



United Arab Emirates

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

THE CENTRAL BANK OF THE UNITED ARAB EMIRATES INTRADAY LIQUIDITY FACILITY TERMS & CONDITIONS

Effective from 21 April 2021

This document sets forth the general Terms & Conditions of the Intraday Liquidity Facility of the Central Bank of the United Arab Emirates and related guidelines for collateral management. It also describes the operational procedures and settlement arrangements envisaged for opening and closing a given transaction conducted by an Eligible Counterparty through the Intraday Liquidity 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) “**Aggregate Balance**” means the consolidated balance of the Eligible Counterparty Settlement Account and reserve account held at the CBUAE.
 - c) “**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.
 - 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 Bills**” means the short-term securities (Monetary Bills and Islamic Certificates of Deposit) that constitute a direct, general, unconditional

and unsubordinated obligation of the CBUAE, issued pursuant to the CBUAE's authority under Decretal Federal Law No. (14) of 2018.

- f) “**Central Securities Depository**” means Euroclear Bank SA/NV, or such successor institution as may be designated by the CBUAE from time to time.
- g) “**Eligible Collateral**” means the CBUAE Bills or Government Bills delivered to the CBUAE as collateral to access the Intraday Liquidity Facility, which comply with the requirements set out in these Terms & Conditions.
- h) “**Eligible Collateral Value**” means the face value of the Eligible Collateral offered by the Eligible Counterparty to the CBUAE.
- i) “**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 and has signed the relevant documentation as required by these Terms & Conditions.
- j) “**Eligible Counterparty Settlement Account**” means the current account of an Eligible Counterparty held at the CBUAE.
- k) “**GMRA**” means the Global Master Repurchase Agreement published by the International Capital Market Association, along with related annexes/schedules signed between the CBUAE and the Eligible Counterparty for an ILF Transaction.
- l) “**Governing Law**” means the laws of the United Arab Emirates.
- m) “**Government Bills**” means the short-term securities issued pursuant to the authority of the UAE federal government or any of the governments of Union member emirates under the Governing Law, and which are assigned a credit rating and held in the books of the Central Securities Depository.
- n) “**Haircut**” means the margin applied to an ILF Transaction, which is the difference between the Eligible Collateral Value and the Intraday Funds.
- o) “**ILF**” means the Intraday Liquidity Facility.
- p) “**ILF Transaction**” means a collateralized exchange of monies, which consists of two stages i.e., the opening and the closing. The opening is when an Eligible Counterparty submits Eligible Collateral and the CBUAE delivers an amount equivalent to the requested Intraday Funds into the Aggregate Balance on the value date. The closing is the reversal of the opening and occurs on the maturity date of this transaction in accordance with Clause 15 of these Terms & Conditions.

- q) “**Intraday Funds**” means the Eligible Collateral Value adjusted for the applicable Haircut, i.e., the amount paid by the CBUAE to the Eligible Counterparty on the value date of the ILF Transaction in exchange for Eligible Collateral. Intraday Funds shall be rounded off to two (2) decimal points.
- r) “**MCMA**” means the Master Collateralized Murabaha Agreement published by the International Islamic Financial Market, along with related annexes/schedules signed between the CBUAE and the Eligible Counterparty for an ILF Transaction.
- s) “**UAEFTS**” means the UAE Fund Transfer System. It is the real time gross settlement system established and operated by the CBUAE.

