

CIRCULAR NO. 524

تعميم رقم : ٥٢٤

TO ALL BANKS

الى : جميع البنوك

Date : May 25th, 1980

التاريخ : ٢٥ مايو ١٩٨٠

(Reference : Circulars No. 264, 375, 380, 411, 418, 435 and Circular letter of 27/7/1977).

(الاشارة : التعميمات ٢٦٤ ، ٣٧٦ ، ٣٨٠ ، ٤١١ ، ٤١٨ ، ٤٣٥ ، وخطاب التعميم الصادر بتاريخ ٢٧/٧/١٩٧٧)

Dear Sirs,

حضرات السادة :

Subject: Minimum Reserve Requirement

الموضوع : الحد الأدنى للاحتياطى الإلزامى

Following a review of banking liquidity, the Board have decided to provide for some flexibility in the application of the minimum cash ratio requirement in dirhams.

ان مجلس النقد بعد استعراضه لوضع السيولة لدى المصارف فى دولة الامارات العربية المتحدة قرر ادخال بعض المرونة على نظام الحد الأدنى لنسبة الاحتياطى النقدى الذى يجب على المصارف ان تودعه لدى المجلس بالدرهم .

The reporting procedure and the basis of calculation of the monthly minimum reserve will continue to be the same as before.

وبود المجلس ان يشير الى ان الطريقة التى تتبعها البنوك فى تقاريرها ، وكذلك القواعد التى يتم على أساسها احتساب الحد الأدنى للاحتياطى الشهرى سوف تظل كما هى دون أى تغيير .

Under this new flexible scheme, banks will be allowed to use free of charge their dirham reserve account with the Board, but the minimum reserve requirement prescribed for the month should be maintained on an average basis over every six-day period starting from the first day of the month. This means that any bank can be below the prescribed minimum for some days but should maintain larger balances during the remaining days so that over every six-day period, the average should be equal to the daily prescribed minimum

وسوف يسمح للبنوك فى ظل هذا النظام المرن أن تستخدم وبدون دفع أية فائدة ، حساب احتياطىها بالدرهم لدى المجلس على أن تحتفظ البنوك ، على أساس متوسط ، بالحد الأدنى للاحتياطى الإلزامى للشهر ذى العلاقة وذلك خلال كل ستة أيام ابتداءً من اليوم الأول من الشهر نفسه . وهذا يعنى انه بإمكان أى بنك من البنوك أن يتخلف لبضعة أيام عن الحد الأدنى للاحتياطى المطلوب الا أن عليه أن يعود الى الاحتفاظ بالرصدة أكبر خلال الايام المتبقية بحيث يبقى متوسط الرصدة فى كل ستة أيام مساوياً للحد الأدنى اليومي للاحتياطى الإلزامى لذلك الشهر .

for that month the last period being adjusted for the remaining days of the month. Fridays and holidays will continue to be counted as before.

This facility will not apply to foreign currency reserves.

While this modification is introduced to assist banks in managing their short term liquidity, it should not be considered in any way a facility for banks to expand lending to customers. Therefore, shortfall balances, calculated over each six-day period separately will be subject to the 50 per cent per annum penalty rate. Any bank will also continue to be subject to the 50 per cent per annum penalty rate, if, on any single day its current account on the Currency Boards' books is overdrawn to an extent larger than its total reserve requirement. This scheme will come into effect from 1st of June 1980.

Yours faithfully,

Abdul Malik Al Hamar
Managing Director

وسوف تحسب الفترة الاخيرة على أساس عدد الايام المتبقية من الشهر. وكما في السابق فان ايام الجمعة والعطلات سوف تؤخذ في الحساب.

ويؤكد المجلس هنا على أن هذا التسهيل لا يشمل احتياطات البنوك بالعملة الاجنبية لدى المجلس.

