
*SIERRA LEONE INTERBANK
FOREIGN EXCHANGE MARKET
GUIDELINES*

These guidelines are issued by the Bank of Sierra Leone in exercise of the powers conferred on it by Section 65(1) of the Bank of Sierra Leone Act 2011.

SECTION I: BASIC ISSUES

1: OBSERVANCE OF THE GUIDELINES

- 1.1. In order to improve transparency and efficiency and also maintain high ethics and behavioural standards in the conduct of the foreign exchange market, Dealer Banks who are engaged in interbank foreign exchange market transactions should abide by the provisions of these guidelines.
- 1.2. The interbank foreign exchange market is for trading of *non-cash* foreign exchange for the payment of legitimate current international transactions allowed by the foreign exchange Guidelines and for trading own account within the prudential net open position limits of the Bank.
- 1.3. The interbank foreign exchange market shall be called the **Sierra Leone Interbank Foreign Exchange Market (SLIFXM)**.

2: PRE-CONDITIONS FOR SLIFXM MEMBERSHIP

- 2.1. The participants in the interbank foreign exchange market shall be the Bank of Sierra Leone (BSL) and Dealer banks licensed by the Bank of Sierra Leone.
- 2.2. Dealer bank must sign the Bank of Sierra Leone Agreement Governing the Operations of the Interbank Foreign Exchange Market.
- 2.3. Dealer banks must have a Thomson Reuters dealing and Information system, and be connected to Thomson Reuters Trade Reporting System.
- 2.4. Dealer bank must have a voice recorder, with all telephone lines in the front office and back office duly connected to the recorder
- 2.5. Dealer bank must be a member of the Real-Time Gross Settlement System (RTGS) at the Bank of Sierra Leone or should be sponsored and guaranteed by a clearing Bank through which their deals shall be settled.
- 2.6. Dealer Bank must have Certified ACI operating certificate for Front Office, Middle Office and Back Office staff
- 2.7. All Dealer banks must be active participants in the interbank market.
- 2.8. All Dealer banks must be SWIFT compliant.

3: RESPONSIBILITIES OF DEALER BANK

- 3.1. The activities of the Dealer staff shall be controlled by the Dealer bank. As such, the Dealer banks shall be held responsible for the conduct of their Dealers in the interbank foreign exchange market.
- 3.2. The Dealer bank shall prepare written guidelines, describing functions, rights and duties of Authorised staff. In particular these guidelines should include:
 - a. General dealing policy including reporting procedures;
 - b. Personnel authorized to deal;
 - c. Verification of the identity of counterparties and the creation and storage of such verification records as part of “Know Your Customers” requirements;
 - d. The list of financial instruments to be dealt;
 - e. Compliance with market risk limits, such as position and stop-loss limits;
 - f. Confirmation and settlement procedures;
 - g. Relationship with counterparties;
 - h. Business Continuity Planning;
 - i. Other relevant guidance as considered appropriate to be explicitly stated.
- 3.3. Dealer bank shall submit to the Bank of Sierra Leone and all other members of the interbank foreign exchange market the names of authorized staff in the front office that deal on behalf of the Dealer bank and regularly update members of the interbank foreign exchange market of new recruitment or change of dealing personnel.
- 3.4. Dealer Bank should adopt high standards of conduct in their actions and communications, both internally and externally. They are also expected to conduct their business with due skill, care and diligence, and to act in good faith.
- 3.5. Dealer Bank shall conduct the necessary due diligence on prospective counterparties before establishing new relationships.
- 3.6. Dealer Bank shall obtain a “**NO OBJECTION**” from the Bank of Sierra Leone for nominees for the position of Head of Treasury before confirming such persons to the position. Dealer bank shall also obtain a “**NO OBJECTION**” for persons currently in the above mentioned position.

