

Reduction of Interest Rates on Certificate of Deposit

The Central Bank announced today, Wednesday 21/03/2001, that it had reduced interest rate on "Certificates of Deposit", which it issues to banks operating in the country, to the new level of interbank interest rate on US Dollar deposits in London.

Certificates of Deposit, which the Central Bank issues to banks operating in the country, are the mechanism through which interest rates on UAE Dirham are reduced (or raised) in the banking system, which banks use as indicator for accepting deposits as well as for extending loans to customers.

The reduction of interest rates on CDs shall basically result in the following:

1. Increase in demand for shares, which shall enhance trading activities in the financial market and lead to higher share prices.
2. It shall boost business activities in the medium term, through bank loans that would be extended at lower interest rates than before.