



United Arab Emirates

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

DIRHAM MONETARY FRAMEWORK FOREIGN EXCHANGE SWAPS FACILITY TERMS & CONDITIONS

Effective from 01 May 2023

This document sets forth the general Terms & Conditions of the Foreign Exchange Swaps Facility of the Central Bank of the United Arab Emirates. It also describes the operational procedures and settlement arrangements envisaged for opening and closing a given transaction by an Eligible Counterparty through this facility.

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) “**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.
 - d) “**CBUAE Appointed Auction Platform**” means the electronic auction platform operated by Bloomberg Finance L.P. accessed via the function AUPD<GO> on the “Bloomberg Professional” services portal, or such successor service as the CBUAE notifies to Eligible Counterparties in writing.

- e) “**ISDA Master Agreement**” means the Master Agreement published by the International Swaps and Derivatives Associations, along with any related annexes/schedules signed between the CBUAE and Eligible Counterparty, for the purposes of accessing this facility.
- 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, **or** any other direct participant in the UAEFTS, **that** has signed the relevant documentation as required by these Terms & Conditions.
- g) “**Eligible Counterparty Settlement Account**” means the current account of an Eligible Counterparty held at the CBUAE.
- h) “**Governing Law**” means the laws of the United Arab Emirates.
- i) “**UAEFTS**” means the UAE Fund Transfer System. It is the real time gross settlement system established and operated by the CBUAE.
- j) “**USD**” means the currency of the United States of America, the US Dollar.

Access Conditions and Operational Aspects

2. Foreign Exchange Swaps offered under this facility consist of simultaneous spot and forward transactions in AED against USD. They are to be **offered by the CBUAE at its own discretion**, for the purpose of fine tuning open market operations, with a primary goal of steering overnight interbank rates towards the CBUAE Base Rate. The CBUAE may offer Foreign Exchange Swaps to provide AED liquidity in the market by selling AED against USD in the spot market and buying AED against USD in the forward market. Conversely, the CBUAE may absorb AED liquidity by buying AED against USD in the spot market and selling AED against USD in the forward market.
3. The Foreign Exchange Swaps Facility may be offered by the CBUAE, at its own discretion, on any Business Day. Maturity of this facility, in normal market conditions, shall be up to, but not exceeding, **fourteen (14) calendar days**.
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. The CBUAE may also, at its sole discretion, offer this product on a bilateral basis.
5. When the CBUAE intends to engage in fine tuning open market operations via its Foreign Exchange Swaps Facility, it shall announce by 10:30 hours of its intention to do so **on the same Business Day** of intended operations. Such announcement shall be published via Bloomberg, Refinitiv Eikon or any other medium specified by the CBUAE. Such an announcement shall include the volume, method of allo-

- ation, tenors and any other related terms specific to the intended operation including relevant data on the banking sector liquidity position and CBUAE liquidity forecasts.
6. The CBUAE also reserves the right to cancel or amend details in its announcement to account for market dislocation, unforeseen liquidity imbalances, systems failure, or any other reason. Any such amendments shall be announced prior to the conduct of such operations.
 7. Settlement of the Foreign Exchange Swaps Facility shall be on a same Business Day (T+0) basis.

Tender Arrangements

8. Should the CBUAE intend to offer Foreign Exchange Swaps via auction, it shall announce the type of operation, tenor, volume and related terms as per Clause 5 of these Terms & Conditions.
9. For all auctions, tenders must be submitted by Eligible Counterparties on the prescribed Business Day **between 13:00 and 13:45 hours** to the CBUAE's dealing room via the CBUAE Appointed Auction Platform. All tenders submitted will be irrevocable from 13:45 hours on the tender day.
10. Eligible Counterparties must ensure they have access to the CBUAE Appointed Auction Platform in order to participate in the tender.
11. The reference spot price of USD against AED shall be 3.6725.
12. Multiple bids may be accepted in each auction. The CBUAE reserves the right to limit the number of bids which may be accepted. Any such conditions that limit allotment shares shall be communicated by the CBUAE via its announcement of the operation as per Clause 5 of these Terms & Conditions.
13. Allocation and pricing shall be determined by the general terms associated with the auction type. In its announcement to the market, the CBUAE shall specify the auction type as either a multiple rate or single rate auction.
14. Eligible counterparties intending to bid must bid the forward rate of the AED against USD, rounded to four decimal places. Minimum bid size is AED 10,000,000. Tenders above the minimum must be in integral multiple of AED 1,000,000.
15. In a multiple-rate auction, all successful bids are to be allotted at the forward rates corresponding to each successful bidder. In a uniform-rate auction, all successful bids will be allotted at a common auction clearing rate (the forward rate of the minimum or maximum accepted offer, dependent on whether the operation is providing or absorbing AED liquidity). Specifically:
 - a) for Liquidity Providing Operations, tenders accepted for each tenor on offer will be allotted in descending order of forward rates. Tenders above the