- 3.7. Dealer banks are responsible for having effective policies, processes and controls in place in order to ensure that business is in fact conducted within the framework of applicable personal conduct requirements.
- 3.8. Dealer banks are also expected to have processes to deal with individuals who have acted inappropriately, including reporting requirements to the relevant authorities where applicable.
- 3.9. Dealers should be encouraged to ask their supervisor or other designated personnel for guidance in the event that there is any uncertainty regarding their conduct obligations.
- 3.10. Dealer banks should also have in place effective escalation procedures that enable staff to report instances of suspected unlawful or inappropriate practices and ensure that issues surfaced through this channel are addressed promptly and transparently.
- 3.11. Dealer banks should ensure their staff feel confident that any information reported under these procedures will be dealt with seriously and effectively, and that the reporting will not be to their detriment.
- 3.12. Dealer banks should be accountable for the integrity of these policies and for ensuring the protection of staff that make such reports.

4: TRAINING OF PERSONNEL

- 4.1. Dealer banks are responsible for maintaining a high standard of professionalism among the members of their staff in order to cope with rapid changes in markets and increasing complexity of foreign exchange transactions.
- 4.2. Dealer Banks should ensure that staff in the Front Office, Back Office and Middle Office have ACI certification as a minimum qualification within 2 years of the coming into force of these Guidelines. And thereafter all new Treasury staff employed, shall have ACI certificate within one year.
- 4.3. Dealer Banks should ensure that staff have the requisite training required to efficiently carry out their jobs.
- 4.4. Dealer Banks should clarify the responsibilities, roles, and authority of their members of staff, and thoroughly explain the procedures, IT systems, and business continuity plans.

- 4.5. Dealer banks should ensure procedures for risk measurement and reporting are well understood by all members of staff involved in trading activities.

5: OBLIGATIONS OF AUTHORISED STAFF

- 5.1. All authorized staff engaged in foreign exchange market operations shall observe the following standards of behaviour:
- a. All Dealer banks should carry out their duties in accordance with the instructions of their management, within the limit of the authority that has been granted to them.
 - b. All Dealer banks should immediately report to their management any problems arising during dealing operations, or other matters, which could affect their business.
 - c. Any disputes on any transaction or settlement arising between a dealer and counterparty or other concerned parties should be resolved cooperatively and with high degree of integrity and mutual respect.

6: SEGREGATION OF DUTIES

- 6.1. In order to ensure an unequivocal segregation of functions and responsibilities, participants shall organize their foreign exchange business by explicitly separating the functions of;
- a. **Front office:** Front Office shall be limited to negotiating and concluding foreign currency deals.
 - b. **Middle office:** Middle office is responsible for risk management, product control activities and serves as an additional check and control on front office activities.
 - c. **Back office:** Back Office is charged with the confirmation, settlement, payment of all transactions initiated by the front office and any other function typical of a back office
- 6.2. Dealer banks shall draw-up organization and procedure manuals, reflecting the criteria described above. The manuals must be approved by management of the Dealer banks and a copy sent to the Bank of Sierra Leone, and should specifically address the following:
- a. Organization of and procedures related to foreign exchange transactions and their inter-link with other business activities.
 - b. General and specific dealing policy,
 - c. Risk management,
 - d. Persons authorised to deal and instruments to be dealt in,

- e. Internal limits on open positions (intra-day/closing/overnight; spot/forward, etc.),
- f. Stop-loss limits,
- g. Limits on counter-parties (local/foreign, country-exposure, etc.),
- h. Position-keeping by the dealing and the back office function and implementation of intra-day checking.
- i. Special confirmation and settlement procedures,
- j. Relationship with other participants (banks/brokers),
- k. Monitoring and reconciliation of accounts,
- l. Surveillance, compliance and adherence to rules and regulations issued by the Bank of Sierra Leone,
- m. Reporting to the Bank of Sierra Leone,
- n. Tasks and responsibilities of internal audit (if not addressed otherwise).

7: APPLICATION OF CORRECT MARKET TERMINOLOGY

- 7.1. To avoid misinterpretation, the Dealer Bank shall make certain that all authorized staff are aware, and able to apply, generally accepted dealing and foreign exchange terminologies.

