



**SECTOR: BUSINESS SERVICES**

**TRADE: BUSINESS SERVICES**

**RTQF Level: III Business Services**

**BUSFC301: HANDLING FOREIGN CURRENCY EXCHANGE  
TRANSACTIONS**

## **0. ELEMENTS OF THE COMPETENCE**

### **LU1. BUY AND SELL DIFFERENT CURRENCIES**

LO 1.1 Effective selection of currencies to deal with

LO 1.2 Efficient sourcing of currency liquidities

LO 1.3 Proper counting and cross checking currency using detector

### **LU2. FOLLOW UP CLOSELY THE FOREX TRENDS**

LO 2.1 Constant follow-up of financial news in the media (online, newspapers & TV.)

LO 2.2 Proper recording of statistics regarding the trend

LO 2.3 Efficient monitoring of profit margin with regards to trend

### **LU3. COMPLY WITH FOREX REGULATIONS**

LO 3.1 Constant follow-up of forex regulation updates

LO 3.2 Correct interpretation of forex regulations

LO 3.3 Efficient implementation of forex regulations

## **LEARNING UNIT 1: BUY AND SELL DIFFERENT CURRENCIES**

### **Learning Outcome1 : Select foreign currency to deal with**

#### **1.1 INTRODUCTION TO FOREIGN CURRENCY**

##### **Definition**

**Foreign currency:** is money from a country that is not your own:

Currency are coins and paper money used in country at a particular time

Examples of currency: Uganda shilling , Nigerian Naira, American dollar

Money: is something accepted as medium of exchange.

#### **1.2 DIFFERENT FORMS OF CURRENCY.**

##### COUNTRY currency

1. Rwanda	Francs
2. Australia	Dollars
3. Greece	Euro
4. Hungary	Forint
5. Iraq	Dinar
6. Israel	Sheller
7. Somalia	Shilling
8. Uganda	Shilling
9. China	Chinese yuan

#### **1.3 FOREIGN CURRENCIES COMMONLY USED**

The forex (or foreign exchange) market is the world's largest and most liquid market, with trillions of dollars traded on any given day between millions of parties.

##### **1. The U.S. Dollar**

First and foremost is the U.S. dollar, which is easily the most traded currency on the planet. The USD can be found in a pair with all the other major currencies and often acts as the intermediary in triangular currency transactions. This is all because the USD acts as the unofficial global reserve currency, held by nearly every central bank and institutional investment entity in the world.

In addition, due to the U.S. dollar's global acceptance, it is used by some countries as an official currency, in lieu of a local currency, a practice known as dollarization. The U.S. dollar also may be widely accepted in other nations, acting as an informal alternative form of payment, while those nations maintain their official local currency.

## **2. The Euro**

Although still relatively new to the world stage, the euro has become the second most traded currency, behind only the U.S. dollar. And the euro is the world's second largest reserve currency. The official currency of the majority of the nations within the Eurozone, the euro was introduced to the world markets on January 1, 1999, with banknotes and coinage entering circulation three years later.

## **3. The Japanese Yen**

The Japanese yen is easily the most traded currency out of Asia and viewed by many as a proxy for the underlying strength of Japan's manufacturing-export economy. As Japan's economy goes, so goes the yen (in some respects). Many use the yen to gauge the overall health of the Pan-Pacific region as well, taking economies such as South Korea, Singapore and Thailand into consideration, as those currencies are traded far less in the global forex markets.

## **4. The Great British Pound**

The Great British pound, also known as the pound sterling, is the fourth most traded currency in the forex market..

## **5. The Canadian Dollar**

Also known as the Lonnie, the Canadian dollar is probably the world's foremost commodity currency, meaning that it moves in step with the commodities markets – notably crude oil, precious metals and minerals. With Canada being such a large exporter of such commodities the

Lonnie is very volatile to movements in their underlying prices, especially that of crude oil. Traders often trade the Canadian dollar to speculate on the movements of these commodities or as a hedge to their holdings of those underlying contracts.

## **6. The Swiss Franc**

Last on our list is the Swiss franc, which, much like Switzerland, is viewed by many as a "neutral" currency. More correctly, the Swiss franc is considered a safe haven within the forex market, primarily due to the fact that the franc tends to move in a negative correlation to more volatile commodity currencies such as the Canadian and Australian dollars, along with U.S.

- ❖ Countries That Use the U.S. Dollar: The USD is the most widely used currency in most international transactions.

### **MOST COMMONLY USED CURRENCIES:**

Over 150 types of currencies exist in the world. The most common are :

- E.U.: Euro-EUR
- U.S.: Dollar-USD
- U.K.: Pound-GBP
- Switzerland: Swiss Franc-CHF
- Japan: Yen-JYP

### **OTHER KNOWN CURRENCIES:**

Other widely known currencies are:

- Mexico: Peso- MXN
- Sweden: Krona- SEK
- India: Rupee-INR
- Russia: Ruble-RUB

### **COUNTRIES WHICH USE THE EURO:**

The following countries use the Euro as their form of currency:

- Andorra
- Austria
- Belgium

- Cyprus
- Finland
- France
- Germany
- Greece
- Ireland
- Italy
- Kosovo
- Luxembourg
- Malta
- Monaco
- Montenegro
- Netherlands
- Portugal
- San Marino
- Slovakia
- Slovenia
- Spain
- Vatican City

#### Countries That Use the U.S. Dollar:

The USD is the most widely used currency in most international transactions. In addition to the U.S. and its regions—Puerto Rico, Northern Mariana Islands, U.S. Virgin Islands, American Samoa and Guam—some other countries use the U.S. Dollar as its official currency.

They are:

- East Timor
- British Indian Ocean
- British Virgin Islands
- Ecuador
- El Salvador
- Marshall Islands

- Federated States of Micronesia
- Palau
- Panama
- Turks and Caicos Islands

### **Currency Converter: USD to RWF**

1 USD = 854.906 RWF

US Dollar 1 USD = 854.906 RWF

↔

Rwandan Franc 1 RWF = 0.00116972 USD

## **1.4 INTERNATIONAL CURRENCIES**

The major currencies and their designation in the foreign exchange market are the US dollar (USD), euro (EUR), Japanese yen (JPY), British pound (GBP), Australian dollar (AUD), Canadian dollar (CAD), and the Swiss franc (CHF).

## **1.5 REGIONAL CURRENCIES or CURRENCY ZONE**

Is a country or region in which a specific currency is the dominant medium of exchange

For example, in the European union countries, the Euro is the dominant currency hence making the Euro union a currency zone.

**Legal tender:** is a means of payment that people are compelled by law to accept in the process of settling debts or obligations. For ex: if you are within Uganda, you are compelled by law to accept Uganda shilling as mean of payment though you are at liberty to accept or reject other currencies. The Uganda shillings is therefore legal tender in Uganda but not legal tender in Kenya, Tanzania or Rwanda.

## **FUNCTION OF MONEY**

**Money is medium of exchange**

People sell off what they produce and receive money in return

### **Money is store of value**

Most commodities are perishable. They cannot be kept for long. Services are not storable at all.

Money helps the producer to sell off surplus, keep the money, and use the same money to buy similar goods at a future time.

**Money is standard of deferred payments:** deferred payments are payments that have to be made in future. These are payments that are postponed to a future date. Money facilitates transactions on credit.

### **Money facilitates specialization**

Money enables producers to specialize in production of a particular commodity.

