



**BANK OF PAPUA NEW GUINEA**

**ADMINISTRATIVE AND OPERATIONAL GUIDELINES FOR**  
**THE FOREIGN EXCHANGE MARKET**

**December 2023**

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## **ADMINISTRATIVE AND OPERATIONAL GUIDELINES FOR THE FOREIGN EXCHANGE MARKET**

### **1.0 Authority**

These guidelines are issued under the *Central Banking (Amendment) Act 2021*, which gives the Bank of Papua New Guinea (BPNG) powers to issue directives and/or do all things necessary or convenient to attain its objectives and perform its functions.

### **2.0 Purpose**

The purpose of these guidelines is to outline the administrative and operational aspects of trading in the domestic Interbank Market in Papua New Guinea (PNG). It provides guidance on the conduct of activity in the Interbank Market to achieve transparency and equal participation.

### **3.0 Authorised Foreign Exchange Dealers (AFED) in the Interbank Market**

- 3.1 ANZ Bank (PNG)
- 3.2 Bank South Pacific
- 3.3 Westpac Bank (PNG)
- 3.4 Kina Bank
- 3.5 First Investment Finance Limited
- 3.6 Moni Plus Limited
- 3.7 Bank of Papua New Guinea (BPNG) - Market Facilitator and Participant

The BPNG reserves the right to conduct a review of an AFED where it sees fit.

### **4.0 Market Hours for Interbank Market (all times refer to PNG time)**

- 4.1 Trading time of the United States dollar against the PNG kina in the PNG Interbank Market is 8:30am-4:00pm.
- 4.2 Interbank market orders may be advised anytime during the day with indicative price(s) displayed on Reuters and Bloomberg KINB page.
- 4.3 Intraday trading is allowed throughout any trading session.
- 4.4 The Interbank Market is not officially open until the PGK/USD Opening Price is advised by BPNG on screen or telephone at 8:30am.
- 4.5 Off-shore dealings (customers and financial institutions) after 4:00pm on the previous day, until 8:30am of the current day must be executed off the previous day's PGK/USD interbank 4:00pm closing rate to cater for time zone differences.

### **5.0 Interbank Market Orders**

- 5.1 All eligible foreign exchange transactions executed between AFEDs must be transacted through the Interbank Market.
- 5.2 Indicative bid or offer prices can be placed by AFEDs to indicate their orders in the interbank market.
- 5.3 Placement or updating of bid or offer prices can be done during the trading day.

- 5.4 Orders in the Interbank Market MUST have Kina deposit funds or borrowing capacity to back-up their order. Any order that does not have sufficient Kina balance MUST not be lodged and/or removed from the order book until there is evidence of sufficient Kina balance.

## 6.0 In-house Market Orders

- 6.1 All individual in-house foreign exchange orders K3.0 million or more must have supporting documentation and be verified by BPNG (Domestic Markets Department) before being placed as part of an order in the interbank market.
- 6.2 Documentation for in-house foreign exchange orders below K3.0 million are required and must be verified in-house. This documentation can be discarded 3 months after the order is fully dealt.
- 6.3 The required documentations of the all in-house orders are outlined in schedule 1.
- 6.4 AFEDs are required to submit their in-house Spot trading order book at 9am and 5pm on each trading day.
- 6.5 AFEDs must use spot flows first to clear the Spot in-house orders, including any overdue orders that are not served. Any excess flow must be brought to the Interbank Spot market.
- 6.6 AFEDs must ensure that Foreign Currency Account holders must fully exhaust their balances before placing orders.

## 7.0 Functioning of the Interbank Market

- 7.1 The United States dollar (USD) is the foreign currency to be traded against the PNG kina (PGK) in the Interbank Market.
- 7.2 BPNG acts as a market facilitator and participant in the Interbank Market.
- 7.3 Trading in the Interbank Market is screen based on Reuters and Bloomberg trading platforms accessible only by AFEDs. The Trading Page on both platforms is “KINB” with orders recorded/ dealt via a recorded direct telephone line between BPNG and each of the AFEDs.
- 7.4 The daily Reference Exchange Rate will be determined by BPNG based on economic fundamentals affecting the exchange rate. It will be used as the opening and closing exchange rate.
- 7.5 The daily Reference Exchange Rate will be displayed on the KINB page.
- 7.6 Indicative bid or offer prices can be placed in the interbank market anytime during a trading session to reflect orders. AFEDs are not required to provide volumes.
- 7.7 The highest bid will be the best bid that will be displayed on KINB page.
- 7.8 The lowest offer will be the best offer that will be displayed on KINB page.
- 7.9 During a trading session all Interbank Market bids and offers are good until withdrawn or expired at the end of each trading session. AFEDs are permitted to amend interbank market indicative bid/offer prices during the trading session.
- 7.10 Interbank deals executed will be done at prevailing bid or offer prices to reflect market conditions during a given trading session.