8: BUSINESS CONTINUITY PLAN

- 8.1. Members of the interbank foreign exchange market should prepare in advance Business Continuity Plans (BCP) to be followed in the event of interruptions. It is desirable that the effectiveness of these plans is reinforced through regular drills.
- 8.2. In the event of a large-scale disaster, members should collaborate to maintain and promptly restore the functions of the interbank foreign exchange market in cooperation and consultation with relevant authorities.

SECTION II: ETHICS AND BEHAVIOURAL STANDARDS

9.0. PROHIBITED ACTIVITIES

- 9.1. Member of the SLIFXM shall not take the following unfair actions or seek to profit themselves or their customers from the following unfair actions:
 - a. Perpetrating rumours that may reflect adversely on professionalism;
 - b. Abusing market practices;

- c. Desist from attempting to illegitimately obtain and use non-public information that may affect market prices from other SLIFXM members;
- d. Exploiting illegitimately obtained information.
- e. SLIFXM 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.

10: MAINTAINING CONFIDENTIALITY

- 10.1. Confidentiality is essential for the preservation of a reputable and efficient market. All members of the SLIFXM must strictly comply with the rules to maintain confidentiality. 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. Confidential information should also be controlled within the same institution and should not be transmitted to other sections where such information is irrelevant.
- 10.2. Dealer banks should ensure that every authorised staff has a thorough knowledge of the basic principles concerned and take necessary measures to prevent confidential information from being passed on to outside parties.
- 10.3. Dealer banks should ensure that confidentiality is not breached through the use of telecommunications systems for interbank foreign exchange transactions. Security measures for these systems should be implemented if necessary.
- 10.4. In the event of any breach of confidentiality, it is the role of the Dealer banks to act promptly to implement appropriate corrective measures.
- 10.5. Dealer banks should strictly control the entry of non-dealer personnel and visitors into the dealing room.
- 10.6. Dealer banks should have policies that require their personnel to refrain from passing on information that they know or suspect to be misleading. Such policies should be reasonably designed to ensure that any communication, whether to counterparties, customers, other market participants or other external parties have a reasonable basis, are fair and balanced, and do not contain any inaccurate or misleading information.

11: DEALING FOR PERSONAL ACCOUNTS

- 11.1 The Code of Conduct, among other provisions, shall include the following:
- 11.2 Dealer Banks shall not allow their Treasury staff to engage in any personal account foreign exchange trading for their own personal account.

12: PREVENTION OF FRAUD

- 12.1 Dealer bank should not engage in any practices which could be held to constitute market manipulation, abuse, fraud, or anti-competitive behaviour. Where Dealer banks are handling orders, whether for counterparties or customers, they should establish and enforce their internal systems, processes and procedures to address potential conflicts of interest arising from managing such order flow.
- 12.2. Dealer banks and their staff members involved in the SLIFXM should be cautious against practices listed below, in order to prevent acts of fraud. When members detect any suspicious activities, they shall report them to their management 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, different from the counterparty to the transaction;
 - d. Being unable to confirm details of transactions after transactions are concluded;
 - e. Experiencing any anomalies in transactions.
- 12.3 Dealers shall not accept commissions from another dealer/broker. Dealers shall report to management without delay, whenever they receive proposals from dealers/brokers for unusual transactions that deviate from market practices.
- 12.4 Dealers shall not engage in position parking, where a dealer in agreement with other market participants concludes a transaction that will be reversed on a future date, with the effect of manipulating the dealer's position or profit and loss.

13: ENTERTAINMENT AND GIFTS

- 13.1 In order to maintain a fair market environment, prudent and reasonable relationships should be maintained with all counterparties.
- 13.2 Dealer banks should formulate explicit guidelines for offering and accepting entertainment and gifts, and ensure compliance by all members.

13.3 Dealer banks should request, as appropriate, reports on entertainment and gifts from members to check the relevant details.

14: ANTI-MONEY LAUNDERING

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

14.2 Dealer banks must familiarize themselves and comply with relevant Sierra Leone laws and regulations, which stipulate matters relating to the verification of the identity of counterparties and the creation and storage of such verification and transaction records.