ILF access conditions and operational aspect

- 2. Eligible Counterparty may access the ILF to obtain AED funding from the CBUAE on an intraday basis through ILF Transactions in order to manage unforeseen idiosyncratic or market-wide intraday payment disruptions/gridlocks, and thus ensure that payments are settled in the UAEFTS on a real-time basis.
- 3. Credit extended under the ILF shall be subject to the availability of Eligible Collateral, with an appropriate Haircut being applied. Eligible Counterparties that carry on all or part of their activities and businesses in accordance with the provisions of Shariah rules shall only pledge Islamic Certificates of Deposit as Eligible Collateral to access the ILF.
- 4. Subject to paragraph (b) of Clause 15 of these Terms & Conditions, the ILF shall be offered at **zero-cost** in order to incentivize Eligible Counterparties to repay borrowed funds by the cutoff time of the UAEFTS.
- 5. The ILF will be available only on the Business Days and during the official operating hours of the UAEFTS, i.e., from the opening time until the cutoff time as defined by the CBUAE from time to time.
- 6. Notwithstanding Clause 5 of these Terms & Conditions, the ILF shall be automatically suspended whenever the operation of the UAEFTS or the Central Securities Depository is suspended or unavailable to Eligible Counterparties for any reason whatsoever.
- 7. Settlement of Intraday Funds shall be in AED through the Aggregate Balance.
- 8. To draw on Intraday Funds, Eligible Counterparties are required to sign the GMRA/MCMA, as the case may be with the CBUAE.
- 9. Eligible Collateral held at the Central Securities Depository shall be delivered to the CBUAE’s account held with the Central Securities Depository.

10. The settlement date of both opening and closing stages shall be on the same Business Day (T+0) for all processed ILF Transactions, even if the effective reversal (closing) occurs on the next Business Day (T+1).
11. Acceptance of the Overnight Deposit Facility (ODF) requests posted by Eligible Counterparties shall be subject to normal reversal.

Minimum ILF Transaction size

12. Eligible Counterparties shall only be able to enter into ILF Transactions with a minimum transaction size of **AED10 million**.

Eligible Collateral valuation

13. Eligible Collateral shall be offered by the Eligible Counterparty to the CBUAE subject to a Haircut of **two percentage points** or such other rate as determined by the CBUAE from time to time. This Haircut shall be applied to the Eligible Collateral Value.
14. Intraday Funds shall be determined in accordance with the Eligible Collateral Value less the applicable Haircut as set out below:

$$\begin{array}{l} \text{Intraday} \\ \text{Funds} \end{array} = \begin{array}{l} \text{Eligible Collateral Value under an ILF} \\ \text{Transaction determined in accordance} \\ \text{with these Terms \& Conditions} \end{array} \times (1 - \text{Haircut})$$

Intraday liquidity reversal

15. Where an Eligible Counterparty has obtained Intraday Funds from the CBUAE on a given Business Day under an ILF Transaction, the reversal of such a transaction (closing) shall be determined in accordance with one of the following procedures:
 - a) if, on the same Business Day, the Aggregate Balance is **sufficient** (normal reversal) at the cutoff time of the UAEFTS, then the CBUAE shall be entitled to automatically process the closing of that ILF Transaction and to cause the Eligible Collateral to be released and returned to the Eligible Counterparty on the same Business Day.
 - b) if, on the same Business Day, the Aggregate Balance is **insufficient** (abnormal reversal) at the cutoff time of the UAEFTS, then the reversal of the ILF Transaction shall be processed as follows:
 - i. for Islamic Certificates of Deposit, the CBUAE shall have the right to dispose or force early redemption of the Eligible Collateral delivered to the CBUAE in the opening of the ILF Transaction, and apply the proceeds from the resulting disposal or redemption of the Eligible Collateral to offset any outstanding amount due to the CBUAE. Any amount of the proceeds from the disposal or redemption of the Eligible Collateral that exceeds the outstanding amount due to the

CBUAE shall be returned and credited to the concerned Eligible Counterparty Settlement Account.

- ii. for Monetary Bills and Government Bills, the CBUAE shall be entitled to automatically convert the ILF Transaction into an interest-bearing overnight repo transaction, and to cause the collateral to be released overnight and returned to the Eligible Counterparty on the next Business Day upon opening of the UAEFTS. In such a case, the Eligible Counterparty shall, for delaying the settlement of the closing of the ILF Transaction, pay to the CBUAE an overnight charge computed as below:

$$\begin{array}{l} \text{Overnight Charge} \\ \text{for Abnormal} \\ \text{Reversal} \end{array} = \begin{array}{l} \text{Outstanding} \\ \text{Amount Due} \\ \text{to the CBUAE} \end{array} \times \begin{array}{l} (\text{Base Rate} + 50 \\ \text{basis points}) / \\ 360 \end{array}$$

ILF Transaction processing and settlement arrangements

- 16. ILF Transaction processing and settlement arrangements through the UAEFTS and the Central Securities Depository are set forth in a separate technical document titled “**ILF Operational & Settlement Procedures**” – Annex A, which will be made available to Eligible Counterparties.

