

OPERATIONAL INSTRUCTION Ref. OI.FG.2022.01

Treasury and Cash Management

1. Authority

- 1.1. This Operational Instruction (OI) is promulgated by the Chief Financial Officer & Director of Administration under Operational Directive Ref. OD.EO.2018.01 – Finance and Asset Management.

2. Purpose

- 2.1. The purpose of this OI is to provide instructions on the objectives of the Finance Group Treasury function and on how it shall manage the Organization's financial and operational risks with respect to treasury issues.
- 2.2. The specific processes describing in detail how to operationalize this OI shall be included in the Processes and Quality Management System (PQMS).

3. Effective Date

- 3.1. This OI shall become effective **immediately**.

4. Consequential Changes

- 4.1. This OI shall abolish and supersede OI.FG.2018.03. Treasury and Cash Management. The purpose of this revision is to update the Treasury policy to take account of the new environment post implementation of UNOPS Treasury Management System (TMS).

[signature redacted]

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Chief Financial Officer & Director of Administration

OPERATIONAL INSTRUCTION Ref. OI.FG.2022.01**Treasury and Cash Management**Tables of Contents

1. Objectives of UNOPS Treasury Unit	3
2. Treasury Internal Control Measures	4
3. Foreign Exchange Risk Management	7
4. Cash and Liquidity Management	11
5. Operational Cash Management	16
6. Trade Finance Products	18

1. Objectives of UNOPS Treasury Unit

1.1. The objectives of the Treasury Unit shall be to:

- Safeguard the Organization's monetary assets against loss or devaluation
- Ensure adequate liquidity and availability of funds to all its programs and projects to enable them to operate without hindrance
- Provide a reasonable return on investments within risk limitations as outlined in UNOPS risk appetite (ref OI.ED.2021.01 Statement of Investment Principles and Investment Committee)
- Provide efficient and effective banking services to UNOPS projects and offices and the management of corporate bank relationships.
- Provide efficient and effective cash and financial risk management solutions to the organization both on its own behalf and on behalf of client projects

1.2. In particular, the Treasury Unit shall:

- Ensure that the Organization's monetary assets are invested or placed with adequately rated counterparties, in line with the principles of Security, Liquidity, and Yield
- Improve the measurement and reporting on the effects of foreign currency market changes on the Organization and its projects ensuring effects of said currency fluctuations are attributed to projects as and where directly linked
- Actively mitigate the impact of foreign currency market changes via suitable hedging programs on behalf of the Organization and on behalf of client projects where appropriate. Appropriateness of hedging will consider size and nature of exposure
- Reduce risk and improve potential yields on cash and investment assets, by ensuring the highest possible concentration of funds into headquarters controlled bank accounts and consolidation of currencies at all times in UNOPS investment portfolios
- Improve the delivery of funds to its all projects and programs taking into account security, speed and cost of transfers.
- Obtain the best yields on surplus funds possible within given risk parameters which can include yield enhancement strategies
- Support the allocation of investment income to client projects as required by client

agreements

- Maintain the internal technical infrastructure for: Foreign Exchange operations, Investment Management, Cash and Liquidity Management, and Banking with the view to increase efficiency and security, utilizing UNOPS TMS and ERP
- Maintain the legal and contractual framework governing UNOPS cash management and counterparty relations through policy documents, operational procedures, and contractual agreements with financial services providers
- Ensure support to field offices in their local treasury and banking operations and relationships

2. Treasury Internal Control Measures

- 2.2. The Treasury shall adhere to the principles for managing risks as defined in the OD on Internal Control Framework.
- 2.3. Objectives of the internal control activities of the Treasury Unit shall include to provide UNOPS with access to foreign exchange and risk management instruments without creating additional risk through speculation. This includes risks from foreign exchange markets by not entering suitable hedging mechanisms when appropriate.