### **Money is unit of account and measure of value**

Money is used to express the value of goods and services. It is used to compare the value of different goods and services

### **Money serves as tool of monetary policy**

The government controls economic activities in an economy through monetary policy. For example the government may increase employment opportunities by allowing more money in circulation or control inflation by reducing money supply.

### **Money facilitates borrowing/ lending**

Since it is scarce, money is able to flow from surplus spending sources to deficit spending units.

## **Learning Outcome 1.2: Source the currency liquidities**

### **2.1 DESCRIPTION OF SOURCES OF FOREIGN CURRENCIES**

- ❖ Central bank
- ❖ Commercial bank
- ❖ Brokers



### **2.1.1. Central bank**

Is a financial institution whose aim is to control the quality and use of money in such a way as to facilitate the implementation of certain monetary policy.

I control all other banks and financial institution in the country. A central bank is not profit making and not supposed to compete with commercial bank for business. Central bank is a bank established by the government to control the banking system and formulate and manage monetary policy.

#### **Function of central bank**

It has the right to make and renew coins and notes

It acts as banker to the government by:

- Keeping government funds
- Paying interest on public
- Marketing government security
- Advising the government on economic policy

### **2.1.2 Commercial bank**

Commercial banks are essentially deal with credit or borrowed funds like other business they want to make profit.

Example: ECOBANK, KCB,BPR.

### **2.1.3 Brokers**

A broker is a person or a company that acts as an intermediary between buyers and sellers. Brokers exist not just in the financial markets, but in the real estate market, the commodities market, the art market -- even the boat market.

#### **How it works (example):**

Brokers are often paid a commission, which is a percentage of the customer's purchase or sale price, though some receive a flat fee per transaction or a mix of the two.

## LOCAL CURRENCY

a **local currency** is a currency that can be spent in a particular geographical locality at participating organizations. A **regional currency** is a form of local currency encompassing a larger geographical area. A local currency acts as a complementary currency to a national currency, rather than replacing it, <sup>[1]</sup> and aims to encourage spending within a local community, especially with locally owned businesses

All currencies of the world with their ISO-4217 codes, listed by countries and dependent territories

Country or territory	Currency	ISO-4217
<b>A</b>		
Afghanistan	Afghan Afghani	<b>AFN</b>
Akrotiri and Dhekelia ( <i>UK</i> )	European euro	<b>EUR</b>
Aland Islands ( <i>Finland</i> )	European euro	<b>EUR</b>
Albania	Albanian lek	<b>ALL</b>
Algeria	Algerian dinar	<b>DZD</b>
American Samoa ( <i>USA</i> )	United States dollar	<b>USD</b>
Andorra	European euro	<b>EUR</b>
Angola	Angolan kwanza	<b>AOA</b>
Anguilla ( <i>UK</i> )	East Caribbean dollar	<b>XCD</b>
Antigua and Barbuda	East Caribbean dollar	<b>XCD</b>
Argentina	Argentine peso	<b>ARS</b>
Armenia	Armenian dram	<b>AMD</b>
Aruba ( <i>Netherlands</i> )	Aruban florin	<b>AWG</b>

Ascension Island <i>(UK)</i>	Saint Helena pound	<b>SHP</b>
Australia	Australian dollar	<b>AUD</b>
Austria	European euro	<b>EUR</b>
Azerbaijan	Azerbaijani manat	<b>AZN</b>
<b>B</b>		
Bahamas	Bahamian dollar	<b>BSD</b>
Bahrain	Bahraini dinar	<b>BHD</b>
Bangladesh	Bangladeshi taka	<b>BDT</b>
Barbados	Barbadian dollar	<b>BBD</b>
Belarus	Belarusian ruble	<b>BYN</b>
Belgium	European euro	<b>EUR</b>
Belize	Belize dollar	<b>BZD</b>
Benin	West African CFA franc	<b>XOF</b>
Bermuda <i>(UK)</i>	Bermudian dollar	<b>BMD</b>
Bhutan	Bhutanese ngultrum	<b>BTN</b>
Bolivia	Bolivian boliviano	<b>BOB</b>
Bonaire <i>(Netherlands)</i>	United States dollar	<b>USD</b>
Bosnia and Herzegovina	Bosnia and Herzegovina convertible mark	<b>BAM</b>
Botswana	Botswana pula	<b>BWP</b>
Brazil	Brazilian real	<b>BRL</b>
British Indian Ocean Territory <i>(UK)</i>	United States dollar	<b>USD</b>

British Virgin Islands ( <i>UK</i> )	United States dollar	<b>USD</b>
Brunei	Brunei dollar	<b>BND</b>
Bulgaria	Bulgarian lev	<b>BGN</b>
Burkina Faso	West African CFA franc	<b>XOF</b>
<b>Burundi</b>	<b>Burundi franc</b>	<b>BIF</b>
<b>C</b>		
Cabo Verde	Cape Verdean escudo	<b>CVE</b>
Cambodia	Cambodian riel	<b>KHR</b>
Cameroon	Central African CFA franc	<b>XAF</b>
Canada	Canadian dollar	<b>CAD</b>
Caribbean Netherlands ( <i>Netherlands</i> )	United States dollar	<b>USD</b>
Cayman Islands ( <i>UK</i> )	Cayman Islands dollar	<b>KYD</b>
Central African Republic	Central African CFA franc	<b>XAF</b>
Chad	Central African CFA franc	<b>XAF</b>
Chatham Islands ( <i>New Zealand</i> )	New Zealand dollar	<b>NZD</b>
Chile	Chilean peso	<b>CLP</b>
China	Chinese Yuan Renminbi	<b>CNY</b>
Christmas Island ( <i>Australia</i> )	Australian dollar	<b>AUD</b>
Cocos (Keeling) Islands ( <i>Australia</i> )	Australian dollar	<b>AUD</b>
Colombia	Colombian peso	<b>COP</b>
Comoros	Comorian franc	<b>KMF</b>

Congo, Democratic Republic of the	Congolese franc	<b>CDF</b>
Congo, Republic of the	Central African CFA franc	<b>XAF</b>
Cook Islands ( <i>New Zealand</i> )	Cook Islands dollar	<b>none</b>
Costa Rica	Costa Rican colon	<b>CRC</b>
Cote d'Ivoire	West African CFA franc	<b>XOF</b>
Croatia	Croatian kuna	<b>HRK</b>
Cuba	Cuban peso	<b>CUP</b>
Curacao ( <i>Netherlands</i> )	Netherlands Antillean guilder	<b>ANG</b>
Cyprus	European euro	<b>EUR</b>
Czech Republic	Czech koruna	<b>CZK</b>
<b>D</b>		
Denmark	Danish krone	<b>DKK</b>
Djibouti	Djiboutian franc	<b>DJF</b>
Dominica	East Caribbean dollar	<b>XCD</b>
Dominican Republic	Dominican peso	<b>DOP</b>
<b>E</b>		
Ecuador	United States dollar	<b>USD</b>
Egypt	Egyptian pound	<b>EGP</b>
El Salvador	United States dollar	<b>USD</b>
Equatorial Guinea	Central African CFA franc	<b>XAF</b>
Eritrea	Eritrean nakfa	<b>ERN</b>

