



BANK OF SOUTH SUDAN (BSS)

REGULATION NO. 20, 2012

FOREIGN EXCHANGE EXPOSURE LIMITS OF BANKS

In accordance with the provisions of section 12 of the Bank of South Sudan Act, 2011, and section 69 of the Banking Act 2012 (the Banking Act), and consistent with internationally accepted standards on prudent management of foreign exchange risk, I hereby issue the following Regulation that sets the limits on foreign exchange exposure of banks operating in South Sudan.

This Regulation shall be cited as Foreign Exchange Exposure Limits of Banks, 2012, and shall come into effect as from the date of its signature.

I. Introduction, purpose and definitions

1. The acceptance of deposits and extension of credit in foreign currencies, as well as taking positions in foreign currency, pose potential foreign exchange risk to the balance sheet of commercial banks, which could have serious negative impact on the capital position of banks. Therefore, prudent management of banks' activities in foreign currencies is crucial to ensuring the safety and soundness of the individual banks and the banking system as a whole.
2. The purpose of this regulation is to ensure that the potential risk of loss arising from foreign exchange rate fluctuations to a bank's capital base is within prudential limits.
3. In this regulation, unless the context requires otherwise the following words and expressions shall mean:
 - (a) **Central Bank** or **the Bank** or the **BSS** means the Bank of South Sudan;
 - (b) **Core Capital** or **Tier 1 Capital** means permanent shareholders' equity in the form of issued and fully paid-up shares plus all disclosed reserves, less goodwill and any intangible assets;
 - (c) **Foreign currency** or **foreign exchange** means a currency other than legal tender in South Sudan;
 - (d) **Foreign exchange business** means any facility offered, business undertaken or transaction executed with any person involving a foreign currency inclusive of any account facility, credit extension, lending, issuance of guarantee, counter-guarantee, purchase or sale by means of cash, cheque, draft, transfer or any other instrument denominated in a foreign currency;
 - (e) **Forward transaction** or **forward purchase** or **forward buy** or **forward sale** means a transaction that is to be executed after more than two working days from the date the transaction is contracted or agreed;
 - (f) **Licensed bank** or **a bank** has the meaning assigned to it in the Banking Act;
 - (g) **Long position** or **long open position** or **overbought position** of a bank in a foreign currency means the holding by the bank of that foreign currency for its own account in excess of all its contractual spot, same day value and forward transaction commitments in that foreign currency;
 - (h) **Net open position** of a bank in a foreign currency means the net sum of all its assets and liabilities inclusive of all its spot, same day value and forward transactions, and its off balance sheet items in that foreign currency;