SECTION III: DEALING PRACTICES

15: MARKET OPENING AND CLOSING TIMES

15.1 The recognized dealing time in the SLIFXM runs from 9:30 hours to 16:30 hours from Monday to Friday except for Public Holidays or unless otherwise communicated by the Bank.

16: QUOTATION OF PRICES

16.1 Dealer banks are to present binding two-way quotations (i.e. a buying and a selling rate) for the Leone against the US dollar on the Reuters Dealing system if requested by another market participant during either of the 2 quoting sessions of 9.30-11.30am and 1.30-2.30pm.

16.2 A price quoted by a dealer in the SLIFXM should be deemed as firm unless they are expressed to be indicative prior to quoting.

16.3 The maximum spread between the bid price and ask price in the interbank market shall not exceed 50 pips.

16.4 The minimum transaction amount shall be USD50,000 (U.S Dollars fifty thousands). For amounts above USD50,000 the price maker should qualify the amount.

16.5 All Dealer banks are obliged to regularly update their indicative two-way quote on Reuters's screen during trading hours.

16.6 Dealer bank who fails to update their quotations during the specified time interval will be deemed to have accepted its most recent pair of posted bid/ask quotations.

16.7 If the Reuters platform used for quoting and trading temporarily ceases to function, BSL will not suspend trading but will inform participant to carry on trading and quote prices for customers.

17: CONCLUDING A DEAL

17.1 When a dealer calls another dealer by displaying quotes price (bid/ask) without specifying the amount, the USD 50,000 rule for a given quote price applies. Where a dealer 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.

17.2 In the interbank foreign exchange market, a transaction should be deemed concluded when one shows a firm price and the other deals at that price.

18: CONFIRMATION PROCEDURES

18.1 Dealer banks must exchange written confirmation without delay upon conclusion of the transaction through their back office independent of the dealer concerned, in order to affirm the transaction.

18.2 Dealer banks that are parties to a deal should exchange confirmations between their back offices immediately after the deal has been done. In exchanging confirmations, it is desirable to use electronic media such as SWIFT. The confirmation should include the following information:

- a. Trade date;
- b. Name of counterparty;
- c. Currency and amount;
- d. Rate;
- e. Type and side;
- f. Value date;
- g. Settlement bank instructions;
- h. Settlement period (cycle);
- i. Other required relevant transactions details.

18.3 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 and send an amended confirmation when correction is necessary.

19: PAYMENT AND SETTLEMENT INSTRUCTIONS

19.1 All payment and settlement instructions related to interbank foreign exchange transactions should be arranged directly between the relevant banks. 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.

19.2 The instructions to deliver funds in local currency leg (Sierra Leonean Leone) should be conducted through Real Time Gross Settlement (RTGS) system and the foreign currency leg instruction should be delivered through SWIFT.

20: REPORTING OF SLIFXM TRANSACTIONS

20.1 It is responsibility of the Dealer bank to ensure that all foreign exchange transactions are reported and submitted to the Bank of Sierra Leone by 16:45 pm on the trade date detailing the following:

- a. Type of transaction;
- b. Name of counterparty;
- c. Value date;
- d. Amount and;
- e. Rate.

20.2 It is the responsibility of the price taker to provide any required information regarding the reasons for the transaction.

20.3 Dealer banks are obliged to immediately report to the Bank on conclusion of after-hours transactions.

20.4 Dealer banks are obliged to immediately provide the Bank of Sierra Leone with other information about transactions and other factors that are likely to have substantial effect on the market.

21: RECORDING BY TAPES AND OTHER MEANS

21.1 Dealer banks should record conversations with their dealing counterparties by tapes or other means.

21.2 The recorded media should be strictly controlled to prevent their contents from being tampered with. They should be kept for a period long enough to enable the details of any transaction to be confirmed.

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

21.4 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.

22: AFTER-HOURS DEALING AND OFF-PREMISES DEALING

- 22.1 Performing dealing operations outside dealing rooms is a 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.
- 22.2 After-hours and off-premises dealing including dealing at home should only be undertaken with the prior approval of the Bank.
- 22.3 Dealer banks should issue written guidelines to their staff that had been approved in accordance with the guidelines on the extent of transaction limit and names of persons authorized to trade.
- 22.4 Dealer banks should put in place controls that enable prompt recording, verification and reporting of transactions conducted after-hours and off-premises.