Internal Control Measures

- 2.4. The purchase and sale of financial instruments (dealing activities or deals) on behalf of UNOPS shall only be done with banks and other counterparties (counterparty(ies)) with which UNOPS has entered into a valid legal agreement (e.g. bank mandates, ISDA agreements) and after a dealing mandate has been issued by the Treasurer to UNOPS counterparty and confirmed by the counterparty.
- 2.5. The legal agreements entered into between UNOPS and its counterparty shall include UNOPS standard settlement instructions (i.e. banking information) that the counterparty shall use to settle deals executed by UNOPS. The Counterparty shall not settle such deals to any other account.
- 2.6. Only personnel duly authorized by the CFO and Director of Administration shall have the right to perform dealing activities on behalf of UNOPS as outlined in the DOA master table. Such personnel may be listed in the dealing mandate issued by UNOPS to its counterparty. The dealing mandate may state the type of financial instruments UNOPS personnel are authorized to deal and the limits within which they can perform dealing activities on behalf of UNOPS, if any. Any amendments to dealing mandates shall be approved by the Treasurer and communicated in writing to, and confirmed by, UNOPS counterparties.

- 2.7. Personnel responsible for deal execution on behalf of UNOPS shall have appropriate skills and experience in using the financial instruments in question.
- 2.8. All dealing activities shall comply with this OI and OI.ED.2021.01: Statement on Investment Principles and Investment Committee Terms of Reference.
- 2.8. Any personnel who conducts unauthorized deals on behalf of UNOPS shall be immediately suspended from carrying out any further dealing activities on behalf of UNOPS, pending further investigation of the matter and possible disciplinary actions.
- 2.9. All deals in excess of the equivalent of USD 100,000 shall be by competitive bidding over an electronic platform from at least three different counterparties. In certain circumstances UNOPS may not have three counterparties who provide liquidity in certain currencies and it is therefore noted that there may be limited exceptions to this requirement.
- 2.10. Notwithstanding the above, for very large transactions (generally \$10,000,000 or above) it may be more favorable not to trade via an electronic platform with quotes to multiple counterparties due to the possibility of a) distorting the market liquidity or b) not having sufficient credit lines with the bank (e.g. Risk Limits) and therefore individual quotes priced manually on a best effort basis are allowable. It is also good practice to liaise with banks in advance to both ensure UNOPS are utilizing the best product and executing when liquidity is best. In some cases, non-standard products might be better suited for specific needs and discussions with banking counterparties may be required in advance to ensure optimized execution services can be provided. This includes utilizing different types of market orders and the use of algorithms for best execution which by their nature would not be via competitive quotes as normally required.
- 2.11. The personnel responsible for the deal execution shall record the deal details in the TMS in use at the time, immediately upon deal execution.
- 2.12. All deals shall be confirmed with the relevant counterparty by the Treasury Middle Office (IPAS Finance) and not the personnel responsible for the deal execution, as soon as possible on the day of deal execution or the following day at the latest. However, Treasury Unit will remain responsible for accurate deal booking in the TMS.
- 2.13. All deals executed by UNOPS shall be settled by the Treasury Middle Office (IPAS Finance). The settlement request shall be supported by appropriate documentation of which at a minimum will include a copy of the trade confirmation.
- 2.14. Procedures for the recording, processing, settlement of deals executed by UNOPS shall be developed in PQMS by the Treasury Unit.
- 2.15. In consultation with FG-FSUR the processes for accounting and recording of transactions in UNOPS accounts shall be developed in PQMS.

Approval of financial instruments

- 2.16. The CFO and Director of Administration shall approve the type of financial instruments that authorized personnel may deal with counterparties and these instruments, as amended from time to time, will form part of this OI. Such financial instruments shall not contradict the OI on Statement of Investment Principles and Investment Committee Terms of Reference.
- 2.17. Instruments suitable for use include, but are not limited to: FX Spot transactions (long/short), FX Forward transactions (long/short), FX Swap Transactions (long/short), FX Options transactions (including long/short, covered/uncovered, and strategies such as zero cost and at cost, including knock in and knock out barriers which can be used to cheapen the transactional costs), FX Non-Deliverable Forwards (long/short), Cross Currency Swaps (pay/receive fixed/floating), Interest rate futures, Bond Futures, Credit Default Swaps (long only) and Dual Currency Deposits.
- 2.18. Treasury Unit shall utilize the TMS and other financial systems (such as Bloomberg) and develop the knowledge to be able to price financial instruments independently of valuation by UNOPS counterparties.