lowest accepted bid will be allotted in full; those accepted at the lowest bid may be allotted in full or in part only.

- b) for Liquidity Absorbing Operations, tenders accepted for each tenor on offer will be allotted in ascending order of forward rates. Tenders below the highest accepted offer will be allotted in full; those accepted at the highest accepted bid may be allotted in full or in part only.
- c) when allotted in part, a pro-rata percentage may be applied to the amount tendered by each applicant and rounded to the nearest multiple of AED 1,000,000.

16. The CBUAE may, as per market conditions, set a maximum or minimum of forward rates that may be bid or allotted at auction. It also reserves the right to no allot all tenders on offer or scale down allotment to successful bidders under exceptional circumstances (e.g. where a tender is made at an unacceptably large premium/discount to prevailing market rates or to avoid disproportionate shares being allotted to Eligible Counterparties).

17. Following completion of the auction, the CBUAE shall publish results from the auction at 14:00 hours on the tender day. Such results shall include the weighted average forward rate, amount offered, amount bid, and any other data deemed relevant by the CBUAE.

Bilateral Arrangements

18. Under special circumstances, the CBUAE may at its sole discretion offer this facility on a bilateral basis. Circumstances under which this facility may be offered on a bilateral basis may include instances where the CBUAE needs to deal with idiosyncratic stress and to ensure proper functioning of the foreign exchange swaps market.

19. A bilateral offering of this facility may also include tenors **longer than fourteen (14) days** if deemed necessary by the CBUAE.

20. For the avoidance of doubt, bilateral arrangements related to the Foreign Exchange Swaps Facility do not constitute a standing or liquidity insurance facility and should not be treated as such by Eligible Counterparties. CBUAE retains the right to offer the Foreign Exchange Swaps Facility on a bilateral basis in order to maintain stability in the swaps market only when deemed necessary by the CBUAE.

Amendments

21. 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.
22. 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

23. These Terms & Conditions shall be governed by and construed in accordance with the laws of the United Arab Emirates.
24. 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.

General Provisions

25. In the event of any inconsistency between these Terms & Conditions and the provisions of the ISDA Master Agreement, these Terms & Conditions shall prevail.
26. In the event that the Eligible Counterparty breaches any provision of these Terms & Conditions, such breach shall constitute an Event of Default under Section 5(a)(ii) of the ISDA Master Agreement. For the avoidance of doubt, all fees, charges and expenses that may be incurred by the CBUAE as a result of the occurrence of any such event (or damages to offset any outstanding obligation that may be due to the CBUAE) shall be borne by the concerned Eligible Counterparty in accordance with the terms of the ISDA Master Agreement.

Contact

27. Enquiries about the Foreign Exchange Swaps Facility or any operational and settlements arrangements therein should be sent to:
- a) Monetary.Management@cbae.gov.ae
 - b) Treasury.Operations@cbae.gov.ae