23: OFF-MARKET RATE

- 23.1 A Deal whose transacted price is extremely deviated from an actual market at the time of execution may result in concealment of profit or loss. Dealers should generally avoid such questionable deal.

24: CHARGES AND FEES

- 24.1 Participants shall not impose any charges, commission or fees on each other when carrying out transactions on the interbank foreign exchange market.

25: RELATION BETWEEN MARKET PARTICIPANTS

- 25.1. Market participants shall undertake to maintain and develop the fellowship and loyalty that are indispensable in foreign exchange market operations.
- 25.2. 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 Code of Conduct.
- 25.3. Market participants shall do all in their power to give the profession the importance and high reputation to which it is entitled under all circumstances.

26: DIFFERENCES AND DISPUTES RESOLUTION

- 26.1. Where a problem arises in relation to the transaction and the settlement and handling or other aspects of a transaction with the counterparty, the staff member in charge should report the problem to his/her management immediately. Under instructions of management, the staff member in charge of the transaction should make every effort to resolve the situation quickly and in good faith.

26.2. In case of dispute arising from problems that cannot be resolved amicably by the parties involved through usual procedures, the parties should bring the case to the attention of Interbank Market Committee (IMC).

27: DEALING CURRENCY

27.1. The currency to be traded in the SLIFXM is the United States Dollar (USD), but banks are free to trade other foreign currencies in case of mutual interest.

28: STANDARDS FOR VALUE DATES

28.1 The date for USD/SLL transactions will be spot, i.e. the next business day after the transaction date (T+1). If such a day falls on US or SLL holiday, the value date will be postponed to the next business day on which both markets are open.

29: CANCELLATION OF SLIFXM MEMBERSHIP

29.1 A Dealer bank who intends to cancel membership of the interbank market shall notify the Bank of Sierra Leone of its decision in writing with a minimum of one month's notice.

29.2 A Dealer bank who wish to be off the market temporarily for a period not exceeding one (1) month, shall notify the Bank of Sierra Leone in writing, stating reasons and time it will return to the market.

30: PENALTY

30.1 Any action which contravenes any provisions of these Guidelines would attract penalties in consultation with the Interbank Market Committee established to govern market trading activities.

30.2. Penalties shall include:

- a. **Fines:** Dealer banks who will default to honor their obligations will be fined, the member who defaults to pay US Dollar will be charged based on overnight Libor + 5% and the one who fails to pay SLL will be charged based on BSL Standing Deposit Rate + 5%.
- b. **Suspension:** Dealer Bank who is found dealing at off-market rate shall be suspended for a minimum period of four (4) weeks.
- c. **Warning letters:** Warning letters will be issued to Dealer Banks who contravene the provisions of the Guidelines.
- d. **Revocation of Trading License:** The Bank of Sierra Leone may revoke the trading license of Dealer Banks who breach any provisions of the Guidelines
- e. **Legal actions:** The Bank of Sierra Leone may take legal prosecution against Dealer Banks who are engage in fraudulent cases
- f. The Bank reserves the right to translate any other misconduct and impose penalties.

APPENDIX

APPENDIX 1: MARKET TERMINOLOGY AND DEFINITIONS

This glossary is a collection of terminology commonly used in the IFEM transactions. The Bank encourages the accurate and standardized usage of it by all IFEM members.

I. TERMINOLOGY RELATING TO MATURITY DATES

- 31.1. Value Date: Delivery Date, Settlement Date
- 31.2. Spot: In general two business days hence: in foreign exchange, spot transactions are those in which traded currencies are delivered two business days after the transaction date
- 31.3. Overnight: Value today against next business day.
- 31.4. Tom-next: Value next business day against spot date.
- 31.5. Spot-next: Value spot date against next business day of the spot date.