Treasury IT Systems

- 2.19. The treasury systems utilized shall be able to effectively measure and mitigate all the major treasury risks to which UNOPS is exposed such as currency risk, liquidity risk, settlement risk and credit risk.
- 2.20. Procedures to use appropriate IT systems shall be developed by the Treasury Unit in PQMS which will include SOPs on the TMS functionality, Finastra, Swift, etc.
- 2.21. Systems back up, data recovery and contingency planning shall be in place to ensure that the Treasury activities are not disrupted because of a system failure and further details will be included in the Finance Group Business Continuity Plans
- 2.22. System security and data protection shall be ensured through the implementation of appropriate user access controls, network security and data access controls.
- 2.23. Unauthorized personnel shall be prevented from accessing the Treasury IT systems.

3. Foreign Exchange Risk Management

- 3.1. As per FRR Rule 122.10 (b), the CFO and Director of Administration may establish policies and procedures regulating the utilization of the commercial foreign exchange markets.

- 3.2. A Foreign Exchange (FX) risk exists each time UNOPS is receiving, transferring or dealing with currencies other than USD because of the risk of losses when converting the funds from one currency to another. An FX risk will also arise when UNOPS revalues non-USD cash flows and cash balances for accounting and reporting purposes. This risk might be limited to accounting risk, but will have real economic impact due to the way this operation is structured (revaluation of non-USD is done at UNORE, instead of market rates as per UNOPS FRR).
- 3.3. FX exposures arising from UNOPS account include:
- Contracted purchases of goods and services in any other currency than USD
 - Forecasted purchases of goods and services in any other currency than USD
 - Project contributions received in a currency other than the reporting currency where UNOPS legally bears the FX risk
 - Miscellaneous deposits in other currency than USD in UNOPS local bank accounts
 - Non-USD denominated payroll
 - Assets held in a currency other than USD
- 3.4. FX exposures arising from engagements include:
- Forecasted payments in a foreign currency other than (a) the contribution currency, and (b) the currency of the financial report
 - Engagements signed in non USD currency or where disbursements happen in non USD currencies
 - Engagements signed with multi-donors (e.g. trust funds) where disbursements happen in different non USD currencies
 - Refunds or claw backs of funds converted in a foreign currency when engagements do not use the full contribution or deliver the expected results
 - Investments of surplus working capital in foreign currencies where there is a requirement to hold the foreign currency (eg. due to regulatory issues, client requirements etc)

Hedging for the UNOPS account

- 3.5. FG Treasury Unit shall identify significant FX exposures (i.e. exposures above USD 50,000) for UNOPS account as early as possible and shall actively manage these exposures to reduce the risk of budget overruns where possible.

- 3.6. UNOPS shall protect the USD equivalent of significant payments or contributions in foreign currencies (i.e. above USD 50,000) whilst minimizing the costs of such protection. Option strategies including outright receiving or paying of premiums, or zero cost structures can be used to mitigate any costs to hedging FX exposures or can be used to minimize these costs. These strategies can also be used to manage net delta exposure (exposure amount +/- hedge amount) where the ratio should be between 50% and 100%.
- 3.7. UNOPS shall minimize the volatility of costs against the UNOPS account from budget formulation to settlement. As such it may hedge approximately up to the expected maturity date of any exposure taking into consideration cost implications for long term hedges.
- 3.8. UNOPS treasury may support budgetary calculations for where there are expected revenues or payments in non USD currencies.

