THE CENTRAL BANK OF THE UNITED ARAB EMIRATES
MONETARY BILLS PROGRAMME

Tender Process Rules

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This document sets forth the tender process rules and procedures for payment and settlement applicable to the primary issuance of Monetary Bills (M-Bills) programme of the Central Bank of the United Arab Emirates (the "**Tender Process Rules**"). It also describes the arrangements envisaged for promoting secondary market liquidity in the M-Bills.

Description of the M-Bills

The general terms and conditions of the M-Bills that will be issued under the programme are set forth in Annex A.

Definitions and interpretations

1. As used in these Tender Process Rules:

    a) "**AED**" means the UAE's official national currency.

    b) "**Beneficial Owner**" means a beneficial owner of the M-Bills holding such beneficial ownership either directly through an account held by it in the books of the Central Securities Depositary or, if the beneficial owner is not itself a direct participant in the system maintained by the Central Securities Depositary, through an account held with a custodian that is such a participant.

    c) "**Business Day**" means any day except a day on which Deposit-Taking Licensed Financial Institutions in the UAE are authorized or required by law, regulation or executive order to close.

d) "**CBUAE**" means the Central Bank of the UAE, the monetary authority of the UAE under the Issuing Law.

e) "**Central Securities Depositary**" means Euroclear Bank SA/NV, or such successor institution as may be designated by the CBUAE.

f) "**Deposit-Taking Licensed Financial Institutions**" means financial institutions licensed in accordance with the provisions of the Issuing Law, to carry on the activity of accepting deposits.

g) "**Eligible Investor**" means any legal person incorporated or with a place of business in the UAE.

h) "**Governing Law**" means the laws of the United Arab Emirates.

i) "**Issuing Law**" means Decretal Federal Law No. 14 of 2018, Regarding the Central Bank & Organization of Financial Institutions and Activities, and amendments thereto.

j) "**Monetary Bill**" or "**M-Bill**" is a short-term security denominated in AED that constitutes a direct, general, unconditional and unsubordinated obligation of the CBUAE, issued pursuant to the CBUAE's authority under the Issuing Law.

k) "**M-Bills Dealer**" means any Deposit-Taking Licensed Financial Institution licensed in accordance with the provisions of the Issuing Law, which has been appointed by the CBUAE with exclusive access to M-Bill tenders, acting as a principal or on behalf of another Eligible Investor, which purchases and sells or holds M-Bills for any market related purposes, in accordance with the M-Bills Dealer Code.

l) "**M-Bills Dealer Code**" means the code of conduct for M-Bills Dealers issued by the CBUAE.

m) "**Primary Market**" means the subscription for M-Bills by M-Bills Dealers from the CBUAE upon issuance by the CBUAE.

n) "**Secondary Market**" means the market for the trading of M-Bills among M-Bills Dealers or between M-Bills Dealers and Eligible Investors.

o) **"Series"** means a series of M-Bills offered by the CBUAE.

p) "**UAEFTS**" means the UAE Funds Transfer System.

q) "**Weighted Average Accepted Yield**" is the volume-weighted average yield of all accepted bids.

2. All time references in these Tender Process Rules are to UAE time.

Tender Arrangements

3. Tenders will be held on the first Monday of every cash reserve requirement maintenance period or at such time as the CBUAE may determine. If for any reason the tender day is not a Business Day, then the tender will be shifted to the next Business Day (for the avoidance of doubt, **excluding Saturdays and Sundays**). At least three (3) Business Days prior to the tender day, CBUAE will announce the designation(s), amount(s), maturity date(s), clearing code(s), minimum bid size(s) and maximum number of bid(s) of each Series of M-Bills on offer. The announcement will be published via Bloomberg, Refinitiv Eikon, or any other medium specified by the CBUAE. The CBUAE reserves the right to cancel or amend issue details at any time after such announcement in the case of extreme market dislocations, unforeseen market liquidity imbalances, systems failure or for any other reason.

4. The CBUAE may hold tenders outside the date(s) mentioned in Paragraph 3 above. Under such circumstances, the CBUAE will announce the amount(s), maturity date(s), minimum bid size(s) and maximum number of bid(s) of each Series of M-Bills on offer at least three (3) Business Days prior to the tender. In such circumstances, the CBUAE may also vary the maturities of such M-Bills on offer to include maturities other than the standard 1, 3, 6 and 12 months, as per market conditions.