Termination without liquidation, suspension, imposing restrictions, and/or conditions

- 17. An Eligible Counterparty may decide to opt out of these Terms & Conditions by officially notifying the CBUAE with a prior written notification, and such termination shall take effect after five (5) Business Days of the CBUAE’s receipt of such notice, during which time the withdrawing Eligible Counterparty is prohibited from accessing the ILF.
- 18. The CBUAE may suspend access to the ILF temporarily or ad infinitum or impose restrictions or conditions on obtaining Intraday Funds under the ILF if an Eligible Counterparty fails to comply with, observe, or perform:
 - a) any of the provisions set out in these Terms & Conditions;
 - b) any breach of guidance/directions from the CBUAE;
 - c) any instructions set out in the ILF Operational & Settlement Procedures – Annex A;
 - d) a breach of the GMRA/MCMA by an Eligible Counterparty; or
 - e) any other regulations, decisions and circulars issued by the CBUAE.
- 19. The termination or suspension of these Terms & Conditions shall not affect the liability of any party to pay any outstanding amount that may be due from one party to the other under any ILF Transaction.

Amendments

20. The CBUAE may 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;
 - b) the modification is required to comply with mandatory provisions of law; or
 - c) the modification does not materially affect the beneficial ownership of the Eligible Collateral.
21. Any amendments 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

22. These Terms & Conditions shall be governed by and construed in accordance with the laws of the United Arab Emirates.
23. 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 proceedings before the competent federal courts of the United Arab Emirates.

General provisions

24. The CBUAE reserves the right to, as and when required, access data pertaining to the securities holdings of Eligible Counterparties held with the Central Securities Depository.
25. In the event of inconsistency between these Terms & Conditions and the provisions of the GMRA/MCMA Agreement, these Terms & Conditions shall prevail.
26. Notwithstanding paragraph (b) of Clause 15 of these Terms & Conditions, the CBUAE shall have the right to:
- a. sell or dispose of the Eligible Collateral delivered to the CBUAE as part of an ILF Transaction at any time and in any manner as it deems appropriate; and
 - b. apply the proceeds from the liquidation of the Eligible Collateral to offset any outstanding obligations that may be due to the CBUAE, including any liquidated damages that may have accrued, in accordance with the provisions of Decretal Federal Law No. (14) of 2018. For the avoidance of doubt,

all fees, charges and expenses that may be incurred by the CBUAE as a result of such an action shall be borne by the Eligible Counterparty.

27. Eligible Counterparties shall ensure that:
 - a. the delivered Eligible Collateral is 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 Eligible Collateral.
 - b. the delivered Eligible Collateral in the form of Islamic Certificates of Deposit shall have a remaining "days-to-maturity" of no less than two (2) Business Days.
28. For Eligible Collateral other than the Islamic Certificates of Deposit, the CBUAE advises Eligible Counterparties to book the ILF Transaction as an open repurchase transaction with a maturity up to the next Business Day, offering the convenience for Eligible Counterparties to cancel the ILF Transaction or to adjust its outstanding amount should they fail to reverse such a transaction on the same Business Day, i.e., normal closing.
29. Government Bills issued pursuant to the authority of any of the governments of Union member emirates shall have a credit rating no less than the credit rating assigned to those issued pursuant to the authority of the UAE federal government. This credit rating shall be assigned by any of the internationally recognized credit rating agencies.
30. Eligible Counterparties may be required to pay an annual fee for accessing the ILF, at such rate as the CBUAE may from time to time notify Eligible Counterparties through an official notice.

Annex A

THE CENTRAL BANK OF THE UNITED ARAB EMIRATES
INTRADAY LIQUIDITY FACILITY

ILF Operational & Settlement Procedures

[See Separate Document]