II. TERMINOLOGY IN RELATION TO PRICING AND EXECUTION OF DEALS

- 31.6. Quote: Statement of rates for buying and selling.
- 31.7. Price: Same as rate.
- 31.8. Buy*, Bid, Pay: In case of foreign exchange trading, the rate at which the quoting dealer will buy the base currency.
- 31.9. Sell*, Offer, Ask: In case of foreign exchange trading, the rate at which the quoting dealer will sell the base currency.
- 31.10. Mine, I buy*, I take: In case of foreign exchange trading, this is what a dealer says to indicate that the dealer buys the base currency at the offered rate being quoted.
- 31.11. Yours, I sell*, I give: In case of foreign exchange trading, this is what a dealer says to indicate that the dealer sells the base currency at the bid rate being quoted. 14
- 31.12. Hit: Commonly used for either in trading at bids or offers. However, the precise term is 'Hit the bid' which indicates that a seller is willing to deal at the current bid in the market and 'Take the offer' which indicates that a buyer is willing to deal at the current offer in the market.
- 31.13. Done: Term used to conclude a deal/transaction in the foreign exchange market
- 31.14. Under reference: A quote that needs to be confirmed as firm price.
- 31.15. Nothing done, Nothing: Term used when a deal/transaction has not been concluded.
- 31.16. Firm, Firm price: A rate which is valid and can be dealt to conclude a deal. The bank quoting a firm price is obliged to transact the deal at that rate when counterparty deals the price being quoted
- 31.17. My risk: A reply used by a dealer when unable to respond immediately whether the dealer intends to deal at the quoted price. Therefore, if the dealer desires to conclude the transaction, the dealer must request a fresh price asking "How now" or something similar.

31.18. Your risk: A notice of intent by the quoting dealer that the proposed rate would be put under reference. The term is used when the counterparty does not respond to the proposed rate immediately.

31.19. Point, Pip: The smallest unit of a rate.

III. TERMINOLOGY RELATED TO TRADING POSITION

31.20. Long: A position for which a net surplus of the base currency is being maintained.

31.21. Short: A position for which a net deficit of the base currency is being maintained.

31.22. Square: A position for which the total of base currency bought is equal to the total of the base currency sold. 15

IV. TERMINOLOGY RELATED TO FOREIGN EXCHANGE TRANSACTIONS

31.23. Official Rate: It is the Bank's closing rate which is computed based on actual transacted rates.

31.24. Outright: The purchase or sale of a currency.

31.25. Forward: A transaction that concludes, near date buying/selling and far date selling/buying simultaneously, as a general rule, for the same amount.

31.26. Outright forward: An outright transaction with a delivery date beyond the spot value date.

V. MISCELLANEOUS TERMINOLOGY

31.27. OTC: Abbreviation for "over the counter"; Transactions conducted via telephones and dealing machines. The foreign exchange market is one of the most major OTC markets.

31.28. IFEM dealers: All authorized staff of IFEM members

31.29. Authorized staff: Employees of IFEM members working in the back, middle and front offices

31.30. Market Rate: Any amount below USD 2.5mn shall be traded within a spread of **SLL 10** from bid/ask quoted by respective bank on **SLL 1 =** at the time of agreeing the trade;

31.31. Any amount above USD 2.5mn shall be traded at an additional +/- **SLL 10** from either bid/ask quoted range by respective banks on **SLL 1 =** at the time of agreeing the trade;

APPENDIX 2: BASIC OPERATIONS AND IMPORTANT POINTS ON TRADING PRACTICES

32.1 This section describes cases of foreign exchange market transactions, and summarizes points to keep in mind when carrying out transactions. To prevent trouble from occurring when concluding transactions, the counterparties to transactions are required to avoid the use of ambiguous terms and to indicate necessary information to the counterparty to the transaction, such as the currency, the amount, the value date, the distinction between selling and buying and the transaction rate.