- 7.11 Interbank deals can be executed directly between two AFEDs and the transacting parties are required to report to BPNG.
- 7.12 In the event of a credit issue between two transacting AFEDs in the Interbank Market, AFEDs may request for BPNG to broker the transaction at the agreed transaction price.
- 7.13 All deals are executed on a 'spot' basis. Shorter settlement days are allowed at the consent of transacting parties with no change in price.
- 7.14 All Interbank Market volumes/amounts are quoted to 3 decimal places and prices quoted to 4 decimal places.
- 7.15 The weighted average of all deals transacted through the foreign exchange market will be computed by BPNG and displayed on the KINB page.

**Sample KINB Reuters Trading Page**

Ref Rate	0.2695
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Auction amount	US\$100m
Settlement date	9-Nov-23

Buy Kina	0.1234
Sell Kina	0.4321

PGK/USD WAR	0.2696	0.2692
PGK/AUD WAR	0.4250	0.4220

Turnover	123.456
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**8.0 Exchange Rate Trading Margin**

- 8.1 The PGK/USD Opening Price is the Reference Exchange Rate for the PGK/USD Trading Margin for the trading session and is not subject to change.
- 8.2 All PGK/USD trades can be executed within an upper and/or lower margin of 2.7 percent from the reference rate during a given trading session.
- 8.3 The trading margin applies to **ALL** transactions conducted by the AFEDs except over-the-counter cash exchange transactions and debit/credit card settlements which are exempted.
- 8.4 **Cross Currency Exchange Rates**

- 8.4.1 At 8.30am, each AFED will print off a copy of Reuters or Bloomberg currency pages or such other page as may be agreed with BPNG and use the CCY / USD rates to compute bid and offer cross rates per market conventions – these will then be used to constitute each Opening Currency Reference Mid-Rate for each of the currencies traded. The printed copy of source CCY / USD rates must be timed stamped and kept by each AFED and provided to BPNG upon request.
- 8.4.2 All CCY / USD rates used to compute bid and offer cross rates should be near or reasonably close to the prevailing market rates.
- 8.4.3 The Opening Currency Reference Mid-Rate is used to establish bid and offer spread not exceeding 2.7 percent as specified in Section 8 above.

8.4.4 An AFED's FX Rate Sheet, must be held constant during the day unless written permission to change is given by BPNG.

#### 8.5 **In-house Intraday Trading**

8.5.1 All in-house foreign exchange deals in PGK/USD on a given day must be priced to the PGK/USD opening Reference Exchange Rate. This Reference Exchange Rate used to price in-house deals does not change intraday.

8.5.2 For in-house direct deals an AFED can opt to price using the Prevailing CCY / USD market rates provided that:

8.5.2.1 The PGK/USD Reference Exchange Rate is still to be used for computing the Prevailing Currency Reference Mid-Rate;

8.5.2.2 A copy of a time stamped Price Set Reference Page and/or interbank dealing screen print is printed & maintained of the consequent quote - that may be outside the AFED's Rate Sheet for the day, but within the trading margin specified in Section 8.

8.5.2.3 All such Foreign Exchange Deals transacted by an AFED using this method will be made available to BPNG, along with supporting data as per 8.5.2.2 above upon request.

8.6 BPNG reserves the right to make changes to the kina trading margin.

### 9.0 **Forward Exchange Market**

9.1 Forward Exchange Contracts (FEC) can be funded by foreign exchange flows from in-house foreign exchange deals and/or matching off with other forward contracts and/or from other sources.

9.2 FECs must not exceed six (6) months and no less than one (1) month, without a demonstrated commercial rationale (for example: Letter of Credit terms, longer dated trade terms or delivery contracts with known or near certain FCY inflows) and written approval from BPNG that a FEC for a term exceeding 6 months or less than 1 month is permitted.