Estonia	European euro	<b>EUR</b>
Ethiopia	Ethiopian birr	<b>ETB</b>
<b>F</b>		
Falkland Islands ( <i>UK</i> )	Falkland Islands pound	<b>FKP</b>
Faroe Islands ( <i>Denmark</i> )	Faroese krona	<b>none</b>
Fiji	Fijian dollar	<b>FJD</b>
Finland	European euro	<b>EUR</b>
France	European euro	<b>EUR</b>
French Guiana ( <i>France</i> )	European euro	<b>EUR</b>
French Polynesia ( <i>France</i> )	CFP franc	<b>XPF</b>
<b>G</b>		
Gabon	Central African CFA franc	<b>XAF</b>
Gambia	Gambian dalasi	<b>GMD</b>
Georgia	Georgian lari	<b>GEL</b>
Germany	European euro	<b>EUR</b>
Ghana	Ghanaian cedi	<b>GHS</b>
Gibraltar ( <i>UK</i> )	Gibraltar pound	<b>GIP</b>
Greece	European euro	<b>EUR</b>
Greenland ( <i>Denmark</i> )	Danish krone	<b>DKK</b>
Grenada	East Caribbean dollar	<b>XCD</b>
Guadeloupe ( <i>France</i> )	European euro	<b>EUR</b>
Guam ( <i>USA</i> )	United States dollar	<b>USD</b>

Guatemala	Guatemalan quetzal	<b>GTQ</b>
Guernsey ( <i>UK</i> )	Guernsey Pound	<b>GGP</b>
Guinea	Guinean franc	<b>GNF</b>
Guinea-Bissau	West African CFA franc	<b>XOF</b>
Guyana	Guyanese dollar	<b>GYD</b>
<b>H</b>		
Haiti	Haitian gourde	<b>HTG</b>
Honduras	Honduran lempira	<b>HNL</b>
Hong Kong ( <i>China</i> )	Hong Kong dollar	<b>HKD</b>
Hungary	Hungarian forint	<b>HUF</b>
<b>I</b>		
Iceland	Icelandic krona	<b>ISK</b>
India	Indian rupee	<b>INR</b>
Indonesia	Indonesian rupiah	<b>IDR</b>
International Monetary Fund (IMF)	SDR (Special Drawing Right)	<b>XDR</b>
Iran	Iranian rial	<b>IRR</b>
Iraq	Iraqi dinar	<b>IQD</b>
Ireland	European euro	<b>EUR</b>
Isle of Man ( <i>UK</i> )	Manx pound	<b>IMP</b>
Israel	Israeli new shekel	<b>ILS</b>
Italy	European euro	<b>EUR</b>

<b>J</b>		
Jamaica	Jamaican dollar	<b>JMD</b>
Japan	Japanese yen	<b>JPY</b>
Jersey ( <i>UK</i> )	Jersey pound	<b>JEP</b>
Jordan	Jordanian dinar	<b>JOD</b>
<b>K</b>		
Kazakhstan	Kazakhstani tenge	<b>KZT</b>
Kenya	Kenyan shilling	<b>KES</b>
Kiribati	Australian dollar	<b>AUD</b>
Kosovo	European euro	<b>EUR</b>
Kuwait	Kuwaiti dinar	<b>KWD</b>
Kyrgyzstan	Kyrgyzstani som	<b>KGS</b>
<b>L</b>		
Laos	Lao kip	<b>LAK</b>
Latvia	European euro	<b>EUR</b>
Lebanon	Lebanese pound	<b>LBP</b>
Lesotho	Lesotho loti	<b>LSL</b>
Liberia	Liberian dollar	<b>LRD</b>
Libya	Libyan dinar	<b>LYD</b>
Liechtenstein	Swiss franc	<b>CHF</b>
Lithuania	European euro	<b>EUR</b>
Luxembourg	European euro	<b>EUR</b>



<b>M</b>		
Macau ( <i>China</i> )	Macanese pataca	<b>MOP</b>
Macedonia	Macedonian denar	<b>MKD</b>
Madagascar	Malagasy ariary	<b>MGA</b>
Malawi	Malawian kwacha	<b>MWK</b>
Malaysia	Malaysian ringgit	<b>MYR</b>
Maldives	Maldivian rufiyaa	<b>MVR</b>
Mali	West African CFA franc	<b>XOF</b>
Malta	European euro	<b>EUR</b>
Marshall Islands	United States dollar	<b>USD</b>
Martinique ( <i>France</i> )	European euro	<b>EUR</b>
Mauritania	Mauritanian ouguiya	<b>MRO</b>
Mauritius	Mauritian rupee	<b>MUR</b>
Mayotte ( <i>France</i> )	European euro	<b>EUR</b>
Mexico	Mexican peso	<b>MXN</b>
Micronesia	United States dollar	<b>USD</b>
Moldova	Moldovan leu	<b>MDL</b>
Monaco	European euro	<b>EUR</b>
Mongolia	Mongolian tugrik	<b>MNT</b>
Montenegro	European euro	<b>EUR</b>
Montserrat ( <i>UK</i> )	East Caribbean dollar	<b>XCD</b>
Morocco	Moroccan dirham	<b>MAD</b>

Mozambique	Mozambican metical	<b>MZN</b>
Myanmar (Burma)	Myanmar kyat	<b>MMK</b>
<b>N</b>		
Namibia	Namibian dollar	<b>NAD</b>
Nauru	Australian dollar	<b>AUD</b>
Nepal	Nepalese rupee	<b>NPR</b>
Netherlands	European euro	<b>EUR</b>
New Caledonia ( <i>France</i> )	CFP franc	<b>XPF</b>
New Zealand	New Zealand dollar	<b>NZD</b>
Nicaragua	Nicaraguan Cordoba	<b>NIO</b>
Niger	West African CFA franc	<b>XOF</b>
Nigeria	Nigerian naira	<b>NGN</b>
Niue ( <i>New Zealand</i> )	New Zealand dollar	<b>NZD</b>
Norfolk Island ( <i>Australia</i> )	Australian dollar	<b>AUD</b>
Northern Mariana Islands ( <i>USA</i> )	United States dollar	<b>USD</b>
North Korea	North Korean won	<b>KPW</b>
Norway	Norwegian krone	<b>NOK</b>
<b>O</b>		
Oman	Omani rial	<b>OMR</b>
<b>P</b>		
Pakistan	Pakistani rupee	<b>PKR</b>
Palau	United States dollar	<b>USD</b>

Palestine	Israeli new shekel	<b>ILS</b>
Panama	United States dollar	<b>USD</b>
Papua New Guinea	Papua New Guinean kina	<b>PGK</b>
Paraguay	Paraguayan guarani	<b>PYG</b>
Peru	Peruvian sol	<b>PEN</b>
Philippines	Philippine peso	<b>PHP</b>
Pitcairn Islands ( <i>UK</i> )	New Zealand dollar	<b>NZD</b>
Poland	Polish zloty	<b>PLN</b>
Portugal	European euro	<b>EUR</b>
Puerto Rico ( <i>USA</i> )	United States dollar	<b>USD</b>
<b>Q</b>		
Qatar	Qatari riyal	<b>QAR</b>
<b>R</b>		
Reunion ( <i>France</i> )	European euro	<b>EUR</b>
Romania	Romanian leu	<b>RON</b>
Russia	Russian ruble	<b>RUB</b>
Rwanda	Rwandan franc	<b>RWF</b>
<b>S</b>		
Saba ( <i>Netherlands</i> )	United States dollar	<b>USD</b>
Saint Barthelemy ( <i>France</i> )	European euro	<b>EUR</b>
Saint Helena ( <i>UK</i> )	Saint Helena pound	<b>SHP</b>
Saint Kitts and Nevis	East Caribbean dollar	<b>XCD</b>