Hedging for engagement/project accounts

- 3.9. As per UNOPS FRR Rule 112.07, for engagements, UNOPS shall not bear the FX risk. The FX risk shall be borne by project unless otherwise agreed in the project agreement. Only in exceptional circumstances, may the EO, on the advice of the CFO and Director of Administration, approve that UNOPS may bear the FX risk. In this case, a careful understanding of the exposures shall be required before UNOPS accepts to enter into such engagement and appropriate hedging activities shall be implemented to protect the Organization, in addition to the other risk mitigation techniques during the project implementation.
- 3.10. Where a project or partner bears FX risks, and for engagements for which UNOPS bears the FX risk, UNOPS shall identify these engagements with significant FX exposures (i.e. above USD 50,000) for risk reporting.. For such engagements, UNOPS shall include an appropriate hedging structure in the engagement budget proposal to protect its partner or UNOPS from changes in foreign currency relative to the contribution currency or payment currencies and hence ensure that UNOPS operates on a full recovery basis. Hedging proposals must also be provided at EAC review. The project manager will be responsible for highlighting these risks at engagement stage and liaising with the treasury unit to structure and implement any hedges required.
- 3.11. FX risk for engagements shall be managed by the treasury unit with support from the Project Team and Country Office who will be required to provide details and data relating to how the underlying exposures will arise Treasury will be responsible for managing and reporting on these risks in accordance with this OI and further instructions and guidance to be developed in PQMS.
- 3.12. The Treasury unit's role in the management of FX exposures shall consist of centralizing visibility of all significant FX exposures, as reported by the Project Team and to hedge

the appropriate percentage of relevant FX exposures for concerned engagements.

FX Risk Mitigation

- 3.13. Where possible goods and services required for the implementation of a project/program shall be procured in the contribution currency of the engagement. Such contracts should avoid having embedded derivatives. An embedded derivative is a provision in a contract that modifies the cash flow of a contract by making it dependent on some underlying measurement.
- 3.14. The procurement of goods and services required for the implementation of an engagement in a foreign currency shall be recorded against the project budget for the settlement of the related invoice or expense using the UNORE FX rate prevailing at the time of such settlement as per UNOPS FRR Rule 112.05.
- 3.15. The Treasury Unit shall manage non-USD currencies to reduce the risk of holding excess local currencies by balancing the net replenishment needs for the specific local currencies.
- 3.16. In line with IPSAS 4, any engagement contributions that are received in non-USD currencies, and maintained as such until spent, will generate an FX revaluation result for UNOPS, as its functional currency is USD. Such revaluations of foreign currency deposits shall be matched against the revaluation of the remaining potential cash balance rebate to the donor on any remaining unperformed part of the engagement.
- 3.17. No engagement agreement shall include a fixed rate for converting non-USD currencies to USD. This shall be done using the UNORE FX rate prevailing at the time of conversion plus any further identifiable gains or losses.
- 3.18. At the request of UNOPS partner (for engagements for which the partner bears the FX risk) and for engagements where UNOPS contractually bears the FX risk, the engagements shall include a full forecast of foreign currency cash flows carried out during the proposal stage. The forecast shall capture all exposures for the entire life of the engagement, where possible broken down into monthly portions.
- 3.19. Such engagements shall include a budget contingency to cover for potential FX losses.
- 3.20. The Project Team shall be responsible for the re-forecasting of any outstanding FX exposures each month during the lifecycle of the engagement and recording the impact of FX movements on actual expenditure.
- 3.21. At the request of UNOPS partner (for engagements for which the partner bears the FX risk) and for engagements where UNOPS bears the FX risk, all significant FX exposures should be hedged as soon as possible after the signature of the engagement. Hedges shall be constructed and agreed upon in coordination between the Treasury and the Project

Team. Pre-hedging can be implemented where an engagement has been signed but before a contribution has been received, or before a project account has been setup in UNOPS system.