9.3 Pricing of all FECs will be subject to the kina Trading Margin as stipulated in Section 8.

9.4 Pricing of forward points for the base currency must be based on the prevailing Kina Facility Rate plus a margin not exceeding 2%.

9.5 Pricing on forward points for the term currency must be based on the corresponding benchmark interest rate e.g. one-month forward to be priced using BBSW rates or other sources deemed acceptable by BPNG.

9.6 To provide some transparency, all AFED must provide the required FEC details in Form C2.

9.7 Any single FEC valued at K3.0 million (foreign currency equivalent) or more must have supporting documentation provided to the AFED and be available if requested by BPNG (Domestic Markets Department).

9.8 All FEC deals undertaken by AFEDs will be provided to BPNG with appropriate documentation upon request.

## 9.9 Limitations

- 9.9.1 Proceeds from the Spot Market including Central Bank's intervention **MUST** not be used to fund forward transactions.
- 9.9.2 Any Forward inflows matched by Forward outflows or vice versa are permitted. This should be reported in the Forward book and the same order must not be included in the Spot order book.
- 9.9.3 Any Forward inflows matched by Spot orders are allowed, but **ONLY AFTER** the AFEDs spot order book has been completely cleared.
- 9.9.4 Earmarking of flows is not permitted; a formal approval must be sought from the Central Bank for back-to-back arrangements.
- 9.9.5 Mineral, crude oil and LNG exporters are not permitted to execute FECs.
- 9.9.6 AFEDs are not permitted to match a customer's FEC with an FEC of their own.

## 10.0 Foreign Currency Swaps against PGK (FCSK)

- 10.1 AFEDs can transact FCSKs with PNG Residents (as per FE Notice 3) that are registered as a company with Investment Promotion Authority or a similar body acceptable to the BPNG. For precision this would see an AFED:
  - 10.1.1 sell (or buy) foreign currency (FCY) to a PNG Resident in exchange for buying (or selling) PGK from that same Resident on a Spot or shorter Settlement Date - this is referred to as the "Near Leg" - against a Currency Swap Maturity Date;
  - 10.1.2 On the Currency Swap Maturity Date, the selling (or buying) AFED buys (or sells) back the same value of FCY from the same PNG Resident in exchange for a PGK Settlement Amount – this is referred to as the "Far Leg".
- 10.2 Foreign Currency Swaps against PGK must not have Currency Swap Maturity Dates longer than six (6) months without a demonstrated commercial rationale (for example: Letter of Credit terms, longer dated trade terms or delivery contracts with known or near certain FCY inflows, hedging translation risk) and written agreement from BPNG that a FCSK that a term exceeding 6 months is permitted.
- 10.3 The pricing of the Near Leg and Far Leg must comply with clauses 9.3-9.6 of the Forward Exchange Market section in the Administrative and Operational Guidelines.
- 10.4 Any single FCSK valued at K3.0 million (foreign currency equivalent) or more must have supporting documentation provided to the AFED and be readily available upon BPNG's (Financial Markets Department) request. For clarity the supporting documentation for translation risk FCSK's may simply be email stating a counterparties hedging policy, practice or similar.
- 10.5 Intervention proceeds **MUST NOT** be used to fund FCSK.
- 10.6 Any details of FCSK deals undertaken by AFED will be provided to BPNG upon request.

## 11.0 Inward/Outward Remittances

11.1 All customer inward/outward remittances (telegraphic transfers and drafts) must be in foreign currency and done through an Authorized Foreign Exchange Dealer.

## 12.0 Use of Kina denominated (Vostro) Accounts of Foreign Banks and Foreign Currency Accounts

12.1 All kina deposited into Vostro accounts of foreign banks have to be from conversion of foreign currency into Kina through an Authorized Foreign Exchange Dealer. Currency swaps to fund a Vostro account is not permitted.

12.2 Vostro account holders are required to submit monthly statements to BPNG. Upon request, AFEDs are required to provide information (purpose/source) on the flow of funds within Vostro accounts.

12.3 All on-shore foreign currency accounts (FCA) require BPNG approval before opening or re-opening. FCA holders must provide evidence of the sources and uses of the foreign currency in their account. Where FCA holders do not provide proof of uses of the foreign currency that will become due within the coming three (3) months, the AFEDs will be instructed to immediately CONVERT all balances in the accounts to Kina.

12.4 AFEDs are required to submit to BPNG updated balances of all resident companies domestic FCAs by 10:00am every first working day of each week.

