



Da Afghanistan Bank

Foreign Exchange Auction Regulation

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Part A – General Provisions

Article 1: Basis

This regulation on Foreign Exchange Auction is put into effect pursuant to Chapter Six and other provisions set forth in Da Afghanistan Bank Law.

Article 2: Objective

The purpose of this regulation is to regulate DAB foreign exchange auction affairs.

Article 3: Definitions of Terms

(1) As used in this regulation, the following terms shall have the following meanings:

1. **Afghani** -- the common currency and legal monetary unit of Afghanistan denoted as “AFN”.
2. **Bank** – the entity as defined in Da Afghanistan Bank Law.
3. **Fx Dealer and MSP** – legal person who obtained a license from Da Afghanistan Bank and operate as per the Fx dealers and MSPs regulation.
4. **Person**- Referred to as a natural or legal person.
5. **Foreign currency** - the legal currency of a country other than Afghanistan.
6. **License** - the official document or permit issued pursuant to the laws of Afghanistan authorizing a person to conduct business.
7. **Announcement** – a notice of an auction as published by Da Afghanistan Bank.
8. **Auction** -- a bidding process by which Da Afghanistan Bank sells foreign currency to eligible bidders.
9. **Bid** -- a written offer to purchase foreign currency in an auction and must be presented as prescribed in this regulation
10. **Bid amount** -- the total amount of foreign currency desired by a bidder.
11. **Bid price** -- the rate of exchange offered to purchase foreign currency in exchange for AFN.
12. **Electronic Bids** – Electronic bids must be sent by bidders to Da Afghanistan Bank through online system in specified time.
13. **Cash collateral account** -- a blocked deposit account maintained at Da Afghanistan Bank in the name of the bidder with a minimum balance of AFN 500000 (five hundred thousand Afghanis) and is not repayable before bidder participation in the foreign exchange auction.
14. **Bidder** -- A foreign exchange dealer or a bank as defined herein, and holds a valid license issued by Da Afghanistan Bank.

15. **Bid forms** -- electronic auction forms distributed online to the bidders of foreign currency by Da Afghanistan Bank through the internet.
16. **Eligible bidder** -- a bidder who has the following criteria:
 - 1- Holds a valid business license of Da Afghanistan Bank.
 - 2- Competent and appropriate and should not be included in the sanctions list of national and international organizations.
 - 3- Holds cash collateral account at Da Afghanistan Bank. Commercial banks are exempt from this provision.
 - 4- Pay cash collateral amount prior to foreign exchange auction day. In the event, if the amount is paid in the morning of the auction day, he will be not allowed to participate in the auction of that day.
17. **Successful bidders** -- bidders that, under the bid, are awarded foreign currency, as a winner.
18. **Settlement** -- full payment in AFN for the total amount due to Da Afghanistan Bank by a successful bidder in exchange of foreign currency as a result of an auction.
19. **Market Operations Committee** -- any committee established at Da Afghanistan Bank and its members are being confirmed by the Supreme Council.
20. **Business day** -- any day other than Friday or such other day on which Da Afghanistan Bank is not open for business.

Part B. Auction Process

Article 4: Number of Auctions

Number of auctions per week is specified upon decision by the market operations committee.

Article 5: Auction Announcement

- (1) Da Afghanistan Bank shall, at least one day prior to an auction, publish a public notice through foreign exchange system, DAB website, and national publications. The announcement shall list the time and place of an auction, bid requirements, method of auction, time period for settlement, and other information.
- (2) The time of auction is specified by the market operations committee and announced through official system and letter.

Article 6: Foreign Exchange Auction Process Requirements

The process of DAB foreign exchange auction is as follows:

1. No bidder may, during the foreign exchange auction process, use any kind of electronic system or tool that result in disrupting the aforementioned process.
2. The bidders have no right to cancel the bids recorded in the system for the purpose of participation in the foreign exchange auction process.
3. The bidders may not object to or make changes to the amount specified by the Market Operation committee of Da Afghanistan Bank.
4. No bidder may reject the result of foreign exchange Bidding.
5. Bidding conditions apply to all bidders.
6. Market Operation committee has the power to accept or reject bids.
7. The Market Operation Committee may, in the event of technical problems, or other problems, cancel the foreign exchange auction process.

Article 7: Submission of Bids

1. Foreign exchange auction site is opened for eligible bidders to submit bid in specific time and is closed after finishing the set time.
2. The bidders shall, in specific time, record their bids online through their users in DAB auction system.
3. Maximum bid amount for banks and money service providers participated in the auction is 5 percent of total announcement and minimum of which is 20000 US dollars or other currency. Any changes in the above percentage and amount are made on the request of Market Operations Committee and approval of the Supreme Council of Da Afghanistan Bank.
4. The bidders shall clearly state their respected amount and price in numbers.
5. The bidders are required to request only one amount and price in the bid.