Saint Lucia	East Caribbean dollar	<b>XCD</b>
Saint Martin <i>(France)</i>	European euro	<b>EUR</b>
Saint Pierre and Miquelon <i>(France)</i>	European euro	<b>EUR</b>
Saint Vincent and the Grenadines	East Caribbean dollar	<b>XCD</b>
Samoa	Samoan tala	<b>WST</b>
San Marino	European euro	<b>EUR</b>
Sao Tome and Principe	Sao Tome and Principe dobra	<b>STD</b>
Saudi Arabia	Saudi Arabian riyal	<b>SAR</b>
Senegal	West African CFA franc	<b>XOF</b>
Serbia	Serbian dinar	<b>RSD</b>
Seychelles	Seychellois rupee	<b>SCR</b>
Sierra Leone	Sierra Leonean leone	<b>SLL</b>
Singapore	Singapore dollar	<b>SGD</b>
Sint Eustatius <i>(Netherlands)</i>	United States dollar	<b>USD</b>
Sint Maarten <i>(Netherlands)</i>	Netherlands Antillean guilder	<b>ANG</b>
Slovakia	European euro	<b>EUR</b>
Slovenia	European euro	<b>EUR</b>
Solomon Islands	Solomon Islands dollar	<b>SBD</b>
Somalia	Somali shilling	<b>SOS</b>
South Africa	South African rand	<b>ZAR</b>
South Georgia Island <i>(UK)</i>	Pound sterling	<b>GBP</b>
South Korea	South Korean won	<b>KRW</b>

South Sudan	South Sudanese pound	<b>SSP</b>
Spain	European euro	<b>EUR</b>
Sri Lanka	Sri Lankan rupee	<b>LKR</b>
Sudan	Sudanese pound	<b>SDG</b>
Suriname	Surinamese dollar	<b>SRD</b>
Svalbard and Jan Mayen ( <i>Norway</i> )	Norwegian krone	<b>NOK</b>
Swaziland	Swazi lilangeni	<b>SZL</b>
Sweden	Swedish krona	<b>SEK</b>
Switzerland	Swiss franc	<b>CHF</b>
Syria	Syrian pound	<b>SYP</b>
<b>T</b>		
Taiwan	New Taiwan dollar	<b>TWD</b>
Tajikistan	Tajikistani somoni	<b>TJS</b>
Tanzania	Tanzanian shilling	<b>TZS</b>
Thailand	Thai baht	<b>THB</b>
Timor-Leste	United States dollar	<b>USD</b>
Togo	West African CFA franc	<b>XOF</b>
Tokelau ( <i>New Zealand</i> )	New Zealand dollar	<b>NZD</b>
Tonga	Tongan pa'anga	<b>TOP</b>
Trinidad and Tobago	Trinidad and Tobago dollar	<b>TTD</b>
Tristan da Cunha ( <i>UK</i> )	Pound sterling	<b>GBP</b>
Tunisia	Tunisian dinar	<b>TND</b>

Turkey	Turkish lira	<b>TRY</b>
Turkmenistan	Turkmen manat	<b>TMT</b>
Turks and Caicos Islands ( <i>UK</i> )	United States dollar	<b>USD</b>
Tuvalu	Australian dollar	<b>AUD</b>
<b>U</b>		
Uganda	Ugandan shilling	<b>UGX</b>
Ukraine	Ukrainian hryvnia	<b>UAH</b>
United Arab Emirates	UAE dirham	<b>AED</b>
United Kingdom	Pound sterling	<b>GBP</b>
United States of America	United States dollar	<b>USD</b>
Uruguay	Uruguayan peso	<b>UYU</b>
US Virgin Islands ( <i>USA</i> )	United States dollar	<b>USD</b>
Uzbekistan	Uzbekistani som	<b>UZS</b>
<b>V</b>		
Vanuatu	Vanuatu vatu	<b>VUV</b>
Vatican City (Holy See)	European euro	<b>EUR</b>
Venezuela	Venezuelan bolivar	<b>VEF</b>
Vietnam	Vietnamese dong	<b>VND</b>
<b>W</b>		
Wake Island ( <i>USA</i> )	United States dollar	<b>USD</b>
Wallis and Futuna ( <i>France</i> )	CFP franc	<b>XPF</b>

<b>Y</b>		
Yemen	Yemeni rial	<b>YER</b>
<b>Z</b>		
Zambia	Zambian kwacha	<b>ZMW</b>
Zimbabwe	United States dollar	<b>USD</b>

### Learning Outcome 1.3: Count and cross check currencies using detectors

#### 1.3.1 DIFFERENT METHODS OF NOTES AND COINS COUNTING

Counting money is a fairly easy task, but it's useful to have a clear picture of the amount of change you have lying around. It can also be a good way to practice some maths. Learning how to properly count your money is a fun and quick task that is especially applicable if you work in the retail industry or your work involves using a cash register.

##### Part1

##### 1. Counting Your Coins

##### ❖ Gather together all your coins.

The first thing to do is get together all your loose coins. Empty out your pockets, purse, wallet or anywhere else you keep coins. Spread them out on a flat surface so all the coins are visible and none of them are overlapping each other. You want to be able to distinguish each coin easily.

##### ❖ Organize by size and value.

Next, you can split the coins up into groups determined by their value. For example, scoop together all the nickels in one place, all the dimes in another, and so on. Do this until you have little piles of each coin. Then stack up the coins from each pile into a column. Once you've done this you should have a collection of little stacks of coins on the table.

- a. The size and color of the coins makes this easy to do very quickly.

- b. You could do this in descending order from a high value to low by first stacking all your dollar coins together in one pile, followed by your quarters, dimes, nickels and, finally, pennies.

❖ **Calculate the value of each stack.**

Now work your way through the stacks calculating the value of each one and noting it down. For example, if you have a stack of ten 1 cent coins note down that that stack's value is 10 cents. Five 50 cents coins? Write down \$2.50. Complete this calculation for each stack.

- c. You could also write it down on a tally chart. With headings for each coin denomination, you can tick for each coin you have of that value and then add up the totals.
- d. If you have a lot of stacks you will need to clearly identify which ones you have already counted. You can do this just by moving them to one side when they are counted. For example, keep uncounted stacks on your right-hand side and slide them over to your left when they are counted.

❖ **Add it all together.**

Once you know the value of each stack you just need to add them all together to get the total. You can add that up as you go and keep a running total to make it quicker. If you think you might forget, writing the value of each stack means you can go back and add it all up together at the end.

❖ **Consider using a coin sorting machine.**

If you have a lot of coins or regularly need to process a lot of change for your job, it might be a good idea to get hold of a coin sorting machine. These are devices which sort your coins for you by denomination. Some of the more advanced machines will also count them and tell you the total value.

- e. You may find coin counting machines in your bank or store which you can use. But be aware that there will typically be a charge for this service.



- f. The most common coin-counting machines in the US generally cost a fee of around 10% of the total value of the change you process.