- 3.22. It is the responsibility of the project manager and engagement authority to ensure foreign exchange issues are raised to EAC and FG Treasury in a timely manner.
- 3.23. Hedges should be executed within a timely manner in order not to run undue risk for a project or for UNOPS own account.
- 3.24. For projects where UNOPS contractually bears the FX risk (eg. EC funded projects), and due to the need to mitigate project cash balance revaluations from foreign currency cash balances, UNOPS can hold foreign currency cash and synthetic positions to offset the expected end of quarter project cash balance to be revalued. Due to timing mismatches of consolidating project cash balances and the revaluation of the same, quarterly or longer term hedges that lower net delta exposure should be considered.
- 3.25. As the majority of hedges will, where possible, be taken out at the time as the engagement is signed, any revaluation of hedges shall offset the gain/loss on the underlying exposure. Hedges shall be constructed in such a way that they mature close to the date of the expense and hence provide the amount of foreign currency as required to settle such expense. Hedging of foreign currency cash balances (revaluation of actual cash balances or EC project cash balances) may be done based on a percentage of historical balances due to the need to hedge an exposure that is not known until after the close of the reporting period.
- 3.26. However, it should be noted that not all hedges will be executed at the beginning of the engagement, nor be a perfect match and hence some remaining gains/losses will need to be absorbed by the parties responsible for FX fluctuations as per the engagement (hence the need for an FX buffer in budgets). This is further highlighted by the allowable hedge ratio of 50% to 100% depending on certainty of the project cashflows, or UNOPS exposure.

4. Cash and Liquidity Management

Criteria for Bank Selection

- 4.1. The Executive Director, as custodian of all UNOPS financial assets, is responsible and accountable for the effective and efficient management of cash and cash equivalents under UNOPS custody, and shall establish bank accounts to enable orderly receipt of funds and payments. Under the FRR, the ED may delegate this authority to other UNOPS personnel as appropriate.
- 4.2. UNOPS shall secure bank arrangements and agreements as well as cash management operations with the view to providing secure and effective transfer of funds to

engagements, whenever possible, through electronic systems.

- 4.3. All costs of banking transactions shall be covered by UNOPS and for banking transactions relating to engagements UNOPS shall redistribute such costs to engagements on a monthly basis. Other specific banking arrangements (like for the use of the UNDP SCA account) shall be approved by the CFO & Director of Administration or his/her delegate and an appropriate cost recovery mechanism for such specific arrangements shall be put in place. This mechanism will be clearly defined in PQMS.
- 4.4. Further instructions and guidance on the operational management of UNOPS bank accounts shall be developed in PQMS.

Banking partner risk management

- 4.5. The criteria for selecting UNOPS banking partners shall be in line with the risk appetite of the organization. The main risks facing UNOPS operations vis a vis its banking partners include:
 - Credit risk
 - Liquidity risk
 - Operational risk
- 4.6. When implementing UNOPS banking operations the Treasury shall aim at effectively mitigating these risks.
- 4.7. Banking partners suitable for selection by UNOPS shall have obtained long-term ratings from at least 2 agencies from; Standard & Poor's, Moody's Investors Service, and Fitch Ratings, of at least Investment grade on long-term debt. In considering the credit worthiness of potential banking partners, other factors, including Five Year Credit Default Swaps (CDS) prices and local sovereign credit risk ratings, shall also be taken into account. Financial Institutions owned in part or whole by a government entity, depending on the nature of the ownership, can use the sovereign rating where no individual rating is available. Since these measures are relative and less absolute, specific parameters relating to one banking partner shall not be sufficient but instead shall be used to evaluate banks relative to each other.
- 4.8. In certain circumstances, it may not be possible to utilize a banking partner that holds an international credit rating. This is usually limited to certain underdeveloped markets. In these scenarios, the banking partner selected should aim to comply with one of the following criteria:
 - Be accredited and regularly used by at least one other UN agency for their local banking, or,

- Have been selected through the oneUN Global Banking RFP process, or,
 - Have a sufficiently strong balance sheet to support UNOPS operations (this includes minimum capital and liquidity ratios, maximum Non Performing Loan (NPL) exposures, and minimum shareholder equity levels), or
 - If none of the above, the choice of bank shall be proposed to UNOPS Director of Administration and CFO & Director of Administration or any person specifically designated for this purpose with supporting analysis and justification
- 4.9. One fundamental requirement for new banking partners or bank accounts shall be technology capabilities vis-a-vis integrating with UNOPS internal systems (Swift based payments and statements, etc)
- 4.10. Further detail will be provided in PQMS.

