



The Central Bank of the UAE **Certificates of Deposit Program**

With effect from the 28th of November, 2007 as per Central Bank's notice **4335/2007** dated 27/11/2007, the current program of Central Bank CDs stands cancelled. A **New Expanded Central Bank CD Issuance System** based on auction has been introduced of which details are provided below.

1.0 Form and Characteristics of CD Issuance

1.1 Form and denomination of issue:

Certificates of Deposit, marketable amongst banks licensed by the Central Bank to operate in the UAE, will be issued in the Transferable Book-Entry Form.

The issuance will be in AED, USD and Euros at a minimum amount of One million (nominal value) in the respective currencies.

1.2 Maturity Structure:

Certificates of Deposit will be issued for the following maturities:

- 1 week
- 1 month
- 2 months
- 3 months
- 6 months
- 9 months
- 12 months
- 2 years
- 3 years
- 4 years
- 5 years

2.0 Issuance and Timetable

AED CDs will be auctioned on all days except on Fridays, Saturdays and official holidays. USD and Euro CDs will be auctioned on all days except Fridays, Saturdays, Sundays and official holidays.

CDs for 1 week to 12 months will be auctioned on a daily basis.

CDs of 2,3,4 and 5 yrs will be auctioned on a monthly basis.

Such auctions will be held on the first Monday of each month. If that Monday falls on a holiday then the next business day.

2.1 Auction timings:

Daily auctions: Banks will submit bids between 10.30 hrs and 11.30 hrs to the Treasury department.

At 12.30 hrs Allocation details will be intimated only to the accepted banks.

Monthly auctions: On the prescribed day, banks will submit bids between 10.30 hrs and 11.30 hrs to the Treasury department.

At 13.30 hrs Allocation details will be intimated only to the accepted banks.

2.2 Auction methodology:

1 wk to 12 months:

Banks are to submit their bids, based on interest rates, with required maturities and amounts.

2 to 5 years:

Bidding will be on yield basis, bids submitted by the banks will be evaluated by the Treasury department. The coupon and maturity date for each tenor in any monthly issue will have a single coupon where the price for each accepted bid will be par or below. Each monthly issuance will settle on a pre-defined date.

2.3 Settlement :

1 week - 12 months : T+1

2-5 years : T+2

If the settlement day is a holiday then it will settle on the next business day.

2.4 Interest rate conventions:

CDs with maturities between 1 week and 12 months:

Actual/360, paid at maturity.

CDs with maturities between 2-5 years:

30/360, paid semi-annually.

2.5 Ownership:

Proof of ownership as evidenced by the Central Bank records.

2.6 Custody:

The Central bank will act as custodian to all the CDs issued.

3.0 Repurchase Agreements (Repo).

For the purpose of enhancing the liquidity of Central Bank CDs, developing the local financial market and helping banks which own such CDs manage their liquidity, banks are allowed to enter into a repurchase agreement (repo) with the Central Bank or among themselves.

Only those CDs which have an original life of 1 year and more, under the new program, will have repo facilities with the Central Bank. The Central Bank will not transfer the ownership of the CD under repo and any coupon, which becomes payable during the period of such a repo, will be paid to the original owner of the CD.

CDs which are used in these agreements should not be disposed off during the repo term in any form whatsoever.

3.1 Repo Term:

Repo terms will be for overnight to 3 months.

If the repo maturity date is a holiday, then it matures on the next business day.

3.2 Repo Rate:

Repo rates will be priced by the Treasury Department on demand by banks requesting them, in line with the security being repo-ed and the term being requested.

3.3 Repo Settlement:

All repo agreements between the Central Bank and the commercial banks will usually be based on

a "same day" settlement basis, with a "cut off" time no later than 14.00hrs.

In case of two banks entering into a repo transaction with each other, the two counterparties will inform the Central Bank of the transaction at the earliest and no later than 14.00 hrs on settlement date.

4.0 Early Redemption of CDs

Banks wishing to redeem CDs before maturity can contact the CDs unit in the Treasury Department by 14.00 hrs to determine the market price of the said CD. The market price will be set by the CDs unit according to the remaining life and prevailing market interest rates plus or minus a margin as set by the CDs unit. Interest will be added to the proceeds of the sale to arrive at the settlement amount.

Settlement will be made on a T+1 basis.