## **Part2**

### **2. Counting Your Bills**

#### **❖ Organize your bills.**

Once you have counted up all your coins, you can move on to your bills or notes. You will basically follow the same method as with the coins, namely splitting the bills into piles of the same denomination and then calculating the value of each pile. The first step is to spread out your bills on the table so you can clearly see each one. Then separate them out into groups.

- For example, you could have a pile of \$5 bills, one of \$20 bills, and so on.
- Depending on how much cash you have this could be a fairly speedy process and take a little longer.
- If you have a lot of cash to count, begin with your largest bills. Stack your \$100, \$50 and \$20 bills in their own piles. Then move on to the \$10, \$5 and \$1 bills.

#### **❖ Count and record your bills.**

Now you have organized your bills into separate piles, all you have to do is go through and calculate the value of each pile. If you have five \$20 bills, that's \$100. Just like the coins you can go through each pile and note down the value on a sheet of paper and add them all together at the end. If you are more confident in your maths and memory skills, you can calculate the total as you go only writing down the final amount when you get to the end.

- Another way to do it is create a table with headings for each bill denomination in which you keep a tally, and then add up the totals.
- For example, if you have two \$50 bills, three \$20 bills, four \$10 bills, two \$5 bills and 6 single dollar bills, your "totals" column should read, "100, 60, 40, 10, 6." You should add all these bill totals together and hopefully come to a total of \$216.

#### **❖ Combine your bill and coin totals.**

The final step is to combine the two totals you have for coins and bills respectively. This will give you the total amount of money you are counting. Write the total down and use your records to keep track of your personal finances, and budgets.

- If you are going to deposit the money you can place it into special bank deposit bags. You can write the value of the contents on the outside of the bag.
- For bills, consider paper clipping them to a deposit slip if you plan on depositing the money.

### **1.3.2 KEY FEATURES OF FAKE CURRENCY**

**Counterfeit money** is imitation **currency** produced without the legal sanction of the state or government. Producing or using **counterfeit money** is a form of fraud or **forgery**. **Counterfeiting** is almost as old as **money** itself.

The current range of Rwanda banknotes and coins with legal tender as below:

- 5000 FRW, 2000 FRW, 1000 FRW and 500 FRW for banknotes;
- 100 FRW, 50 FRW, 20 FRW, 10 FRW, 5 FRW and 1 FRW for coins.

### **1.3.3 CHARACTERISTICS OF REAL RWANDAN FRANCS**

The **Rwandan franc** (sign: **FRw**<sup>1</sup> and possibly RF or RFw: **RWF**) is the currency of Rwanda. It is subdivided into 100 centimes.<sup>[2]</sup>

Rwanda began issuing its own francs in 1964.

In 1964, coins were introduced for 1, 5 and 10 francs, with the 1 and 10 francs in cupronickel and the 5 francs in bronze. In 1969, aluminum 1 franc coins were introduced followed in 1970 by ½ and 2 francs also in aluminum. A reduced sized copper-nickel 10 franc coin was issued in 1974.

Current Rwandan franc coins in circulation.

Brass 20 and 50 francs were introduced in 1977. New series of 1-50 Francs coins were issued in 2004 (dated 2003) and a new bimetallic coin of 100 Francs was introduced in 2008 (dated 2007)

**1 franc - 98% Aluminum, 2% Magnesium**

**5 francs - Bronze**

**10 francs – Bronze**

**20 francs - Nickel-plated steel**

**50 francs - Nickel-plated steel**

**100 francs - Nickel-plated steel ring and Copper-plated steel centre**

### **Banknotes**

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In 1964, provisional notes were created for use in Rwanda by hands tamping (20 to 100 francs) or embossing (500 and 1,000 francs) Rwanda-Burundi notes bearing their original dates and signatures.<sup>[7]</sup> These were followed by regular issues for the same amounts dated 1964 to 1976.

20- and 50-franc notes were replaced by coins in 1977, with 5,000-franc notes introduced in 1978. The nation's first-ever 2,000-franc note was introduced in mid-December 2007. In 2008 the bank replaced the 100-franc note with a bimetallic coin, and revoked the notes' legal tender status on 31 December 2009. On September 24, 2013, the National Bank of Rwanda issued a redesigned 500 franc note depicting cows on the front and students with XO computers (from One Laptop per Child) on the back.<sup>[8]</sup> In December 2014, the National Bank of Rwanda issued 2,000 and 5,000 franc notes with revised security features and the removal of French descriptions on the notes.<sup>[9]</sup> In October 2015, the National Bank of Rwanda issued a revised 1000 franc note with improved security features and the removal of French descriptions on the notes.<sup>[10]</sup>

<b>Banknotes of the Rwandan franc (Current issue)</b>			
<b>Image</b>	<b>Value</b>	<b>Obverse</b>	<b>Reverse</b>
[1]	500 francs ( <i>Amafaranga</i> )	Students studying with	Cows

	<i>Magana Atanu)</i>	XO computers	
[2]	1000 francs ( <i>Amafaranga Igihumbi)</i>	National Museum of Rwanda, Butare	Golden monkey, Volcanoes national park
[3]	2000 francs ( <i>Amafaranga Ibihumbi Bibiri)</i>	Satellite dish and a radio tower	Coffee beans
[4]	5000 francs ( <i>Amafaranga Ibihumbi Bitanu)</i>	Gorillas in Volcanoes National Park	Baskets

Historical exchange rates

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Rwandan francs per US dollar:

- 262.20 (1995)
- 393.44 (2000)
- 610 (2005)
- 570 (2010)
- 689 (2014)
- 760 (2016)

### 1.3.4 TYPES OF CURRENCY DETECTORS

**Ultraviolet**

**Infrared**

**Automatic**

❖ **Ultraviolet viewing detectors**

They reveal luminescent images, threads and fibers of currency notes in the light of ultraviolet lamps. Ultraviolet detector – is one of the most widespread types of currency

detectors. This equipment doesn't require any specific skills for work. Ultraviolet emission helps to reveal false banknote visually by the main protection property. Mostly ultraviolet detector is used at various stores, outlets and offices reasonably priced ultraviolet detector – DORS 125. There are ultraviolet detectors with magnetic detection, peek-a-boo detections and magnifying glass - currency detector PRO.

Currently infrared viewing currency detectors are the most reliable devices for revealing false banknotes. Such a detector helps to reveal not only false banknotes but other documents protected with infrared marks.

#### ❖ **Infrared viewing currency detectors**

The image, received with the help of the camera in the infrared range is shown on the display. User should know positions of infrared images on the banknotes of different countries, nominals and production years. With the help of infrared viewing currency detector DORS 1000 M2 the authenticity of the banknote can be checked with the help of optical infrared filter and light-emitting diode infrared lightning. Infrared detector Spektr-Video-K allows to view on the display the image of the whole banknote or some part of it with twofold zoom.

#### ❖ **Automatic detectors**

They are able to check authenticity of banknotes in automatic regime by several protection properties at once with high accuracy.

The information of the authentic banknotes is stored in the detectors memory and the results from the sensors are compared to that information. Automatic detector provides maximal accuracy of checking banknotes authenticity. On the basis of complex analysis the currency detector itself concludes whether the banknote is authentic or false. But this kind of detectors can operate only with one banknote at once.

