



United Arab Emirates

مصرف الإمارات العربية المتحدة المركزي
CENTRAL BANK OF THE U.A.E.

DIRHAM MONETARY FRAMEWORK

MONETARY BILLS BUY-BACK PROGRAM TERMS & CONDITIONS

Effective from 10 June 2024

This document sets forth the general Terms & Conditions of the Monetary Bills Buy-Back Program (MBP) of the Central Bank of the United Arab Emirates. It also describes the operational procedures and settlement arrangements envisaged for participating in a given tender by an Eligible Counterparty through this program.

Definitions and interpretations

1. In these Terms & Conditions, unless the context otherwise requires, the following words and expressions shall have the following meanings cited against each:
 - a) “**AED**” means the local currency of the UAE, the Emirati Dirham.
 - b) “**Business Day**” means any day except a day on which deposit-taking Licensed Financial Institutions, as defined in accordance with the provisions of Decretal Federal Law No. (14) of 2018, are authorized or required by law, regulation, or executive order to close.
 - c) “**Central Securities Depository**” means Euroclear Bank SA/NV, or such successor institution as may be designated by the CBUAE.
 - d) “**CBUAE**” means the Central Bank of the UAE, the monetary authority of the UAE established under Decretal Federal Law No. (14) of 2018, Regarding the Central Bank & Organization of Financial Institutions and Activities, and amendments thereto.

- e) **“CBUAE Appointed Auction Platform”** means the electronic auction platform operated by Bloomberg Finance L.P., accessible via the function AUPD<GO> on the “Bloomberg Professional” services portal, or any successor service determined by the CBUAE and notified to Eligible Counterparties in writing.
- f) **“Eligible Counterparty”** means any deposit-taking Licensed Financial Institution as defined in accordance with the provisions of Decretal Federal Law No. (14) of 2018, which has been appointed by the CBUAE with exclusive access to Monetary Bill tenders to purchase and sell or hold Monetary Bills for any market related purposes, in accordance with the code of conduct for Monetary Bills dealers issued by the CBUAE (“Monetary Bills Dealer Code”).
- g) **“Issuing Law”** means Decretal Federal Law No. 14 of 2018, Regarding the Central Bank & Organization of Financial Institutions and Activities, and amendments thereto.
- h) **“Monetary Bill”** or **“M-Bill”** is a short-term security denominated in AED, which constitutes a direct, general, unconditional and unsubordinated obligation of the CBUAE, issued pursuant to the CBUAE’s authority under the Issuing Law.

Access Conditions and Operational Aspects

- 2. The primary purpose of the M-Bills Buy-Back Program (MBP) is to provide liquidity to Eligible Counterparties via the direct and outright repurchase of M-Bills. This program shall be offered by the CBUAE at its own discretion, for the purpose of its structural open market operations.
- 3. The MBP will be available on any Business Day (**except Saturdays**) during the operating window as stipulated in Clause 10 of these Terms & Conditions.
- 4. Allocation and pricing are to be determined via auction. The auction may take the form of either a multiple rate or single rate auction, at the discretion of the CBUAE. Participation in the tender is possible only via the CBUAE Appointed Auction Platform.
- 5. The CBUAE shall announce an M-Bills buy-back at least one (1) Business Day prior to the tender day. The announcement shall be published via Bloomberg, Refinitiv Eikon or any other medium specified by the CBUAE. Such an announcement will include the specific M-Bills the CBUAE intends to purchase, volume, method of allocation and any other terms specific to the intended operation.
- 6. The CBUAE reserves the right to cancel the tender or amend details in its announcement to account for market dislocation, unforeseen liquidity imbalances,

systems failure, or any other reason that is deemed contrary to the objective of the MBP. Any such amendment shall be announced prior to the start of the tender.

7. All settlement instructions of M-Bills buy-back operations shall be on a delivery-vs-payment basis and settled T+2.
8. M-Bills buy-backs shall not be construed as redemption of M-Bills. Instead, upon completion of a given transaction, the stock of repurchases M-Bills is to be transferred to the CBUAE's custody account held at the designated Central Securities Depository.

Tender Arrangements

9. Prior to participation, Eligible Counterparties must ensure they hold the specific M-Bills being auctioned on their own account at the designated Central Securities Depository, and in the quantities they bid for. Eligible Counterparties must ensure that all M-Bills to be delivered are unencumbered, i.e., free of legal, regulatory, contractual or other restrictions vis-à-vis the Eligible Counterparties' ability to liquidate, sell, transfer, or assign the M-Bill. Failure to do so may result in adverse findings during the Eligible Counterparty's annual performance assessment conducted by the CBUAE.
10. For all auctions, tenders must be submitted by Eligible Counterparties on the prescribed Business Day **between 10:30 and 11:30 hours** via the CBUAE Appointed Auction Platform. All tenders submitted will be irrevocable after 11:30 hours.
11. Multiple bids may be accepted at each auction. The CBUAE reserves the right to limit the number of accepted bids. Any such conditions that limit allotment shares shall be communicated by the CBUAE via its announcement of the operation as per Clause 4 of these Terms & Conditions.
12. Allocation and pricing shall be determined by the auction type. In its tender announcement, the CBUAE shall specify the auction type as either a multiple rate or single rate auction.
13. Tenders must be made on an ask-yield basis, subject to a **minimum tender size of AED 5,000,000**. Tenders above this minimum must be in integral multiples of AED 1,000,000.
14. Each bid must state the ask yield (Y) rounded to three decimal places and the face value of the amount tendered for (F). The amount of payment to be effected on the settlement day will be calculated on an Actual/360 basis with (D) representing the number of days, using the formula:

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

15. Bids accepted in the auction will be allotted in descending order of yield from the highest to the lowest accepted yield. Bids that are above the lowest accepted yield

will be allotted in full; those accepted at the lowest accepted yield may be allotted in full or in part only. When allotted in part, a pro-rata percentage will be applied to the amount of M-Bills offered by each applicant and rounded to the nearest AED 1,000,000. In a multiple price auction, all successful bids will be allotted at the yield specified in the bid. In a single price auction, all successful bids will be allotted at the yield of the lowest accepted yield.