12.5 Any outward remittance of foreign currency from FCAs should be in accordance with FE Notices.

12.6 Reference can be made to the Foreign Exchange Manual regarding the above.

## 13.0 Trade Finance Loans

13.1 Trade Finance Loans/Facilities provided by AFEDs require approval from BPNG.

13.2 Use of foreign currency term deposits to fund Trade Finance Loans must be approved by BPNG

13.3 Proceeds from the Spot Market including BPNG intervention MUST not be used to fund Trade Finance Loans, but from the AFEDs' own funds.

13.4 All trade finance deals in any currency (including Kina) to be settled in foreign currency are not allowed. These deals are to be settled in Kina.

## 14.0 Market medium

14.1 All market activities in the interbank market are communicated via dedicated telephone lines and emails. Prices are displayed on Reuters and Bloomberg trading platforms (KINB) in accordance with clause 7.3.

14.2 In the event of a Reuters or Bloomberg outage, all Interbank Market activity must be communicated to AFEDs via the dedicated telephone lines and/or emails.

14.3 All conversations via the dedicated hotlines are recorded.

## 15.0 Intervention

15.1 The decision to intervene in the Interbank Market is done at BPNG's discretion.

15.2 The intervention will be conducted through a competitive auction.



- 15.3 Auction is announced at 8.30am when market opens.
- 15.4 Bids must be submitted between 9:00am-10:00am. AFEDs are to submit bids electronically during the auction window. In the event of any unforeseen circumstances AFEDs can submit hard copies of their bid forms.
- 15.5 AFEDs are allowed 3 bids only at multiple prices. The sum of bids per participant cannot exceed the announced auction amount.
- 15.6 Successful bids are allocated at BPNG's discretion.
- 15.7 Successful bids with the same rate will be allotted on a pro-rata basis.
- 15.8 Auction results will be announced to individual AFEDs. The total auction amount will be posted on the KINB page.
- 15.9 Allocation of intervention proceeds by AFEDs to customers will be based on their own internal criterion. BPNG may use moral suasion to allocate intervention proceeds.
- 15.10 BPNG intervention proceeds can be used to execute cross currency trades given that at the time of intervention;
  - 15.10.1 The live Reuters or Bloomberg rates against USD is used;
  - 15.10.2 The Reference PGK/USD rate is used
  - 15.10.3 A time stamped screenshot of the relevant Reuters or Bloomberg exchange rate page is provided to BPNG.
- 15.11 Lists of transactions dealt using Intervention proceeds must be provided to BPNG at the close of business on the day of intervention. All transactions must be reflected in the turnover and order book reports.
- 15.12 Copies of SWIFT messages (in PDF) confirming the use of BPNG intervention proceeds, must be supplied to BPNG no later than two (2) working days after the settlement date.

## 16.0 Reporting

- 16.1 AFEDs are required to report the following;
  - 16.1.1 daily market turnover by 4:30pm
  - 16.1.2 daily updated orderbooks at 9:00am
  - 16.1.3 daily trading positions by 3:00pm
  - 16.1.4 final updated orderbooks by 5:00pm
  - 16.1.5 daily prudential foreign exchange returns no later than 10:30am of the following business day.
- 16.2 The total Interbank Market turnover will be displayed daily on KINB page by 5:00pm.
- 16.3 All Foreign Exchange Transactions must be reported with dealt price in Form C1 of the daily foreign exchange returns.
  - 16.3.1 A Foreign Exchange Transaction may be held at the initial exchange rate when it becomes an Executed Trade consequent to the delay between the time the Foreign Exchange Transaction was contracted and when the deal is duly executed (e.g. all documentary requirements to allow value to flow across bank accounts is received by the AFED or a deal transacted after an AFED's processing end-of-day cut-off time).