I. SPOT TRANSACTIONS

(a) Transactions using Dealing Equipment Reuters 3000+ (with XX Bank)

32.2 XX Bank: USD 2 PLS (Note 1)

32.3 YY Bank: 1720/30 (Note 2&3)

32.4 XX: SELL (2) (Note 4)

32.5 YY: DONE (Note 5)

32.6 YY BANK BOUGHT USD 2 MIO AGST SLL AT 1720.00 VAL FEB 8, 2015

32.7 USD TO OUR NYAND WHERE FOR YOU PLS? (Note 6)

32.8 XX: SLL TO BOT PLS

32.9 YY: TKS FOR THE DEAL

32.10 XX: TKS AND BIBI

32.11 (Note 1) This means "SPOT USD/SLL for USD 2 MILLION PLEASE." The trading amount should be stated clearly when making a request to a counterparty for a price.

32.12 (Note 2) This means "SPOT SLL IS 1720/30."

32.13 (Note 3) Prior to quoting a price, the credit limit availability for the counterparty bank should be checked. In cases where the credit line availability is insufficient to cover the full amount of the transactions requested, prices should be quoted after stating that circumstance clearly (e.g. "SLL 20/30 UP TO 10 ONLY," etc).

32.14 (Note 4) The party to which a price is quoted should indicate as quickly as possible and without holding that price, by mentioning "NOTHING", or whether they are willing to conclude a transaction. Expressions such as "YOURS (2)," "AT 20" can also be used for the conclusion of transactions. Transaction amounts may be omitted in cases where the amount is stated when requesting a price.

32.15 (Note 5) When confirming the transaction, the value date, amount and the rate should always be confirmed. 17

32.16 (Note 6) In the exchange of payment instructions, the name and location of the bank to which the currency is to be delivered should always be stated clearly.

(b) Transactions by Telephone (with XX Bank)

32.17 XX: This is XX Bank.

32.18 YY: This is YY Bank, can we have spot TZS in ten dollars (ten million dollar, Ten)? (Note 1 &2)

32.19 XX: Spot SLL is 1730/40.

32.20 YY: At 40, 2 dollars please (Two mine, please).

32.21 XX: O.K., done. XX Bank sold to you two million dollars atThis is YZ (dealer name).

32.22 YY: YY Bank bought USD 2 million at This is XZ (dealer name). Thank you very much. (Note 3)

32.23 (Note 1) The name of the counterparty should always be checked before quoting a price and the requested amount should also be checked.

32.24 (Note 2) When conducting transactions by telephone, it is desirable to present beforehand a list of members of staff who have been granted the authority to conclude transactions with counterparties.

32.25 (Note 3) As transactions conducted over the telephone carry a higher risk of problems and mistakes in the process of making a deal, it is necessary to strive to confirm the details of the transaction reliably by repeating between each other the details of the transaction and by other such actions.

TERMS OF REFERENCE FOR THE INTERBANK FOREIGN EXCHANGE MARKET COMMITTEE

1: COMMITTEE NAME

- 1.1. The name of the Interbank Foreign Exchange Committee shall be the Interbank Market Committee (IMC).

2: PURPOSE

- 2.1 The main purpose of the Committee shall be a consultative forum for the Interbank foreign exchange market participants. Where market development issues are discussed. The topics could range from potential new products though discussing upcoming regulations for capacity building.

3. CHAIRPERSON

- 3.1 The Chairperson of the Interbank foreign exchange Committee shall be the Deputy Governor of the Bank of Sierra Leone.

4. MEMBERSHIP

- 4.1. In addition to its Chairperson, the IMC will consist of the Director, Financial Markets Department, Director, Banking Supervision Department, Director, Banking Department and Director, Financial Stability Department, and one member from each Dealer Bank participating in the Interbank foreign exchange market.

5. MEETINGS

- 5.1. The Interbank Committee shall meet quarterly.
- 5.2. The Committee shall meet as and when there is a conflict or any other relevant issues to deal with, or whenever the Chairperson or at least two participants excluding the BSL call for it. All members including the Chairperson shall be required for the Committee to make a decision.