5. Tenders will only be open to M-Bills Dealers. Other Eligible Investors wishing to apply for the M-Bills on offer can only do so through an M-Bills Dealer.

6. All tenders must be submitted by M-Bills Dealers on the prescribed day between 10:30 a.m. and 11:30 a.m. to the Monetary Management Department via the CBUAE appointed auction platform. All tenders submitted will be binding and irrevocable from 11:30 a.m. on the tender day. In terms of contingency, the auction platform under CBUAE's treasury portal shall be used as an alternative.

7. Tenders must be made on a bid-yield basis, subject to a **minimum bid size of AED 5,000,000**. Tenders above this minimum must be in integral multiples of AED 1,000,000.

8. Each application must state the yield bid (Y) rounded to three decimal places and the face amount tendered for (F). The amount of payment (P) to be effected on the settlement day will be calculated on an Actual/360 basis with (D) representing number of days, using the following formula:

$$P = F/(1 + \frac{D}{360} \times \frac{Y}{100})$$

9. Multiple bids may be accepted for each Series of M-Bills on offer. The CBUAE reserves the right to limit the number of bids which may be accepted per Series.

10. Tenders accepted for each Series of M-Bills on offer will be allotted in ascending order of yield from the lowest to the highest accepted yields. M-Bills Dealers whose tenders are accepted will be allotted at the yield at which they tendered. Subject to paragraph 13, tenders, which are below the highest accepted yield will be allotted in full; those accepted at the highest accepted yield may be allotted in full or in part only. When allotted in part, a pro-rata percentage of available M-Bills will be applied to the amount of M-Bills tendered by each applicant and rounded to the nearest multiple of AED 1,000,000.

11. The overall allotment will be adjusted so that no single bidder receives more than sixty (60) per cent of the total issuance per Series of M-Bills on offer. In such cases, the remaining allocation will be allotted on a pro-rata basis within the limit of the face amount tendered by each relevant M-Bills Dealer.

12. The CBUAE may, as per market conditions, set a maximum yield on the M-Bills offered at any tender and will expect to allot the full amount on offer. The CBUAE reserves the right not to allot all M-Bills on offer or scale down allotment to successful bidders under exceptional circumstances (e.g., where the tender is made at an unacceptably deep discount to the prevailing market level or to avoid disproportionate market shares by an M-Bills Dealer).

13. M-Bills Dealers whose tenders have been accepted in whole or in part will be notified of their allotment of M-Bills and the amount payable as soon as practicable after the allotment. The amount of each Series of M-Bills allotted in the tender, the Weighted Average Accepted Yield and the highest/lowest yield at which each Series of M-Bills on offer have been allotted will be announced no later than 15:00 hours on the tender day via Bloomberg, Refinitiv Eikon, or any other means specified by the CBUAE.

14. The CBUAE may invite M-Bills Dealers to **voluntary** participate, within the two (2) Business Day period immediately following the completion of the competitive auction, in a M-Bills Dealers only non-competitive bid. In such cases, M-Bills Dealers must submit all tenders on the announced tender day, between 10:30 a.m. and 11:30 a.m. to the Monetary Management Department via the CBUAE appointed auction platform. All tenders submitted will be binding and irrevocable after 11:30 a.m. on the tender day. The M-Bills will be allotted, pro-rata, at the reference yield specified by the CBUAE in the announcement of the results of the competitive auction. The reference yield shall be equal to or less than the Weighted Average Accepted Yield under the competitive tender.

Settlement Arrangements

15. By submitting a tender, the relevant M-Bills Dealer, acting as a principal or on behalf of another Eligible Investor, agrees to pay for the M-Bills allotted as a result of such tender. Settlement of payment and the book-entry registration of issued M-Bills shall be for value on the second Business Day following the relevant tender day (T+2).

16. Upon confirmation of each series of M-Bills allotted on the tender day (as per paragraph 13), the Central Securities Depositary will credit the principal amount of allotted M-Bills

to the securities account of the successful bidder maintained with the Central Securities Depositary. Settlement of the amount of payment in AED, described in paragraph 8, shall be communicated in a separate document titled "**M-Bills Operational and Settlement Procedures**" to be published by the CBUAE.