- 16.3.2 If the exchange rate on such a Foreign Exchange Transaction outlined in 16.3.1 is outside the prevailing trading margin on the date of the Executed Trade such a difference WILL NOT constitute a breach **provided that** the AFED can show compliance with the Exchange Rate Trading Margin specified in Section 5 on the date of contracting to the Foreign Exchange Transaction.
- 16.4 AFEDs are required to forward a copy of their daily rate sheet to BPNG's Domestic Markets Department by 9:00am daily in MS Excel and PDF or other format(s) as may be agreed with BPNG from time to time.
- 16.5 AFED rate sheets are to include the Currency Reference Mid-Rate for ALL traded currencies.
- 16.6 In the interest of transparency, AFEDs must publish their rate sheets on publicly available areas of their respective internet websites by 10:00am.
- 16.7 Front office staff of all AFEDs are required to have access to their respective daily prudential foreign exchange reports.
- 16.8 Prudential reporting of FCSK would be as follows:
- Form B: Foreign Exchange Daily Exposure
- first leg is recorded in the on-balance sheet
  - second leg in the off-balance sheet
  - columns denominated in both foreign currency and domestic currency equivalent.
- Form C: Foreign Exchange Market Return
- both legs are recorded in Counterparties Row 8: domestic non-banks.
  - first leg is recorded either in the FX spot purchases or sales column under spot transactions.
  - second leg in the forward transactions section in the new forward contracts. Both legs are denominated in PGK.

## 17.0 Disclosure of Information

- 17.1 All foreign exchange market information provided to staff at BPNG will be treated as highly confidential.
- 17.2 BPNG will only disclose the following information to market participants;
- 17.2.1 Indication of total market orders
- 17.2.2 Transacting counterparty dealt in the Interbank Market.
- 17.2.3 Daily market turnover as "currency swap turnover" and "Other"
- 17.3 BPNG is not obligated to provide any information other than what is provided in clause 20.2.
- 17.4 AFEDs are required to disclose all foreign exchange trade details during the on-site audits.
- 17.5 An audit to ensure compliance to these guidelines will be conducted by BPNG or a third party at BPNG's discretion.

## 18.0 Disputes

- 18.1 Disputes relating to Interbank or in-house market activity will be resolved by reviewing the dedicated telephone recordings or such other evidence of communication deemed relevant.
- 18.2 In the unlikely circumstance that the two parties are unable to resolve a dispute, a joint meeting between the concerned parties and representatives from BPNG's Domestic Markets Department will convene to resolve the dispute.
- 18.3 If not resolved, then the dispute is escalated to the BPNG Governor and the concerned AFED's Chief Executive Officer (CEO) to agree on a resolution.

## 19.0 What Constitutes a Breach

- 19.1 Violation of section 8 or 9 or 10 or 11 or 12 will be deemed a Trading Breach.
- 19.2 Violation of section 5 or 6 or 14 or 16 or 17 will be deemed a Compliance Breach.
- 19.3 Any other actions considered by BPNG to be an act of negligence with regard to these guidelines will also be deemed a Compliance Breach.
- 19.4 Any AFED that commits a Trading or Compliance Breach will be issued a formal Notice of Alleged Breach by BPNG.
- 19.5 If the Notice of the Alleged Breach is upheld, a Notice of Confirmed Breach substantially will be issued and the AFED will be liable to a penalty for the relevant breach.

## 20.0 Penalties

- 20.1 The penalty for breaches will be one of the following depending on the circumstance;
  - 20.1.1 Non-participation in the intervention auction by the breaching AFED for one or more auction at BPNG's discretion.**
  - 20.1.2 A fee equivalent to the difference in the value of the trade/s dealt and the value of the upper or lower end of the Trading Margin. This penalty fee will be multiplied by 6 (i.e. the number of market participants).**
  - 20.1.3 Buy/Sell all foreign exchange proceeds acquired from the breaching trade/s to the Interbank Market at the prevailing exchange rate. The breaching AFED will not be allowed to fund the penalty from the Interbank Market.**
  - 20.1.4 Apply appropriate conditions on the foreign exchange trading license.**
- 20.2 In consultation with AFEDs, any customer who is found to be in breach of these Guidelines and Central Banking (Foreign Exchange and Gold) Regulations will be penalized in line with section 20.1.1.
- 20.3 The following process will apply to Trading and Compliance breaches of these Guidelines;
  - 20.3.1 Verification of breach as per clauses 19.4 & 19.5.
  - 20.3.2 Notice of the penalty to be imposed will be communicated within 5 business days of the issuance of a Notice of Confirmed Breach.
- 20.4 The penalties above are effective on Friday 15<sup>th</sup> December, 2023.