6. DISPUTE PROCEDURES

- 6.1. The IMC shall provide a forum for resolution of any dispute between market participants, after the parties have exhausted their own efforts to resolve the matter directly. The committee will ensure that it takes firm, clear and fair decisions.
- 6.2. Requests for arbitration should be addressed to the Deputy Governor of the Bank of Sierra Leone. A request shall be concise but shall contain all necessary information to facilitate the IMC's actions.
- 6.3. The Chairperson will act as arbitrator, without any voting right, except in the event of a tie, where the Chairperson will have the casting vote.

**INTERBANK AGREEMENT FOR DEALER
BANKS PARTICIPATING IN THE INTERBANK
FOREIGN EXCHANGE MARKET**

TO: The Governor, Bank of Sierra Leone

By: Commercial bank

WHEREAS THE _____ (*name of commercial bank*) has agreed in principle to participate as a market maker in the Sierra Leone Interbank Foreign Exchange Market (SLIFXM) and provide both a binding buying and a selling price for the United States Dollars against the Leone if requested by another market participant in accordance with the Bank of Sierra Leone Rules Governing Operations of the Interbank Foreign Exchange Market dated

AND WHEREAS at the duly convened, Board of Directors meeting of _____ on _____, the Board has authorized me(us) to sign a Memorandum of Understanding to execute and submit an undertaking to the Bank of Sierra Leone as set below:

NOW, THEREFORE, in consideration of Bank of Sierra Leone agreeing to admit us as a market maker, I/we hereby undertake and agree:

- I. To quote a binding buying and a selling price for the United States Dollars against the Leone if requested by another market maker. If the amount is not specified, the market maker shall use a reference of US\$50,000 and is obliged to trade at the specified quote price. A market participant with a different amount in mind shall specify it, but need not state whether the intention is to buy or sell.
- II. To maintain and operate a demand deposit account in Leones at the BSL and another account in United States Dollars at a correspondent bank.
- III. To inform all other market makers of the names of the persons who are legally authorized (i.e. dealers) to engage in transactions for the buying/selling of United States Dollars against the Leone in the interbank market for and on their behalf.
- IV. To provide the list of authorized signatories, their e-mail addresses and official stamp which will appear on the submissions to BSL (i.e. authorized officers at each participant's back office) and inform the BSL on any updating on the referred list.

- V. To accomplish the transactions in foreign exchange through a separate unit and maintain separate accounts thereof. We also undertake to maintain separate accounts in respect of our position and customer transactions.
- VI. To bear the responsibility for up-dating quotations for buying and selling US Dollars during working hours of 09.30 to 16.30hrs, on the Thomson Reuters designated web page to which market participants have access. Indicative quotes for buying and selling US Dollars shall be updated at the specified intervals of not more than one time per each trading interval. Normally these will show the price at which a market maker is prepared to buy and sell the minimum US Dollars 50,000.
- VII. To maintain infrastructure in terms of both physical apparatus and skilled manpower for efficient participation in the interbank foreign exchange market and have in place an organizational structure which minimizes operational risk. In particular, a clear-cut segregation between dealing and back-office functions must be assured by each market maker.
- VIII. To give details of all correspondent US Dollars account through which to settle after execution of a trade for value date T+1, and details of the Leone designated account to settle the Leone counterpart of a trade at T+1.
- IX. To put in place an efficient internal control system for fair conduct of business and settlement of trades.
- X. To respect the need for confidentiality in our dealing with other market makers, we shall not divulge confidential information nor attempt to persuade or coerce others into revealing confidential information
- XI. To comply with the requirements to submit prescribed returns to the Bank of Sierra Leone, report on transactions and market information, and such other statements and returns as are prescribed either specifically or generally by the Bank of Sierra Leone in any of its instructions/notices/directives.
- XII. That in the event of late payment in the specified foreign currency the aggrieved party is entitled to claim damage in the form of a penalty interest equivalent to the overnight LIBOR + 5% and the one who fails to pay SLL will be charged based on BSL Standing Deposit Rate + 5%.

We understand that we are subject to all prudential and regulatory guidelines issued by Bank of Sierra Leone. We do hereby confirm that the above undertaking will be binding on our successors and assigns.

Stated this _____ day of _____

Name: _____ Designation: _____

Signature: _____

Witness: _____