17. On the maturity date for any M-Bills issued, the CBUAE will arrange for payment via the UAEFTS by crediting the current/settlement account at the CBUAE of each Beneficial Owner (or the account of the custodian/corresponding bank through which such Eligible Investor holds its interest/account, if the Eligible Investor is not itself a direct participant in such system) with the par amount of the maturing M-Bills beneficially owned by such Beneficial Owner before the closing time of the UAEFTS on the such date. Settlement of the amount of payment, at maturity, in AED, as per paragraph 8, shall be described in the "M-Bills Operational and Settlement Procedures" document.

18. If the maturity date specified by any of the M-Bills falls on a date that is not a Business Day, payment to the Beneficial Owner's account will be postponed to the next Business Day. No interest or other sums will be paid in respect of such a delay in payment.

M-Bills Dealers' Roles & Obligations

19. Tenders will be accepted exclusively from M-Bills Dealers. Other Eligible Investors wishing to apply for M-Bills can only do so through an M-Bills Dealer. M-Bills Dealers are appointed by the CBUAE based on criteria determined by the CBUAE. The list of M-Bills Dealers eligible to tender for M-Bills issuance is available on the CBUAE website.

20. M-Bills Dealers shall have the right to participate in the non-competitive subscription prescribed in paragraph 14 herein, where the M-Bills will be allotted, pro-rata, at the reference yield specified by CBUAE after the completion of the competitive auction.

21. M-Bills Dealers will be the exclusive counterparties with which the CBUAE will conduct specific open market operations, including buying and selling M-Bills in Secondary Markets.

22. In return for such rights, M-Bills Dealers must comply with the obligations in clause 6.1 of the M-Bills Dealer Code with respect to their participation in the M-Bills Market for M-Bills and clause 6.2 of the M-Bills Dealer Code with respect to their participation in the Secondary Market for M-Bills.

23. The CBUAE reserves the right to exclude any M-Bills Dealer from a tender and to revoke the M-Bills Dealer status of any entity at any time.

24. M-Bills Dealers must comply with the M-Bills Dealer Code.

25. CBUAE will, at any time, be entitled to amend the list of appointed M-Bills Dealers.

Amendments

26. These Tender Process Rules may be amended from time to time by the CBUAE. Any such amendment will be published on the website of the CBUAE and communicated to all M-Bills Dealers. Any amendment shall specify its date of entry into force.

27. Any amendment will only apply with respect to tenders (and related non-competitive bid invitations) announced after the date of coming into effect of the amendment.

Governing Law and Arbitration

28. These Tender Process Rules shall be governed by and construed in accordance with the laws of the United Arab Emirates excluding their conflict of laws rules.

29. Any dispute arising out of or in connection with these Tender Process Rules, including any question regarding their existence, validity or termination, shall be referred to and finally resolved by arbitration under the Arbitration Rules of the DIFC-LCIA Arbitration Centre (the "**DIFC-LCIA Rules**").

30. The DIFC-LCIA Rules are incorporated by reference into this clause and capitalized terms used in this clause and clauses 29, 31 and 32, which are not otherwise defined in these Tender Process Rules have the meaning given to them in the DIFC-LCIA Rules.

31. The number of arbitrators shall be three. Each party, including the Collective Party (as this term is defined in clause 32), if any, shall nominate in the Request and Response, respectively, one arbitrator. Within 20 days from their appointment by the LCIA Court, the party arbitrators shall jointly nominate the third arbitrator, who shall act as the President of the Arbitral Tribunal. Throughout the nomination process, each party arbitrator may consult with the respective nominating party.

32. Where two or more individuals or entities to which these Tender Process Rules apply are parties adverse to the CBUAE in any dispute arising hereunder, each such individual or entity hereby irrevocably agrees that it shall constitute together with the others one single party (the "**Collective Party**") for the formation of the Arbitral Tribunal.

33. The seat, or legal place of arbitration, shall be the Dubai International Financial Centre ("**DIFC**").

34. The language to be used in the arbitration shall be English.

35. Without prejudice to clause 28, the arbitration agreement set forth herein shall be governed by and construed in accordance with DIFC law.

Annex A

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General Terms & Conditions

[See Separate Document]