16. The CBUAE may, as per market conditions and at its discretion, set a minimum yield to be applied on any tender. The CBUAE reserves the right to amend the allotment size or not allot at all.
17. Following completion of the auction, the CBUAE shall publish results from the auction by 15:00 hours on the auction day. Such results shall include the weighted average yield, tendered amount, amount bid, and any other data deemed relevant by the CBUAE.

Amendments

18. The CBUAE may, at its own discretion, amend or supplement these Terms & Conditions at any time provided that:
 - a) the modification is of a minor or technical nature, or is made to correct a manifest error or
 - b) the modification is required to comply with mandatory provisions of law and to ensure that the CBUAE's statutory objectives are fulfilled.
19. Any amendment to these Terms & Conditions shall be published on the CBUAE's website and communicated officially by a written notice to all Eligible Counterparties. Such amendments shall also specify the effective date of the amendments.

Governing Law

20. These Terms & Conditions shall be governed by and construed in accordance with the laws of the United Arab Emirates.
21. All disputes, claims, or proceedings arising from or in connection with these Terms & Conditions shall be subject to the exclusive jurisdiction of the competent Federal courts of the United Arab Emirates. Each of the Parties irrevocably consents to the award or grant of any relief in any such proceeding before the competent federal courts of the United Arab Emirates.

Contact

22. Enquiries about the MBP or any operational procedures and settlements arrangements therein should be sent to:
 - a) Monetary.Management@cbuae.gov.ae
 - b) Treasury.Operations@cbuae.gov.ae

Annex A

DIRHAM MONETARY FRAMEWORK
MONETARY BILLS BUY-BACK PROGRAM (MBP)

Summary of Terms

Transaction Type	M-Bills buy-back
Amount and Tenor(s)	Minimum bid of AED 5 million, tender over the minimum shall be in integral multiples of AED 1 million
Eligible Counterparties	M-Bills Primary Dealers
Allocation	Competitive Auction, Single or Multiple Price
Bidding Guidelines	Tenders accepted for each tenor on offer will be allotted in descending order of yield from the highest to the lowest accepted yield. Tenders, which are above the lowest accepted yield will be allotted in full; those accepted at the lowest yield may be allotted in full or in part only, on a pro-rata basis
Frequency of Operations	Any Business Day (except Saturdays) subject to the discretion of the CBUAE
Announcement	At least one (1) Business Day prior to the tender day of intended operations. Announcement shall include all relevant terms related to the auction (e.g. specific M-Bills the CBUAE intends to purchase, volume, method of allocation).
Settlement	T+2
Enquiries	Monetary.Management@cbae.gov.ae Treasury.Operations@cbae.gov.ae

Annex B

DIRHAM MONETARY FRAMEWORK MONETARY BILLS BUY-BACK PROGRAM (MBP)

Operational Procedures and Settlement Arrangements

1. Should the CBUAE intend to activate the MBP via auction, it shall announce the type of operation via Bloomberg, Refinitiv Eikon, or any other medium specified by the CBUAE at least one (1) Business Day before its intended operation. Such announcement will include the relevant ISIN code(s) for the M-Bills the CBUAE intends to repurchase, method of allotment, and any other specific terms.
2. At the prescribed auction day, M-Bills Dealers submit their respective tenders between 10:30 and 11:30 hours via the CBUAE Appointed Auction Platform.
3. Following conclusion of the allocation and subsequent announcement, CBUAE shall send tender results, including allocated bids, offered amount and buy-back amounts (overall / per successful bidder).
4. The CBUAE will subsequently assess the trades and release Receive-vs-Payment (RvP) instructions via SWIFT (MT541) based on successful bids for settlement (T+2). In turn, successful bidders shall exchange a Delivery-vs-Payment (DvP) instruction via SWIFT (MT543) with the designated Central Securities Depository to match the trade for T+2 settlement.
5. On the following Business Day (T+1), the designated Central Securities Depository will match the delivery with the receipt instructions. Should any mismatch arise, CBUAE will follow up with successful bidders.
6. On settlement date (T+2), the CBUAE will send an advance instruction via SWIFT (MT202) to credit its trading account with the designated Central Securities Depository for the settlement amount. Once all trade instructions are matched and the remittance of the settlement amount is confirmed, the designated Central Securities Depository will proceed with the execution of the trades' settlement, where the CBUAE takes ownership of the repurchased M-Bills and the successful bidders' trading account held with the designated Central Securities Depository is credited.
7. In parallel, successful bidders may, at their own discretion, send an advance instruction to the designated Central Securities Depository via SWIFT (MT202) to move settlement funds from their Euroclear accounts to their respective accounts held at the CBUAE.