## **LEARNING UNIT2: FOLLOW UP CLOSELY THE FOREX TRENDS**

**Learning Outcome 2.1: Follow up of financial news in the media (online, newspapers & TV.)**

### **2.1.1 SOURCES OF FOREX NEWS**

- ❖ Internet
- ❖ Newspapers
- ❖ TV
- ❖ Central bank (BNR)
- ❖ Applications( apps)

**Learning Outcome 2.2: Record the statistics regarding the trend**

### **2.2.1 PERIODICAL STATISTICS OF INTERNATIONAL CURRENCIES TREND**

#### **Representative Rates for Selected Currencies**

These rates, normally quoted as currency units per U.S. dollar, are reported daily to the Fund by the issuing central bank. Rates are normally reported for members whose currencies are used in Fund financial transactions.

SDRs per Currency unit      (e.g. \$ 1.00 = 0.67734 SDR)

These rates are the official rates used by the Fund to conduct operations with member countries. The rates are derived from the currency's representative exchange rate, as reported by the central bank, normally against the U.S. dollar at spot market rates and rounded to six significant digits.

Currency units per SDR      (e.g. \$ 1.47638 = 1 SDR)

This rate, which are not used in Fund transactions, is the reciprocal of the SDR per currency unit rate, rounded to six significant digits.

#### **Special drawing rights (SDR)**

Refer to an international type of monetary reserve currency created by the International Monetary Fund (IMF) in 1969 that operates as a supplement to the existing reserves of member countries.

## Learning Outcome 2.3: Efficient monitoring of profit margin with regards to trend

### 2.3.1 INTRODUCTION TO CURRENCY PAIR QUOTES

#### ❖ **Base currency :**

The **base currency** is the **currency** against which exchange rates are generally quoted in a given country. Examples: USD/JPY, the US Dollar is the **base currency**; EUR/USD, the EURO is the **base currency**.

#### ❖ **Quote currency:**

A **quote currency** is the second **currency quoted** in a **currency pair** in forex. In a direct **quote**, the **quote currency** is the foreign **currency**. In an indirect **quote**, the **quote currency** is the domestic **currency**. **Quote currency** is often referred to as the "secondary **currency**" or "counter **currency**."

#### ❖ **Direct and Indirect Quotes**

Every local currency can be quoted directly or indirectly against other currencies (most of the time the US Dollar):

#### ✓ **Direct quotation:**

Amount of local currency that is needed to buy one unit of the foreign currency (most commonly the USD)

#### ✓ **Indirect quotation:**

Amount of local currency, that is to be received when one unit of the foreign currency is sold.

Now imagine your local currency is the EUR, in this case the quotation scheme against the US Dollar would be:

**Direct Quotation:** USD/EUR – How many Euros to get one US Dollar, and, **Indirect Quotation:** EUR/USD – How many US Dollars to get one Euro

For the sake of simplicity, most of the time the US Dollar is called the “Foreign Currency”, so for the majors we have the following:

### **Direct Currencies**

USD/JPY  
USD/CAD  
USD/CHF

### **Indirect Currencies**

EUR/USD  
GBP/USD  
AUD/USD

#### **❖ Counter and base (or quote) currency**

The first currency of the pair is always called base currency. The second currency is called counter currency (or quote currency). Currency pair quotes are always expressed in units of the counter currency to get one unit of the base currency.

#### **EUR/USD = Base Currency/Counter Currency**

This is how many USD are required to get one EUR.

If the EUR/USD quote is 1.2520, then it requires 1.2520 USD to get one EUR...and the same goes for other currency pairs.

If the USD/JPY quote is at 110.05, it requires 110.05 JPY to get one USD

Now that you know how forex is traded, it's time to learn how to calculate your profits and losses. When you close out a trade, take the price (exchange rate) when selling the base currency



and subtract the price when buying the base currency, then multiply the difference by the transaction size. That will give you your profit or loss.

Price (exchange rate) when selling the base currency – price when buying the base currency X transaction size = profit or loss

Let's look at an example

Assume you buy Euros at \$1.2178 per Euro and sell Euros at \$1.2188 per Euro. The transaction size is 100,000 Euros. To calculate your profit or loss, you take the selling price of \$1.2188, subtract the buying price of \$1.2178 and multiply the difference by the transaction size of 100,000.

$$(\$1.2188 - 1.2178) \times 100,000 = \$100$$

In this example, you would have a \$100 profit from this transaction.

Let's try it again using a different currency

Assume you buy British pounds at \$1.8384 and sell them at \$1.8389. The transaction size is 10,000. What is your profit or loss?

When you think you know the answer, advance to the next screen.

By following the formula we discussed earlier, you should be able to determine that you would see a \$5.00 gain from this transaction.

$$(\$1.8389 - \$1.8384) \times 10,000 = \$5.00$$

Now you try it.

If you sell 100,000 Euros at \$1.2170 per Euro and buy 100,000 Euros at 1.2180 per Euro, would you have a profit or loss on the transaction and how much would it be?

Take the selling price of \$1.2170 and subtract the buying price of \$1.2180 and then multiply the difference by 100,000.

$$(\$1.2170 - \$1.2180) \times 100,000 = -\$100$$

If you calculated a loss of \$100, you calculated correctly.

You can also calculate your unrealized profits and losses on open positions. Just substitute the current bid or ask rate for the action you will take when closing out the position. For example, if you bought 100,000 Euros at 1.2178 and the current bid rate is 1.2173, you have an unrealized loss of \$50.

$$(\$1.2173 - \$1.2178) \times 100,000 = -\$50$$

Similarly, if you sold 100,000 Euros at 1.2170 and the current ask rate is 1.2165, you have an unrealized profit of \$50.

$$(\$1.2170 - \$1.2165) \times 100,000 = \$50$$

If the quote currency is not in US dollars, you will have to convert the profit or loss to US dollars at the dealer's rate.

Let's look at an example using a USD/JPY spread. If you lost 50,000 Japanese yen on the transaction and the dealer's rate is \$.0091 for each yen, what is your loss in dollars? By multiplying the transaction size (50,000) by the dealer's rate (\$.0091), you will find that your loss is \$455.

$$50,000 \times \$.0091 = \$455$$

Remember that you must also subtract any dealer commissions or other fees from your profits or add them to your losses to determine your true profits and losses. Also, remember that the dealer makes money from the spread. If you immediately liquidate your position using the same spread, you will automatically lose money

### 2.3.2 INTRODUCTION TO SPREAD

It is the difference between the buying and selling price of the same commodity in (1) different delivery months in the same market (exchange) or (2) in different markets but in the same delivery months. Also called bid and asked spread.

**Bid price:** price offered by bidder (contractor, supplier, vendor) for a specific good, job, or service, and valid only for the specified period.

**Ask price:** Lowest price which a dealer (market maker) is willing to accept for securities and financial futures.

### ❖ Spread calculation

#### Calculating Spread on a Foreign Currency Quote

Profits for currency market dealers are derived from the difference between the bid, which is the exchange rate at which a dealer is willing to purchase a particular currency, and the ask, which is the exchange rate for which a dealer is willing to sell a particular currency.

The difference between the two is called the bid-ask spread. Foreign currency dealers will quote both a bid and an ask for a particular currency. The average of the bid and ask (ask plus bid divided by two) is referred to as the midpoint price. The bid-ask spread is usually given as a percentage and it is calculated as:

#### Formula

$$\% \text{ Spread} = 100 \times \frac{(\text{Ask Price} - \text{Bid Price})}{\text{Ask Price}}$$

#### Example: Bid-Ask Spread

Suppose that a dealer provides the following quote in the U.S. for euros to dollars:

Direct (\$/€): \$0.8038/\$0.8041

Then the bid-ask spread will be  $100 \times (0.8041 - 0.8038) / 0.8041 = 0.0373\%$ .