## 21.0 Exceptions

21.1 For explicit guidance the following will NOT constitute breaches:

21.1.1 Internet or similar Foreign Exchange Deals or held over Foreign Exchange Deals that are loaded into a bank's systems using a prior days carded rates before the prevailing updated rates are activated on an AFED's network and electronic banking system. A reasonable person test may be applied e.g. non-Direct Deal transactions less than K0.1 million equivalent lodged within 45 minutes of the market open may not comply with the prevailing days' carded rates but not constitute a trading or compliance breach;

21.1.2 Any exchange rate computed for credit or debit card or similar scheme settlement amounts that, by including fee amounts, then results in apparently non-compliant exchange rates. Generally, therefore the gross settlement amounts paid to or received from such schemes must comply with the Trading Margin. (It is acknowledged that the AFEDs do not control the card scheme customer rates).

## Schedule 1 – Required documentation for orders

### 1. Physical imports into Papua New Guinea:

- A completed and signed AFED order form
- Commercial invoices and
- Sales and purchase agreement
- Transport documents (i.e. bill of lading, airway bill, parcel post receipt) and
- Customs Form 15 (Customs Assessment Notice)

### 2. Pre-payments

- A completed and signed AFED order form
- Pro-forma Invoices and
- Official payment terms (contractual agreements)
- On receipt of goods, transport and Customs documents must submitted to BPNG

### 3. Intercompany payment of imports

- Commercial invoice,
- Sales & Purchase Agreement
- Loan Agreement
- Copies of transport documents
- Custom Form 15

### 4. Service payments:

- A completed and signed AFED order form/ Signed Checklist
- Contract
- Commercial Invoices
- BOP Form R1
- Tax Clearance Certificate

### 5. Outward investment:

- A completed and signed AFED order form
- Duly signed Purchase and Sale Agreement and
- A signed letter requesting currency for investment purpose
- Relevant BOP Form
- Tax Clearance Certificate

### 6. Loan repayments:

- A completed and signed AFED order form
- Copy of loan agreement
- Repayment schedule and
- Relevant BOP Form
- Tax Clearance Certificate

### 7. Dividends:

- A completed and signed AFED order form
- Board resolution
- Qualified Financial Statement
- Relevant BOP Form
- Tax Clearance Certificate

### 8. Consultancy Fees, Management Fees & Royalty Payments:

- Copy of signed agreement or contract stating term and schedule of timing and amounts
- Commercial invoice,
- Relevant BOP Form
- Tax Clearance Certificate

For the detailed requirements for all FX payment types, refer to the BPNG website link <https://www.bankpng.gov.pg/wp-content/uploads/2023/01/Final-FEC-Compliance-Checks-July-2022-Final.pdf>

## Glossary

**Authorized Foreign Exchange Dealers (AFED)** – All commercial banks and non-banks which are Licensed and regulated by Bank of Papua New Guinea to conduct foreign exchange business in Papua New Guinea. AFED are listed in Section 1.

**Bank** – refers to Bank of Papua New Guinea (BPNG), (i.e. the Central Bank of Papua New Guinea).

**Bid** – the buying price.

**Bloomberg** – An information system and provider of financial markets data; also provides a trading platform for PNGs domestic foreign exchange market.

**Broker** – BPNG acts as a broker inputting and updating activity done in the foreign exchange market.

**Central Banking (Amendment) Act 2021** – The Central Banking Act 2000, was passed by Parliament on 26 April 2000 to amend and consolidate the law constituting and relating to the Bank of Papua New Guinea as the central bank. This was recently amended in 2021.

**Closing Price** – the interbank PGK/USD exchange rate that is determined by a daily Reference Exchange Rate calculated by BPNG.

**Compliance Breach** – A violation of Section 3 and 10 of the Guidelines and/or an act of negligence in regard to the Guidelines as judged by BPNG.

**Control Sheet** – a daily worksheet maintained by BPNG containing all Interbank Market orders, deals transacted in the Interbank Market and foreign currency positions of all AFED.

**Cross Rates** – all exchange rates quoted against the kina excluding the USD.

**Currency Reference Mid-Rate** – the mid exchange rate for kina bid/offer cross rates calculated as per market conventions; can refer to the Opening Currency Reference Mid-Rate or the Prevailing Currency Mid-Rate as appropriate.

**Direct Deal or Direct Deal Transaction** – Any deal priced and dealt specifically with an AFED Treasury business unit with a specific human interaction producing an audit trail as to counterparty, amount, currency and discrete dealing rate for that deal.

**Documentation** – supporting foreign exchange trade information in the form of hard copies and/or electronic copies.

**Executed Deal** – a Foreign Exchange Deal where value has been paid across bank accounts consequent to all documentary requirements having been fulfilled.

