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CBUAE to launch Monetary Bills in collaboration with Euroclear and Bloomberg

Abu Dhabi (21 December 2020) The Central Bank of the UAE (CBUAE) announced today that, effective 11 January 2021, a new securities issuance program to licensed financial institutions and eligible investors, named Monetary Bills (M-bills) will be introduced. These securities will be auctioned and traded through Bloomberg's primary and secondary market solutions and settled through a local platform, compliant with international standards, built and operated by Euroclear Bank.

The objective of the new issuance program is to provide a holistic solution to manage liquidity within the UAE banking sector. The launch of the M-Bills, replacing the existing conventional certificates of deposit program, represents another important milestone towards the implementation of the new Dirham Monetary Framework announced earlier this year.

M-Bills' settlement cycle will include primary issuance to secondary market trading through a seamless interfaced platform developed jointly with Euroclear Bank, the Brussels-based international central securities depository, and Bloomberg, the global business and financial information and news leader.

CBUAE will be using Bloomberg AIM for order management processes of market operations. The issuance of M-Bills will be through a transparent auction process conducted on a regular basis. The CBUAE shall set the calendar and the volumes to be offered, and shall maintain specific control over the maturity periods.

The establishment of an innovative Euroclearable domestic platform, along with the auctioning and tradability of the M-Bills through the Bloomberg Bond Auction and E-Bond systems, will facilitate broader access to the M-Bills market for eligible investors – in a more secure, efficient, and a standardized way. This will also allow market participants in the UAE to maintain a transparent, single, robust pool of Dirham liquidity.

With the launch of the M-Bills program, the CBUAE is intending to promote the development of a secondary market for securities denominated in UAE Dirham and thus contribute to the establishment of the risk-free pricing benchmark (yield curve), which could stimulate further domestic market activities.

Accordingly, the CBUAE expects that the establishment of such pool of Dirham liquidity will result in higher trading volumes of M-Bills and potentially help in



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reducing the overall volatility of borrowing costs and stabilizing yields in domestic money and capital markets.

Commenting on the launch of the M-Bills program, H.E. Saif Hadeef Al Shamsi, Deputy Governor of the CBUAE, stated: “The launch of the M-Bills program provides us with the opportunity to establish robust infrastructure required not only to manage liquidity, but also to provide a stable collateralized source of funds to banks and financial institutions operating in the UAE. We are confident that the set-up of such infrastructure will also assist in the development of a Dirham local market for securities issued by the public sector in the UAE in future. We, at the CBUAE, are pleased with the positive outcome of our partnership with Euroclear Bank and Bloomberg in this regard.”

Stephan Pouyat, Global Head of Capital Markets and Funds Services at Euroclear, said: “As a result of our collaboration with the Central Bank of the UAE and Bloomberg, we have together been able to achieve a market first offering. This solution is an efficient, end-to-end local solution that will bring value and opportunities to local investors.”

Nicholas Bean, Global Head of Electronic Trading Solutions at Bloomberg said: “E-Bond and our Bond Auction System are part of a range of Bloomberg solutions designed to help bring more transparency to regional markets. It provides the solutions and technical infrastructure that help bring greater liquidity and efficiency to capital markets. We are delighted by this collaboration with the Central Bank of the UAE and Euroclear to support the bond markets in the UAE.”

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