### 2.3.3 INTRODUCTION TO FOREX MARGIN

#### ❖ Forex margin definition

This is the difference between a selling price of a product or any given service and its cost of production.

#### ❖ Calculation of forex margin

Margin Calculation

Base Currency / Account Currency = Current Exchange Rate of EUR/USD  
Units = 10,000

Now let's say that the current exchange rate of EUR/USD is 1.2900 hence "Base Currency / Account Currency" = 1.2900

Leverage is also called **Margin ratio**. Let's say the leverage you use for your Forex trading is x30 or 1:30 then the margin requirement =  $(1.2900 * 10,000) \div 30 = 430$  U.S. Dollar.

Now let's calculate the margin required if the same position is taken by a leverage of 50 then the Margin required =  $(1.2900 * 10,000) \div 50 = \text{USD } 258$ .

## 2.3.4 INTRODUCTION TO RISKS MANAGEMENT

### ❖ Definition

Foreign-exchange **risk** is the **risk** that an asset or investment denominated in a foreign currency will lose value as a result of unfavorable exchange rate fluctuations between the investment's foreign currency and the investment holder's domestic currency.

There are some of the basic reasons why the forex market is risky. Anyone who understands this and puts it to work can go a long way in the forex market.

### ❖ Types of risks in the forex market

There are quite a lot of risks traders should consider. Here are top 5 of them, what they are and why trader should consider them in every trade they make.

- **Leverage risk**

Leverage, as it is, is one trading tool that when used correctly in the market could result to great profit but if it turns against a trader, there might not be any profit after all but loss. Sometimes, there is need for a "margin call". This should be considered carefully to avoid making mistakes and losing so much money in the market.

### **What is the leverage for Forex?**

When a **trader** decides to **trade** in the **forex** market, he or she must first open a margin account with a **forex** broker. Usually, the amount of **leverage** provided is either 50:1, 100:1 or 200:1, depending on the broker and the size of the position that the investor is **trading**.

### **What does 50 to 1 leverage mean?**

Your broker provides you the maximum **leverage** permissible in the U.S. on major currency pairs of **50:1**, which **means** that for every dollar you put up, you can trade \$50 of a major currency. You put up \$5,000 as margin, which is the collateral or equity in your trading account

.

- **Transaction risk**

A transaction risk refers to exchange rate risk that may arise as a result of time difference between the beginning and the end of a trade.

- **Country risk**

A currency risk is a type of risk which may occur as a result of frequent balance of payment deficits which usually results to the devaluation of a currency.

- **Counterparty risk**

is the risk of default from a dealer or broker in a particular transaction. Counterparty is the company that provides the asset to the trader.

- **Interest rate risk**

Usually, the interest rate affects exchange rates. If the interest rate of a currency is high, it strengthens. If the interest rate is low, the currency tends to weaken.

## EARNING UNIT3: COMPLY WITH FOREX REGULATIONS

### Learning Outcome 3.1: Interpret forex regulations

#### 3.1.1 INTRODUCTION TO FOREX REGULATIONS

**Foreign exchange regulation** is a form of financial regulation specifically aimed at the Forex market which is decentralized and operates with no central exchange or clearing house. Due to its decentralised and global nature, foreign exchange market has been more prone to foreign exchange fraud and has been less regulated than other financial markets.

##### ❖ Objective

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The objective of regulation is to ensure fair and ethical business behaviour. In their turn all foreign exchange brokers, investment banks and signal sellers have to operate in compliance with the rules and standards laid down by the Forex regulators. Typically they must be registered and licensed in the country where their operations are based. Licensed brokers may be subject to recurrent audits, reviews and evaluations to check that they meet the industry standards. Foreign exchange brokers may have capital requirements which require them to hold a sufficient amount of funds to be able to execute and complete foreign exchange contracts concluded by their clients and also to return clients' funds intact in case of bankrupt.

##### ❖ What is forex trading?

Forex, or foreign exchange, can be explained as a network of buyers and sellers, who transfer currency between each other at an agreed price. It is the means by which individuals, companies and central banks convert one currency into another – if you have ever travelled abroad, then it is likely you have made a forex transaction. There are three different types of forex market:

- **Spot forex market:** the physical exchange of a currency pair, which takes place at the exact point the trade is settled – ie 'on the spot' – or within a short period of time
- **Forward forex market:** a contract is agreed to buy or sell a set amount of a currency at a specified price, to be settled at a set date in the future or within a range of future dates

- **Future forex market:** a contract is agreed to buy or sell a set amount of a given currency at a set price and date in the future. Unlike forwards, a futures contract is legally binding.

- ❖ **Important parts of forex regulations concerning forex bureau**

Startup regulations

Operating regulation

### **Learning Outcome 3.2: Follow up the forex regulation updates**

#### **3.2.1 SOURCE OF FOREX REGULATIONS**

- ❖ Central bank regulations
- ❖ Forex associations

#### **3.2.2 CHANNELS OF FOREX REGULATIONS**

- ❖ Central bank website
- ❖ Official gazette
- ❖ Forex trade websites
- ❖ Media (online, TV, radio, newspapers)

### **Learning outcome 3.3: implement forex regulations**

#### **STEP 1**

The applicant will submit an application form completed as specified in appendix

I of the regulation no 06/2013 on foreign exchange bureaus and attach on it the following information and documents:

- a) A certified copy of the resolution of the shareholders, authorizing the preparation and submission of the application;
- b) A certificate of incorporation as a company limited by shares or a cooperative whose name incorporates the words “Forex Bureau”, “Foreign Exchange Bureau” or “Bureau de Change” ;

- c) Provide the full address, including postal address, telephone and e-mail address of the proposed forex bureau;
- d) The applicant's memorandum and articles of association;
- e) Provide the list of the proposed Directors and Managers of the forex bureau;
- f) A bank statement of the forex bureau's shareholders and Directors for a period of six months prior to the date of application;
- g) Credit reports from a credit reference bureau for the shareholders, the proposed Directors and Managers of the forex bureau;
- h) Latest tax compliance certificate or certified true copy of income tax returns for the shareholders, directors or managers of the forex bureau;
- i) Proof of payment of a non-refundable application fee of 150,000 Rwf;
- j) Business plan and financial projections for at least the next 2 years (balance sheet, income statement, organizational structure; etc...);
- k) Copies of police clearance of all shareholders, the proposed Directors and Managers;
- l) Copies of identity cards or passports of all shareholders, Directors and Managers;
- m) Certified copies of educational certificates of Directors and Managers;
- n) Curriculum vitae of all Directors and Managers;
- o) TIN number;
- p) Completed "fit and proper" form for each of the shareholders, directors and managers as specified in appendix II of the regulation no 06/2013 of foreign exchange bureaus.