Bank Signatory List Management

- 4.11. Bank signatory authority shall be granted by the CFO & Director of Administration to UNOPS personnel on a personal basis and may not be further delegated by that UNOPS personnel. Authorized bank signatories shall have a Finance DoA Level 2 or above. If not possible, bank signatory authority may be granted to a personnel without the Finance DoA Level 2 but in case two signatories are required for an operation (see below), at least one of the two signatories shall have a Finance DoA Level 2.
- 4.12. Authorized bank signatories shall:
- Ensure that there are sufficient funds in the bank account when payment instructions, including cheques, are made against the account;
 - Verify that all payment instructions, including cheques, are dated and drawn to the order of the named payee approved by an authorized personnel as indicated in the accompanying disbursement voucher, payment instruction and invoice; and
 - Ensure that cheques and other financial instruments are properly safeguarded and destroyed when obsolete.
- 4.13. Cheques or payment instruction letters to banks shall be signed by two authorized signatories. The CFO & Director of Administration may, where other adequate control measures are provided, authorize the signing of cheques by one signatory only.
- 4.14. Transactions through UNOPS bank accounts shall require at least two signatories.
- 4.15. The Head of Support Service shall be responsible for regular review of the list of

authorized bank signatories and inform the Treasury of any changes in personnel in order to ensure that the list of authorized bank signatories is regularly updated for the smooth functioning of the office.

USD Currency Contributions

- 4.16. All USD contributions shall be paid to UNOPS JP Morgan account. Contribution in USD may be transferred to other accounts (e.g. UNOPS USD bank account based in a field location or UNDP SCA account) only with the approval of the CFO & Director of Administration or his/her delegate.

Foreign Currency Contributions

- 4.17. In line with UNOPS FRR Rule 112.06, when a contribution is received or a payment is made in a foreign currency, it shall be recorded in the USD currency at the prevailing UNORE FX rate applicable at the time when the payment is made.
- 4.18. In line with UNOPS FRR Rule 122.06, The recorded contribution shall be adjusted by any consequent identifiable loss or gain on exchange, unless, in the case of loss, UNOPS partner (i.e. the client or the funding source) bears the FX risk. This includes where the foreign currency contribution is sold on the open market as specifically agreed with the partner or project team, and therefore the difference between the market rate and the prevailing UNORE will be applied to the project as an FX gain or loss.
- 4.19. For the purpose of its global treasury operations, UNOPS shall not hold contributions received in currencies other than USD for the benefit of a specific engagement, unless specifically agreed otherwise to in the engagement agreement. As such FRR 112.06 shall be applied to the initial credit of the contribution received to the engagement and any further gains or losses from holding segregated cash balances for an engagement will be applied to this project.
- 4.20. If, during the period from the receipt of an invoice to the date of payment, or during the period from the request for client's payment under an engagement agreement to the date of receipt of said payment, a currency fluctuation results in a change in the reporting currency equivalent from the original amount stipulated on the invoice or in the engagement agreement, the difference shall be charged to a currency gain/loss account under the relevant engagement unless otherwise agreed in the engagement agreement. This includes changes in UNORE between the time a good receipt is raised in the system, and the time the underlying payment is processed.
- 4.21. Disbursements shall be recorded as of the date they are made, i.e. when the cheque is issued, the bank transfer requested, or the cash is paid out.
- 4.22. Receipts shall be recorded on the date they are being received.

