



# **RULES AND PROCEDURES FOR FOREIGN EXCHANGE (FX) AUCTIONS**

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## **PRELIMINARY PROVISIONS**

### **1.1 INTRODUCTION**

In line with the Foreign Exchange Intervention Policy, the Bank of Tanzania (the Bank) introduces rules and procedures to provide a transparent, systematic, and efficient mechanism for conducting foreign exchange (FX) auction operations on the Interbank Foreign Exchange Market (IFEM).

All participants shall be expected to follow these rules and procedures to promote fairness, competition, and market stability.

### **1.2 SCOPE**

The document covers FX auction operations conducted by the Bank in the interbank foreign exchange market (IFEM). It outlines the eligibility, auction currency, quotation convention, type of auctions, auction frequency, publication of FX auction announcements and results, bidding rules, allocation methodology, disqualifications, monitoring, settlement, penalties for non-compliance and amendments.

### **1.3 OBJECTIVE**

The document provides rules and procedures for market participants engaging in foreign exchange auction operations in accordance with the foreign exchange intervention policy.

## **THE FX AUCTION PROCESS**

### **2.1 ELIGIBILITY**

Participation in the FX auction is restricted only to Tanzania's Authorized Foreign Exchange Dealing banks.

### **2.2 AUCTION CURRENCY**

The FX auctions shall be limited to transactions in United States Dollars (USD) against Tanzanian Shilling (TZS).

### **2.3 QUOTATION CONVENTION**

The quotation of exchange rates for bids placed in the FX auction shall indicate the equivalent value in the TZS, expressed against one unit of the USD quoted up to two decimal places.

### **2.4 MULTI-PRICE AUCTION**

The auction shall apply at multiple rates of all successful bidders. The multiple rates shall be determined from the highest to the lowest rate that exhaust the total offered amount in the FX sales auction and the lowest to the highest rate that exhaust the total offered amount in the FX purchased auction.

### **2.5 AUCTION FREQUENCY**

The frequency of the FX auction shall be determined and announced by the Bank.

## **2.6 PUBLICATION OF FOREIGN EXCHANGE AUCTION**

The Bank shall publish FX auction announcement by sending autogenerated notification of the FX auction announcement through Refinitiv FX Platform and/or other means in exceptional circumstances.

The auction announcement will include.

- a) The date and time of the auction
- b) Amount offered/ tendered
- c) Minimum and Maximum amount offered/ tendered
- d) Auction settlement date.

## **2.7 BIDDING RULES**

- a) Bid(s) shall be submitted through the Refinitiv FX Auction platform.
- b) The maximum number of bid(s) shall be stipulated in the respective auction.
- c) The minimum bid size is USD 250,000 and in multiples of USD 250,000. The cumulative volume of all bids from any single bank shall not exceed twenty percent (20%) of the size announced.
- d) Each bid is final and is irrevocably binding on the bidding bank. Market participants shall not be allowed to withdraw bid(s) once submitted.

## **2.8 ALLOCATION METHODOLOGY**

- a) Bids will be allotted at the individual's bidding exchange rates.
- b) The amount allocated to two or more market participants bidding at the lowest accepted bid rate or the highest accepted offer rate shall be prorated in proportion to the submitted bid or offer amount in case the remaining allocable amount is limited.

- c) The Bank reserves the right to increase or reduce the amount offered.
- d) The Bank shall send autogenerated notification of successful and unsuccessful bids through the Refinitiv FX Platform or other means in exceptional circumstances after the closure of the auction.
- e) The Bank has the right to accept or reject all or any bids received.

## **2.9 DISQUALIFICATIONS**

Bids will be disqualified under the following conditions;

- a) Bid exceeding the maximum single bid amount or lower than the minimum amount specified under section 2.7(b) above.
- b) Bids exceeding the maximum number of required bids.
- c) The cumulative volume of all bids from any single bank that exceed amount specified under section 2.7(c) above.

## **2.10 PUBLICATION OF FOREIGN EXCHANGE AUCTION RESULTS**

FX Auction results will be published on Refinitiv FX auction platform and in the Bank's website on the day of the auction and shall include;

- a) Amount Offered
- b) Amount Tendered
- c) Successful amount
- d) Weighted average rate
- e) Highest and lowest rate
- f) Highest and lowest successful rate
- g) Number of banks that participated
- h) Number of successful banks

## **2.11 MONITORING**

The Bank shall continue monitoring the market to ensure transparency, systematic and efficiency of the foreign exchange market operations.

## **2.12 SETTLEMENT**

Settlement of all successful bids shall be T+1.

## **2.13 PENALTY FOR NON-COMPLIANCE**

Banks that fail to comply with these rules and procedures shall be subject to appropriate supervisory and regulatory sanctions including but not limited to suspension from participating in future auctions.

## **AMENDMENTS**

These rules and procedures may be reviewed and amended by the Bank when deemed necessary.

BANK OF TANZANIA

**FINANCIAL MARKETS DIRECTORATE**