## **STEP 2**

Where the Central Bank is satisfied that all necessary requirements have been met and that the applicant will be eligible to get a license, it shall issue a letter of intent which advises the applicant on the next steps and requirements to be fulfilled before issuance of a license and approval to commence operations which include:



- a)** Pay the supervision fees of three hundred thousand Rwandan Francs (300,000 Rwf) as may be modified by the Central Bank from time to time;
- b)** Prove the deposit of the minimum capital of twenty million Rwandan Francs (20,000,000 Rwf) or equivalent on the account opened in the Central Bank;
- c)** Open accounts devoted solely to the business of foreign exchange bureau at a licensed bank;
- d)** For inspection by the Central Bank, prepare premises with equipments required in accordance with the regulation no 06/2013 on foreign exchange bureaus;
- e)** Present management information systems necessary to enable prompt and accurate submission of returns;
- f)** Submit policies on anti money laundering and combating financing of terrorism and internal controls and operating manuals covering the description of management information system and sample forms;
- g)** Provide the insurance certificate covering the cash and valuable in premises;
- h)** Any other information as may be required by the Central Bank.

**Note** that the submission of a duly completed form to the Central Bank is only an expression of interest in opening a forex bureau and should, therefore, not be interpreted as a commitment on part of the bank to issue a license. Further pertinent information regarding an application for license to conduct forex bureau in Republic of Rwanda, can be sourced from the National Bank of Rwanda.

website: [www.bnr.rw](http://www.bnr.rw) or please contact the National Bank of Rwanda through our

email: [info@bnr.rw](mailto:info@bnr.rw)

National Bank of Rwanda

Bank Supervision Department

Revised: 14th Octob

Local forex bureau operators have until June to ensure that their operations are within the provisions of the Central Bank or risk being out of business. Operators in the sector were in March last year given a list of regulations and requirements to comply with, accompanied by a moratorium barring new players from entering the sector.

Central Bank Governor John Rwangombwa said the regulator was yet to crack down on forex operators despite issuing the new regulations.

This he said was to provide them with ample time to comply with the requirements, as well as raise minimum capital requirements.

The deadline to comply with the regulations and requirements was August last year.

The new requirements and regulation include revision of minimum capital for forex bureaus from Rwf20 million to Rwf50 million, revised framework bureaus' staff skills, qualifications and experience.

Forex bureaus will also be required to have management information system tools and modern equipment, mandatory for effective conduct.

This could see multiple operators shut down operations across the country, especially due to challenges in raising capital as well as meeting other requirements.

“The moratorium came with new instructions increasing their capital requirements. We have been hesitant to follow up on implementation. This was supposed to have been done by August last year, but we were trying to be lenient with them as they raise capital. Any mergers and failure to continue will depend on failure to raise more capital,” Rwangombwa said.

The governor was yesterday speaking at press briefing following quarterly monetary policy and financial stability committee meetings.

The new regulations triggered fears among a section of operators, who said the minimum capital requirements were quite high given the scale of their operations.

Some said that this development could cause them to halt operations, while others said it could cause them to lay off staff.

The new regulations require that a manager of a forex bureau must, at least, have a bachelor's degree in accounting, finance, management or any other field with adequate knowledge of foreign exchange operations or five years of experience in forex bureau business.

Senior management of forex bureau operators are also required to have at least a degree or an A-Level certificate of secondary education (A2) with 5 years of experience in forex bureau activities.

A spot check by *The New Times* established that this could put a majority of 'manager' title holders across the city fall short of the minimum requirements, while other operators said it will raise cost of operations.

Alphonse Murangwa, who manages a Kigali-based forex bureau, said business survival for a number of operators is uncertain owing to the requirements.

However, the governor said there has been a lot of improvement in regard to the professionalism in recent months with instances of speculation and other fraudulent practices uncommon.

"We think their association (association of forex operators) has had a positive impact in the sector's operations and in facilitating engagement with the industry. We have been working with them to deal with illegal dealers in the sector and to remove distortions. The challenges that we had then of speculative tendencies is not as common now as they have improved operations," Rwangombwa said.

Following a recent inspection by the regulator, none of the licenses has been revoked, thanks to improvement in operations, he said.

## **SELF ASSESSMENT**

### **LU1. BUY AND SELL DIFFERENT CURRENCIES**

#### **Learning Outcome 1.1: Select foreign currency to deal with**

1. Make the difference between money and currency/2marks
2. Explain foreign exchange rate/2marks
3. List any 3 countries that use EURO/2marks
4. Explain any three function of money/2marks
5. List any four international currency/2marks

#### **Learning Outcome 1.2: Source the currency liquidities**

6. Describe central bank/3marks
7. Explain the role of commercial banks in development of our country./4marks
8. Give any 4 function of central bank in Rwanda./4marks

#### **Learning Outcome 1.3 : Count and cross check currencies using detectors**

9. Explain the methods of counting coins and notes/4marks
10. What do you understand by **Counterfeit money?**/2marks
11. Explain the types of currency detectors/4marks

### **LU:2 FOLLOW UP CLOSELY THE FOREX TRENDS**

#### **Learning Outcome 2.1 : Follow up of financial news in the media**

1. List any three sources of forex news

#### **Learning Outcome 2.2 : Record the statistics regarding the trend**

2. Explain **Special drawing rights**
3.  $1\text{USD} = 950\text{RWF}$  How much Rwandan francs to get if we have 1000USD.

#### **Learning Outcome 2.3: Efficient monitoring of profit margin with regards to trend**

4. Differentiate between base currency and quote currency
5. Differentiate between direct quotation and indirect quotation in forex
6. Assume you buy Euros at \$1.2178 per Euro and sell Euros at \$1.2188 per Euro. The transaction size is 100,000 Euros. The commission fees is 50\$. You are required to calculate your profit or loss
7. Explain devaluation of the currency
8. Explain the importance of devaluation to the country
9. Explain the positions of balance of payment.



The National Bank of Rwanda has announced indefinite suspension of licensing of new forex bureaus, in a move the bank said would ensure a vibrant and dynamic foreign exchange market in line with current economic developments.

The suspension takes immediate effect, according to a statement dated March 22 issued by John Rwangombwa, the Governor of the National Bank of Rwanda.

This means that over the freeze period, there will be no new entrants into foreign exchange market till the suspension is lifted.

The central bank also reviewed the forex bureaus regulatory framework, tightening operating conditions for the operators.

Among the new changes is the increase of the minimum operating capital of bureaus from Rwf 20million to Rwf 50million.

Other changes touch on bureaus' staff skills, qualifications and experience.

Forex bureaus will also be required to have Management Information system tools and modern equipment mandatory for effective conduct as well as provisions allowing clients to transact through their accounts for the implementation of cashless policies.

This will however not apply to instances of mergers, acquisitions, takeovers of existing forex bureaus, according to the statement.

The move will also not affect the expansion processes of existing forex bureaus as they open up branches.

The central bank maintains that the move is aimed at enhancing professionalism in the foreign exchange sector while ensuring best practices in regard with national policies to combat money laundering and terrorist financing.

Experts say that the new measures rolled out by the central bank will have more effect on businesses operating solely as currency exchange and less effect on banks' forex services.

This is because banks can easily meet the financing, staff and equipment requirements whereas their competitors operating solely currency exchange business will have to incur extra costs amid slim profits.

Others interpreted the directive as aimed at ridding the market off speculators who have previously been accused of hoarding dollars and other foreign currency to earn abnormal profits.

By hoarding the foreign currencies, money changers create shortage of dollars, consequently driving up the exchange rates.

The suspension of licensing of new forex bureaus comes weeks after the central bank froze the licensing of new insurance firms entering the Rwandan market.

The bank said that the move was aimed at ensuring stability and integrity of the financial sector