- 4.23. Contributions in an authorized foreign currency may be made directly to a UNOPS nostro account in the same currency if available.
- 4.24. The CFO & Director of Administration shall issue guidance on which foreign currencies are authorized for contributions and to which bank accounts these shall be transferred. Prior approval of the CFO & Director of Administration or his/her delegate shall also be obtained for all contributions to be received through the UNDP SCA account.
- 4.25. If a partner proposes to make a contribution to UNOPS in a non-authorized foreign currency, the CFO & Director of Administration or his/her delegate shall first provide his approval, after having considered whether the associated risks and costs to UNOPS are acceptable, before UNOPS can accept such a contribution. Contributions in foreign currency should be reviewed at EAC stage first with advice from FG Treasury before approval, or for exceptions, for submission to the CFO & Director of Administration for approval.
- 4.26. To assess these associated risks, the following details are required to be provided to the Treasury:
- Engagement Agreement
 - Cash flow forecasts – This includes expected amount and timing of inflow, and expected cash out flows for the life of the engagement (Quarterly cash flow forecasts)
 - Details of where funds are expected to be paid (Local currency account held in country, or Local Currency account held at HQ, or USD contribution account)
 - Any restrictions requested by client or as outlined in engagement agreements on transferring client funds cross-border
- 4.27. If a contribution is made into UNOPS main USD Contribution account in a foreign currency, the bank shall automatically exchange the currency into USD using their internally approved rate, and the contribution shall be applied to UNOPS account in USD. The amount recorded in the bank statement in USD shall be the amount applied to the engagement. Depending on the currency, there is no guarantee that the bank will accept the incoming wire and convert funds to USD for application to UNOPS bank account.
- 4.28. UNOPS shall not accept to enter into engagements for which contributions would be made in currencies that are restricted, or where UNOPS deems that FX fluctuations applicable to converting a specific currency are too large for the Organization to mitigate the costs. This will be further highlighted in PQMS and updated from time to time. UNOPS will not receive contributions in currencies that are subject to sanctions.

5. Operational Cash Management

General principles for payments

- 5.1. Unless cash payments are authorized by the CFO & Director of Administration or his/her delegate, all payments from UNOPS to a third party shall be made by bank transfer. UNOPS may also utilize further payment modalities such as cheque, credit card payments, mobile payments, digital payments etc, as these become necessary over time.
- 5.2. With regards to the cost recovery of bank charges, standard operating procedure is the following: Supplier Payments are processed with the cost code SHA, and there are no reimbursement of bank charges to suppliers; IP Staff are processed with the cost code OUR, and in the event that there are intermediary bank charges applied, these will be reimbursed, but note UNOPS does not reimburse incoming international wire charges; Individual Contractor payments are processed with the cost code OUR, however UNOPS will not reimburse intermediary bank charges nor incoming international wire bank charges as per clause 7.4 in these contracts.
- 5.3. All payments from UNOPS to a third party shall be recorded in UNOPS accounts at the date they are made (i.e. the date of issue for cheques, the date a transaction is effected for electronic transfer, and the date of payment for cash transactions), unless otherwise authorized and recorded by CFO & Director of Administration.

Cash accounts available to offices

- 5.4. UNOPS has two advance account types available to offices to process cash payments:
 - Petty Cash Accounts (PC), which can be used to make payments in cash or other financial instruments up to a total amount of USD 2,500 for small expenditures at field locations,
 - Operational Advances (OA), which are advances made in cash or other financial instruments for activities at locations that lack banking facilities or telecommunications infrastructure to access UNOPS banking related IT systems, or where there is a large number of one-off cash recipients that would not be efficient to be processed through UNOPS banking system. OAs can be used up to the amount approved by the CFO & Director of Administration or his/her delegate.
- 5.5. An OA can be established to pay for miscellaneous expenses towards the implementation of an engagement or for temporary one-time expenditures such as seminars, workshops or other expenses for the management of a field location. The amount, purpose and recurrence of an OA shall be approved by the CFO & Director of Administration or his/her delegate.