**Foreign Currency Exposure Limit** – the AFEDs prudential standards on foreign exchange exposure. The overall foreign currency exposure limit is 15 percent of a AFEDs capital base while the single currency limit is 10 percent of a AFEDs capital base.

**Foreign Exchange Deal** (also known as **Foreign Exchange Transaction**) – A contract between an AFED and a counterparty to purchase or sell one currency for another on any value date that has an agreed exchange rate and actual or implied value date (recognizing that although the exchange rate may be agreed foreign exchange regulations may require the fulfillment of documentary requirements BEFORE value can actually flow).

**Forward Exchange Contract** – A type of foreign currency transaction where an agreement between two parties is made to exchange two designated currencies at a specific time in the future. These contracts are used to protect the buyer from fluctuations in exchange rate.

**FE (Foreign Exchange) Notices** - These notices are incorporated in the Bank of Papua New Guinea Foreign Exchange Manual, March 2015.

**FX Rate Sheet** (also known as **FX Rate Card**) – the set of foreign currency exchange rates available to over-the-counter branches or other customers' segments as determined by the AFED. When flow is plentiful an AFED may use different FX Rate Sheets for different customer segments but in times of FX scarcity, availability rather than price is more of the determining factor, so only one rate sheet per AFED may be used.

**Indicator Lending Rate** – An indicative lending interest rate quoted by an AFED.

**In-house** – foreign exchange activities by AFEDs with their clients/customers not through BPNG.

**Interbank Market** – the foreign exchange market where AFEDs (including BPNG) trade PGK against the USD; AFED trade on an electronic trading platform provided by Reuters or Bloomberg.

**Interbank Rate** – exchange rate displayed on the kina trading platform in Reuters and Bloomberg.

**Intervention auction** – when the Central Bank enters the foreign exchange market through a multiple price auction-allocation.

**KINB** – Reuters and Bloomberg code for the kina trading platform. The KINB page is only accessible to AFEDs.

**Live Market Price** – The highest bid and/or the lowest offer displayed in the foreign exchange market on the "KINB" page.

**Mid-Rate** – The midpoint of buying (or bid) and selling (or offer) exchange rates.

**Offer** – selling price.

**Open Price** – the interbank PGK/USD exchange rate that is determined by a daily Reference Exchange Rate calculated by BPNG.

**Opening Currency Reference Mid-Rate** – Is the mid exchange rate for kina bid / offer cross rates calculated as per market conventions using rates each PNG business day between 8.30am and 9.00am from sources agreed with BPNG.

**PGK/USD Opening Price** – The opening exchange rate of the kina against the US dollar (PGK/USD) in the Interbank Market. (see also Reference Rate).

**Prevailing Currency Reference Mid-Rate** – the mid-point exchange rate for kina bid/off cross rates calculated as per market conventions using rates from sources agreed with BPNG.

**Reference Exchange Rate** – the PGK/USD Opening Price against which the PGK/USD Trading Band during any given trading session is established.

**Reuters** – An information system and provider of financial markets data; also provides a trading platform for PNGs domestic foreign exchange market.

**Settlement Date** (also known as **Value Date**) – date at which a transaction settles. For foreign exchange deals, it is the date the amount of one currency is exchanged for another.

**SWIFT Message** – Society for Worldwide Interbank Financial Telecommunications; a global communication network that facilitates 24-hour secure international exchange of payment instructions between banks, central banks, multinational corporations, and major securities firms. Basically, a trade confirmation.

**SWIFT Scope** – SWIFT Scope is an end-to-end business intelligence solution that provides Bank of Papua New Guinea with information related to the international payments sent and received by commercial banks in Papua New Guinea. It enables analysis of those flows of all local banks which are registered for the service.

**Spot Trade** – Two business days after the trade date.

**Trade Date** – is the date when a transaction has been executed.

**Trading Margin** – a range within which exchange rates are permitted to be traded.

**Trading Margin Breach** – any Foreign Exchange Deal or Executed Deal that violates any of Sections 5 &/or 6 &/or 7 of the Guidelines.

**Trading Session** – refers to the trading hours starting from 8:30 am to 4:00 pm in PNG time.

**Vostro Account** – A Vostro account is one in which the domestic bank (from the point of view of the currency in which the account is held) acts as custodian or manages the account of a foreign counterpart.

**Bank of PNG  
December 2023**