding**

- a) Successful Banks shall debit the receiving customers' accounts for the Cedi equivalent of their bids.
- b) BOG shall also debit successful Authorised Dealer banks' account on trade day to the tune of the Cedi equivalent of their successful bids.

## **10. Other Provisions**

- a) FX market conduct rules will apply to foreign exchange funds acquired or sold at the auction.
- b) In particular, the banks are reminded to comply strictly with the regulations in respect of foreign exchange exposure limits as prescribed by the BOG (NOP's).
- c) All Authorized Foreign Exchange Dealer Banks shall also comply with the provisions of the Code of Conduct for the Interbank Foreign Exchange market in Ghana.
- d) The Bank reserves the right to amend these rules from time to time based on observations and prevailing circumstances.

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**(Sgd.)  
THE SECRETARY**