- 5.6. An OA shall be made to UNOPS personnel as approved by the CFO & Director of Administration or his/her delegate. The amount of any OA shall be no more than the absolute minimum necessary for working requirements. No personnel shall be the custodian of more than one OA at a time.
- 5.7. Personnel to whom an OA is issued shall make use of such OA only for the purpose for which the OA has been made and shall be held personally responsible and financially liable for the proper management and safekeeping of the OA. They shall submit regular statements of disbursements of the OA to the finance team in IPAS, unless otherwise approved by the CFO & Director of Administration or his/her delegate. They shall be in a position at all times to account for the use of the OA. Cash or financial instruments shall be kept in safe custody. An individual OA shall not last longer than 90 days and be reconciled upon closure. For recurring OA any amounts to be replenished shall be reconciled before replenishment is made. No additional OA shall be issued to an individual before the prior OA is reconciled. Any loss of cash or financial instruments shall be reported at once through the CFO & Director of Administration to the Executive Office.
- 5.8. PC accounts may be made available to personnel as approved by the CFO & Director of Administration or his/her delegate and details of process and limits will be elaborated in PQMS. PC accounts may be provided in form of cash or any other means of payment as per the approval for their creation. PC accounts shall be maintained on an imprest basis, i.e. replenishment shall be made on the basis of supporting documentation to bring the petty cash to the authorized beginning balance limit.
- 5.9. The amount and purposes of each PC shall be defined by the CFO & Director of Administration or his/her delegate.
- 5.10. The petty cash amount held by each UNOPS business unit shall not exceed USD 2,500, and no single payment from a petty cash account should exceed USD 1,000. Exceptions to this rule shall be authorized in writing and recorded by the CFO & Director of Administration or his/her delegate. PC accounts shall be reconciled before replenishment, change of custodian or changes in the total amount authorized, but at the latest on a quarterly basis.
- 5.11. The CFO & Director of Administration will further detail the process of opening, maintaining and closing PC and OA through guidance notes in PQMS.

Advance payments to staff and suppliers

- 5.12. Any advance payments to staff as may be permitted by the United Nations Staff Regulations and Rules and policies and procedures issued by the Secretary-General, or on his behalf, or as may be appropriate in the best interests of UNOPS shall be authorized by the CFO & Director of Administration or his/her delegate.

- 5.13. As per UNOPS FRR (Rule 122.20) “Except where normal, commercial practice or in the best interests of UNOPS, no contract shall be made on behalf of UNOPS which requires payment(s) in advance of the delivery of products or the performance of contractual services. Whenever an advance payment is agreed, the reasons therefore shall be justified in writing. Such authorization shall be subject to such requirements for guarantees as may be set by the CFO from time to time”.
- 5.14. Approvals of advance payments should be exercised in accordance with the applicable Table of Financial Delegation of Authority which is approved by the CFO & Director of Administration and confirmed for the advance payment thresholds by the Executive Chief Procurement Officer.
- 5.15. Advance payments in excess of USD 250,000 shall only be made after UNOPS has received an irrevocable guarantee made in favour of UNOPS from a bank or other guarantor acceptable to UNOPS unless otherwise authorized in writing by the CFO & Director of Administration.
- 5.16. Progress payments may be permitted pursuant to normal, commercial practice or in the best interest of UNOPS, in accordance with guidance to be issued by the CFO & Director of Administration in PQMS.

6. Trade Finance Products

- 6.1. Trade Finance Products may be used to protect against inherent risks of commercial transactions (such as issues of non-payment or non-performance) and/or to facilitate transactions by having a third-party reconcile the needs and interests of both sides of a contract. Such products are predominantly issued by Banks, but may also be issued by non-bank financial institutions or insurance companies.
- 6.2. The CFO & Director of Administration may use Trade Finance Products to facilitate the financial operations of UNOPS in the commercial marketplace, and/or mitigate performance/credit risks, and/or optimize cash management, provided there is no borrowing of funds by UNOPS in connection with such instruments.
- 6.3. Such Trade Finance Products may take the form of first demand guarantees, standby letters of credit, documentary letters of credit or any other product which may be tailored to meet UNOPS’ specific needs. Further guidance will be issued by the CFO & Director of Administration in PQMS.
- 6.4. UNOPS may either be the Applicant or the Beneficiary of a Trade Finance Product. Further guidance will be issued by the CFO & Director of Administration in PQMS.