

## **CENTRAL BANK OF THE UAE**

**Circular : 22/99**

**Date : 20/12/1999**

**To : All Banks and finance Companies operating in the UAE**

**Subject : Standards for arranging and management by banks operating in the UAE of Debt Instruments issued by major companies**

**Dear Sirs,**

To coincide with the forthcoming establishment of Financial Markets in the UAE and in line with Central Bank's desire to promote new investment instruments denominated in UAE Dirham and to enhance the contribution of banks in the growth of the National Economy, the Board of Directors of the Central Bank decided to adopt the below mentioned standards when approving applications by banks to arrange, manage and market debt instruments issued by major companies:

### **1. Issuers:**

International companies that are rated as issuers of financial instruments of investment grade by at least one of the internationally reputed rating agencies, or issuers may be UAE major companies that satisfy the conditions of the Central Bank in respect to administrative structure and strength of financial position.

### **2. The Market:**

Instruments may be sold to investors whether natural persons or institutions, UAE nationals, residents or non-residents, in accordance with conditions to be issued by the Central Bank.

### **3. Instruments:**

Debt Instruments denominated in UAE Dirham with floating or fixed interest rate.

### **4. Interest Rate:**

Interest rate would be inter-bank rate in the UAE for 3 or 6 months plus a reasonable margin, commensurate with the financial position of each issuer.

### **5. Size of Issue:**

The concerned bank must obtain Central Bank approval regarding size of issue in each case. It should be noted that the minimum value of each certificate must not be less than AED 5,000/-.

### **6. Period:**

From 3 to 6 years, from the date of first sale to the investors.

#### **7. The Role of the arranging Bank:**

Concerned bank may manage an issue on its own or lead-manage it with other banks. And in case, the bank (or group of banks) wished to underwrite the issue, the final take of each bank must be worked out against Central Bank circular 16/93 regarding large exposure.

#### **8. Other details:**

The bank arranging the issue must provide to prospective investors, full written details about the company issuing the instrument in the form of "prospectus". The bank should also explain such details to the prospective investors. The Central Bank may ask the concerned bank in some cases, (in the case of companies that are considered to lack strong financial position), to guarantee payment of interest and principle on due dates.

#### **9. To list-on the Financial Market:**

Central Bank would not oppose, provided that the debt instrument has been issued in accordance with the said terms, and after obtaining the approval of the Emirates Securities and commodities Authority, i.e. the entity that would supervise the Financial Markets in the UAE. In case, these instruments are intended to be sold to the general public, listing on the Markets is mandatory. However, in case the objective is to sell to banks and major companies, there will be no need to list.

These standards would be implemented with effect from 20th December 1999. Therefore, all previous circulars, decisions, directives or notices on the subject shall become cancelled.

Yours faithfully,

**Mohammed Bin Eid Al Meraikhi**

**Chairman of the Board**