OPERATIONAL INSTRUCTION
OI.FG.2025.03 Treasury and Cash Management

Headquarters, Copenhagen

01 Apr 2025

1. Authority:

1.1. This Operational Instruction (OI) is promulgated by the Chief Financial Officer under Operational Directive Ref. OD.FG.2018.01 – Finance and Asset Management.

2. Purpose:

2.2 The purpose of this OI is to provide instructions on the objectives of the Treasury Unit 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 UNOPS Policy and Process Portal.

3. Effective Date:

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

4. Consequential changes:

This OI abolishes and supersedes OI.FG.2022.01. Treasury and Cash Management. The purpose of this revision is to remove references in the OI to the Engagement Acceptance Committee, and to replace references to the Chief Financial Officer/Director of Administration with references to the Chief Financial Officer (CFO). Furthermore the revision also updates Section 3 Foreign Exchange Risk Management, Section 4 Cash and Liquidity Management, and Section 6 Trade Finance Products.

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Karl-Ludwig Soll

Chief Financial Officer

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1. Objectives and Functions of UNOPS Treasury Unit

1.1. The objectives of the Treasury Unit shall be:

a. to safeguard UNOPS's monetary assets against loss or devaluation;

b. to ensure adequate liquidity and availability of funds to all its projects to enable them to operate without hindrance;

c. to ensure UNOPS access to foreign exchange and risk management instruments without creating additional risk through speculation;

d. to ensure a return on investments within risk limitations as outlined in UNOPS risk appetite (ref policy on Statement of Investment Principles);

e. to provide efficient and effective banking services to UNOPS projects and offices and to manage corporate bank relationships; and

f. to provide efficient and effective cash and financial risk management solutions to UNOPS both on its own behalf and on behalf of client projects.

1.2. The Treasury Unit shall perform the following functions:

a. maintain an effective internal control system as defined in the Operational Directive on Internal Control Framework;

b. invest or place the monetary assets of UNOPS with adequately rated counterparties, in line with the principles of security, liquidity, and yield;

c. improve the measurement of and reporting on the effects of foreign currency market changes on UNOPS and its projects ensuring effects of the currency fluctuations are attributed to projects as and where directly linked;

d. mitigate the impact of foreign currency market changes via suitable hedging programs on behalf of UNOPS and on behalf of client projects where appropriate,

e. reduce risk and improve yields on cash and investment assets by ensuring the highest possible concentration of funds into centralised bank and investment accounts and consolidation of currencies at all times in UNOPS investment portfolios;

f. improve the delivery of funds to all UNOPS projects taking into account security, speed and cost of transfers;

g. obtain the best yields on surplus funds possible within given risk parameters which can include yield enhancement strategies;

h. allocate investment income to client projects where required by project agreements;

i. utilizing UNOPS Treasury Management System (TMS) and Enterprise Resource Planning tool (ERP), 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;

j. 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; and

k. support field offices in their local treasury and banking operations and relationships.

2. Regulation of dealing activities

2.1 The following internal control measures shall apply in respect of purchase and sale of financial instruments/ dealing activities:

a. all dealing activities shall comply with this policy and the policy on Statement of Investment Principles;

b. the purchase and sale of financial instruments shall only be done with financial institutions and other counterparties with which UNOPS has entered into a legal agreement (e.g. bank mandates, ISDA agreements);

c. personnel shall not conduct unauthorised deals on behalf of UNOPS;

d. except where an exception has been granted, all financial transactions shall be executed with competitive bidding for price transparency;

e. all deals shall, as soon as possible on the day of deal execution or the following day at the latest, be confirmed with the relevant counterparty by the Treasury Middle Office and not the personnel responsible for the deal execution;

f. all deals executed by UNOPS shall be settled by the Treasury Middle Office with the counterparty, unless otherwise approved by the CFO, and the settlement request shall be supported by a copy of the trade confirmation and any other appropriate documents;

g. only personnel duly authorized by the CFO shall perform dealing activities on behalf of UNOPS as outlined in the DOA Master Table;

h. personnel responsible for the deal execution shall accurately record the deal details in the appropriate system on the same day as execution, unless instructions are left overnight with a counterparty for execution; and

i. personnel who conduct unauthorized deals on behalf of UNOPS shall immediately be suspended from carrying out any further dealing activities on behalf of UNOPS, pending further investigation of the matter and possible disciplinary actions.

2.2 Financial instruments for dealing activities

The CFO shall approve the type of financial instruments that authorized personnel may use to deal with counterparties. The type of financial instruments, as amended from time to time, will form part of this policy, and shall comply with the policy on Statement of Investment Principles. Approved instruments for risk mitigation purposes include:

a. Foreign Exchange Spot, Forward, Swap, Non-Deliverable (long/short);

b. Foreign Exchange Options (long only and zero cost structures, net short positions are not allowable);

c. Cross Currency Swaps (pay/receive, fixed/floating);

2.3 Role of Treasury Unit and Treasury Middle office in respect ofTreasury IT systems

2.3.1 The Treasury Unit shall:

a. ensure that treasury systems utilized effectively measure and mitigate the major treasury risks to which UNOPS is exposed such as currency risk, interest rate risk, liquidity risk, settlement risk and credit risk;

b. put in place systems back up, data recovery and contingency planning to ensure that treasury activities are not disrupted due to system failure;

c. implement appropriate user access controls, network security and data access controls to ensure system security and data protection;

d. recommend to include other relevant treasury IT systems in the Finance Group Business Continuity Plans; and

e. enforce segregation of duties by assigning separate personnel to transaction initiation, approval, and reconciliation processes through IT systems to prevent conflicts of interest and minimize operational risk.