6. The bids should be filled accurately and completely in ten minutes by filling the form in the foreign exchange auction system.
7. Each bid is final and irrevocably binding on the bidder. Once a bid has been submitted, no information in the bid form may be changed without the consent of Da Afghanistan Bank.
8. Electronic bids are submitted to Da Afghanistan Bank's Banking Operations Department through online auction system.
9. Banking Operations Committee reviews each bid.
10. The Market Operations Committee of Da Afghanistan Bank may take necessary decision in relation to the errors in price and other errors.

Article 8: Certifications

By submitting a bid, each bidder is deemed to have certified that it has read and is in compliance with these Regulations and with the terms stated in the auction announcement. Further, each bidder is deemed to have certified that:

- (a) The bidder is providing accurate and complete information; and
- (b) The bidder has no outstanding obligation to Da Afghanistan Bank as a result of previous transactions.

Article 9: Opening Bids and Announcing Successful Bidders

- (1) The bids are received through Foreign Exchange System on specific day and hours in presence of Market Operations Committee.
- (2) The maximum 5 percent of auctioned foreign exchange is sold on the eligible banks and money service providers companies. A maximum of 3 percent of auctioned foreign exchange, up to the specified time, is sold on individual Fx dealers and money service providers.
- (3) The amount to be sold is specified by the Market Operations Committee.
- (4) After determining the amount to be sold, percentage of the individual amount is deducted from the actual sale amount. The Market Operations Committee may use the Proration or Cut Off method if necessary.
- (5) The winner Fx dealers and money service providers companies, from the date already announced, will be sold USD taking into account the rank received during the on-site supervision of Non-Banking supervision department as follows:

Rank of Fx Dealer/MSP Company	Percentage of US dollars to be sold
1 and 2	5 percent of the sold USD amount

3	4 percent of the sold USD amount
4	3 percent of the sold USD amount
5	2 percent of the sold USD amount

- (6) The specified sale amount is entered by the auction management officials of Market Operations Department, and the systems automatically determines and indicates the accepted and rejected bidders, taking into account their bid prices.
- (7) The results of the bid shall be announced through foreign exchange auction system and successful bidders are informed of the acceptance of their bids in the process.
- (8) In the event of disagreement regarding the results of an auction among the bidder (s) and Da Afghanistan Bank, market operations committee of Da Afghanistan Bank has sole discretion to resolve the issue.

Article 10: Public Notice about Auction Result

Da Afghanistan Bank shall announce auction results first through the foreign exchange auction system and, thereafter, through internet website of DAB.

Part C- Settlement of Transactions

Article 11: Payment by Successful Bidders

- (1) Settlement timing continues till the last hour of the Foreign Exchange Auction process day (T+0).
- (2) Successful bidders of foreign exchange auction process must pay their liability in cash or through commercial banks to DAB and obtain their purchased currencies through commercial banks.
- (3) Partial settlement shall not be allowed.

Article 12: Failure to Settle

Upon failure of a successful bidder to settle the bidding process amount in specified time, market operations committee of Da Afghanistan Bank may, from the successful bidders account, transfer to DAB’s account the paid collateral amount as a fine. Moreover, the mentioned committee may also revoke the bidder’s auction privileges or its license, or both.

Part D. Rights and Remedies

Article 13: Reservation of Rights

- (1) In its announcement, Da Afghanistan Bank will indicate the amount of USD it plans to sell, but market operations committee of Da Afghanistan Bank reserves the right to sell more or less, if the bids and market conditions warrant an increase or decrease from the amount specified in its announcement.
- (2) Market operations committee of Da Afghanistan Bank also reserves the right to decline all bids and decide not to sell any currency if the bids and market conditions are not satisfactory.
- (3) Market operations committee of Da Afghanistan Bank reserves the right to terminate an auction if it feels that collusion among the bidders or other malfeasance has occurred.
- (4) Decisions by market operations committee of Da Afghanistan Bank in this regard shall be final.

Article 14: Remedies

Upon failure of a person to comply with the conditions set out in this Regulation, Da Afghanistan Bank will consider the circumstances of such failure and determine an appropriate remedy. Such remedy may include prohibiting the person from participating in future auctions.

Article 15: Enforcement

This regulation is effective upon approval by the Supreme Council of Da Afghanistan Bank and its previous version is null and void after approval and publication of this version. This regulation may be amended if required.