Annex A

DIRHAM MONETARY FRAMEWORK
FOREIGN EXCHANGE SWAPS FACILITY

Summary of Terms

Transaction Type	<p>Foreign Exchange Swap.</p> <p><i>For liquidity providing operations:</i></p> <ul style="list-style-type: none"> ▪ CBUAE sells AED against USD in the near (spot) leg and ▪ Sells USD against AED in the far (forward) leg. <p><i>For liquidity absorbing operations:</i></p> <ul style="list-style-type: none"> ▪ CBUAE buys AED against USD in the near (spot) leg and ▪ Buys USD against AED in the far (forward) leg.
Amount and Tenors(s)	Minimum bid of AED 10 million, tender over the minimum shall be in integral multiples of AED 1 million.
Eligible Counterparties	Eligible Counterparties that have signed the Master ISDA Master Agreement with the CBUAE and have access to the CBUAE Appointed Auction Platform.
Allocation	Competitive Auction or bilateral arrangement
Reference Spot Rate	AED 3.6725 per USD 1
Bidding Guidelines	<p>For Liquidity Providing Operations, tenders accepted for each tenor on offer will be allotted in descending order of forward rates. Tenders above the lower accepted bid will be allotted in full; those accepted at the lowest bid may be allotted in part only.</p> <p>For Liquidity Absorbing Operations, tenders accepted for each tenor on offer will be allotted in ascending order of forward rates. Tenders below the highest accepted offer will be allotted in full; those accepted at the highest accepted bid may be allotted in full or in part only.</p>

When allotted in part, a pro-rata percentage may be applied to the amount tendered by each applicant and rounded to the nearest multiple of AED 1,000,000.

Frequency of Operations	Any Business Day subject to the discretion of the CBUAE.
Announcement	By 10:30 hours on the day of intended operations. Announcement shall include all relevant terms related to the auction, in addition to information pertaining to liquidity stance in the market and CBUAE forecasts for the day ahead.
Settlement	T+0
Enquiries	Monetary.Management@cbae.gov.ae Treasury.Operations@cbae.gov.ae

Annex B

DIRHAM MONETARY FRAMEWORK FOREIGN EXCHANGE SWAPS FACILITY

Settlement Procedures

Near Leg

1. Should the CBUAE intend to activate the Foreign Exchange Swaps Facility via auction, it shall announce the type of operation via Bloomberg to Eligible Counterparties by 10:30 hours of its intention to do so on the same Business Day of intended operations. Eligible Counterparties may then access this facility via Bloomberg AUPD. When a Foreign Exchange Swaps operation is intended to be conducted on a bilateral basis, the CBUAE shall submit a request for quote via Bloomberg FXGO or Refinitiv FX Trading.
2. Following conclusion of the allocation and subsequent announcement, CBUAE shall send advanced instructions via SWIFT (MT300) for the near and far legs of the transaction. In turn, the Eligible Counterparty shall exchange similar advance instructions to match the deal.

For Liquidity Providing Operations (i.e. CBUAE sells AED against USD in the near leg)

3. The CBUAE will send advance instructions to its USD account servicing institution via SWIFT (MT210) to inform it that it will receive USD funds from the Eligible Counterparty.
4. The CBUAE will subsequently credit AED reserves equal to the allocation amount to the Eligible Counterparty's Settlement Account on the same day.

For Liquidity Absorbing Operations (i.e. CBUAE buys AED against USD in the near leg)

5. The CBUAE will send advance instructions to its USD account servicing institution via SWIFT (MT202) to remit the deal amount to the Eligible Counterparty's USD account servicing institution.
6. The CBUAE will subsequently debit AED reserves equal to the deal amount from the Eligible Counterparty's Settlement account on the same day.

Far Leg

For Liquidity Providing Operations (i.e. CBUAE buys AED against USD in the far leg)

7. On the value date of the far leg, the CBUAE will send an advanced instruction to its USD account servicing institution via SWIFT (MT202) to remit the deal amount to the Eligible Counterparty's USD account servicing institution.

8. In parallel, the Eligible Counterparty may, if required, send an advance instruction to its USD account servicing institution via SWIFT (MT210) that it will receive funds from the CBUAE.
9. Upon confirmation of the matching instructions via SWIFT (MT300), the CBUAE will automatically debit the applicable AED reserves (accounting for the forward rate specified in the allocation announcement) from the Eligible Counterparty's Settlement Account.

For Liquidity Absorbing Operations (i.e. CBUAE sells AED against USD in the far leg)

10. On the value date of the far leg, the CBUAE will send an advanced instruction to its USD account servicing institution via SWIFT (MT210) to inform it that it will receive USD funds from the Eligible Counterparty.
11. In parallel, the Eligible Counterparty will send an advance instruction to its USD account servicing institution via SWIFT (MT202) to remit the deal amount to the CBUAE's USD account servicing institution.
12. Upon confirmation of the matching instructions via SWIFT (MT300), the CBUAE will automatically credit the Eligible Counterparty's Settlement Account with the applicable AED reserves (accounting for the forward rate specified in the allocation announcement).