واذا كان المجلس قد قدّر تطبيق مثل هذا النظام المرن لمساعدة البنوك في ادارة سيولتها القصيرة الاجل فان ذلك يجب ان لا يعنى بأي حال من الاحوال بأن المجلس يقدم مثل هذا التسهيل الى البنوك حتى تتوسع في منح الائتمان لعملائها. ولذلك فان المجلس سوف يستمر في فرض عقوبة سعر الفائدة المرتفع (50 % سنويا) على العجز في الارصدة المودعة لدى المجلس والذي سوف يحتسب لكل فترة ستة ايام منفصلة كما سيخضع لنفس هذه العقوبة كل بنك من البنوك يكسبون حسابه الجاري لدى مجلس النقد في أي يوم من الايام مكشوف الى حد يفوق مجموع احتياطاته الالزامي لدى المجلس. هذا وسوف يبدأ المجلس في تطبيق هذا النظام الجديد اعتبارا من أول حزيران / يونيو 1980.

وتفضلوا بقبول فائق الاحترام ...

عبد الملك الحمر
المدير العام وعضو مجلس الادارة المنتدب

United Arab Emirates Currency Board

Circular No.

To all Banks

Date

Dear Sirs,

Inevitably, a large proportion of U. A. E. banks' deposits from customers are made in dirhams. Naturally, banks wish to hold a proportion of those deposits in liquid form but, up until now, there have been few ways in which banks could invest in liquid assets without incurring an exchange risk. To help overcome this problem, members of the Board have given their approval for the Currency Board to offer to accept interest bearing deposits against which certificates of deposit payable to bearer will be issued upon request. Banks will be able to buy and sell these certificates at any time between themselves at mutually agreed rates of interest or sell them back to the Board at rates related to market quotations.

From _____ therefore the Currency Board is prepared to accept U. A. E. dirham deposits at its Head Office in Abu Dhabi and to issue negotiable Certificates of Deposit ("CDs") as confirmation of the deposit when requested to do so.

The terms and conditions attached to this offer are as follows:-

1. Deposits will be accepted in multiples of U. A. E. dirhams 100,000.
2. The maximum amount which any bank may deposit will be regulated.
3. The Deposits will be accepted for fixed terms of one, three or six months only.
4. Deposits will be accepted initially at the following rates :-

1 month	$6\frac{1}{4}\%$ p. a.
3 months	$6\frac{3}{4}\%$ p. a.
6 months	$7\frac{1}{4}\%$ p. a.

but thereafter interest rates will be varied.

5. The Currency Board will at its discretion and without notice limit the ^{total} amount of deposits it will accept under these arrangements.

6. Deposits will not form part of the required minimum reserve maintained with the Currency Board.

7. The Currency Board will only issue to and purchase CDs from authorised banks in the U. A. E.

8. Payments for deposits accepted or made must be effected by bankers transfer instruction given to the Currency Board before 11.00 a.m. on the day the bargain is struck.

9. It is envisaged that in the majority of cases banks will not wish to take delivery of the actual underlying Certificates of Deposit. Certificates will therefore be held by the Board in safe custody and released upon request to our Head Office in Abu Dhabi before 11.00 a.m. on any business day. The Board will accept instructions to hold CDs to the order of banks other than the banks from which the original deposit was accepted.

10. Applications in writing or by telex to make initial deposits with the Board at the rates described above are invited from banks. Deposits will be accepted from _____

The Board will advise banks of the amount of ^{total} deposits accepted by 11.00 a.m. on _____. Thereafter requests to make new deposits with the Board must be made by telex before 9.00 a.m. on any business day and will be confirmed or refused by 10.00 a.m. The Currency Board will repurchase CDs up until 11.00 a.m. on any day.

The wording of the Certificate of Deposit is set out in the attached appendix to this circular.

Yours faithfully,

F. H. Brittain
Deputy Managing Director

No. _____

Date _____

NEGOTIABLE CERTIFICATE OF DEPOSIT

UNITED ARAB EMIRATES CURRENCY BOARD

P.O. Box 854, Abu Dhabi, United Arab Emirates.

U.A.E. DIRHAMS (figures)

This certifies that there has been deposited with the United Arab Emirates Currency Board ("the Board"), Abu Dhabi, the sum of U.A.E. Dirhams (words) _____. repayable to bearer/the order of _____ days from the date hereof, together with interest thereon at the rate of _____ % per annum, upon presentation and surrender of this certificate, through an authorised bank, to the Abu Dhabi Office of the Board.

The obligations of the Board shall be solely as provided in this Certificate.

Maturity date : _____

(Interest calculated on actual number of days on a 360 day basis)

Authorised Signatory