2.3.2 The Treasury Middle Office shall:

a. define clear roles and responsibilities for treasury system management within the Treasury Unit and other relevant teams;

b. be responsible for system configuration, access management and functional oversight;

c. establish IT support teams to provide system infrastructure, maintenance, and technical support;

d. conduct regular audits and reviews of user access rights and system activities to ensure compliance with established policies and to promptly identify any unauthorized or inappropriate system usage; and

e. establish dual approval workflows for all systems access changes.

3. Foreign Exchange Risk Management

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

Hedging for the UNOPS account

3.2. The Treasury Unit shall identify significant FX exposures for UNOPS account as early as possible and shall actively manage these exposures to reduce the risk of budget overruns where possible.

3.3. The Treasury Unit may support budgetary calculations where there are expected revenues or expenses in non-USD currencies.

Hedging for engagement/project accounts

3.4. As per UNOPS Financial Rule 112.07, UNOPS shall not bear any FX risk. The FX risk shall be borne by the project unless otherwise agreed in the project agreement.

3.5 Only in exceptional circumstances may the Executive Director, on the advice of the CFO, approve that UNOPS may bear the FX risk. Further guidance will be provided in the UNOPS Policy and Process Portal for these instances.

FX Risk Mitigation

3.6. 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 United Nations Operational Rate of Exchange ("UNORE") prevailing at the time of such settlement as per UNOPS Financial Rule 112.05.

3.7. In line with UNOPS Financial Rule 112.06, when a contribution is received in a foreign currency, it shall be recorded in the reporting currency at the prevailing UNORE against its project. The management of physical foreign currency (non-USD) bank balances will be part of the Treasury Unit's global cash management strategy and any subsequent sales, purchases, investments or FX impact of managing foreign currency cash balances will be recorded at UNOPS corporate level. These will only be posted back to individual projects if the legal agreement with the partner specifically requires this.

3.8. No project agreement shall include a fixed rate for converting non-USD currencies to USD. This shall be done using the UNORE prevailing at the time of receipt as per UNOPS Financial Rule 112.06.

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, cash equivalents and investment assets under UNOPS custody, and shall establish bank and investment accounts to enable orderly receipt of funds and the processing of payments. Under the UNOPS Financial Regulations and Rules, the Executive Director 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 for expenditure through electronic systems. This will include securing the use of non-bank payment rails and services as well as more standard banking and cash management services.

4.3. Costs of standard banking transactions shall be covered by UNOPS and for banking transactions relating to engagements UNOPS shall redistribute such costs to project accounts on a monthly basis via its cost recovery mechanism utilising interest earned on working capital funds. Other specific banking arrangements that are requested by a donor or specific project shall be approved by the CFO or his/her delegate and these costs will be covered by the project budget. These include but are not limited to cash delivery and cash shipments, card and mobile solutions, and other non-bank payment rails that may be used from time to time.

4.4. Further instructions and guidance on the operational management of UNOPS bank accounts shall be developed in UNOPS Policy and Process Portal.

Banking partner risk management

4.5. The criteria for designating UNOPS banking and investment partners shall be inline with the risk appetite of UNOPS. The main risks facing UNOPS operations vis a vis financial institutions include credit risk, liquidity risk and operational risk.

4.6. When implementing UNOPS banking operations, the Treasury Unit shall aim at effectively mitigating these risks.

4.7. Further detail will be provided in the UNOPS Policy and Process Portal.

Bank Signatory List Management

4.8. Bank signatory authority shall be granted by the CFO or Treasurer to UNOPS personnel on a personal basis and may not be further delegated by that UNOPS personnel. Further guidance will be provided within UNOPS Policy and Process Portal on which personnel may hold bank signatory authority.

4.9. All transactions to be processed from banks require at least two authorized signatures.

4.10. Further instructions on managing UNOPS bank signatory lists and e-banking access shall be developed and detailed in the UNOPS Policy and Process Portal.

USD Currency Contributions

4.11. All USD contributions shall be paid to UNOPS main contribution account. Contributions 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 or his/her delegate.

Foreign Currency Contributions

4.12. In line with UNOPS Financial Rule 112.06, when a contribution is received or a payment is made in a foreign currency, it shall be recorded in the reporting currency at the prevailing UNORE applicable at the time of receipt or payment.

4.13. In line with UNOPS Financial Rule 122.06, all foreign currency contributions received in a non-USD bank account will be credited to the respective project account at the prevailing UNORE on the date of receipt. Once funds are credited to the respective project account, the foreign currency cash at bank will be subject to UNOPS global treasury liquidity requirements. UNOPS manages the global foreign liquidity requirements on a case by case basis. To further clarify the Financial Rule 112.06 in regards to "consequent identifiable loss or gain on exchange", to ensure equal treatment of partners under UNOPS global treasury management, an identifiable loss or gain on exchange will be defined as "any forex gain or loss after a sale of a contribution compared to the market rate/hedge rate of the sale and the UNORE are the time of receipt for legal agreements that specifically require such sale/hedge".

4.14. 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 in the project agreement.

4.15. 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 a project 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 project agreement, the difference shall be charged to a currency gain/loss account under the relevant engagement unless otherwise agreed in the project agreement. This includes changes in UNORE between the time a goods receipt is raised in the system, and the time the underlying payment is processed.

4.16. Disbursements shall be recorded as of the date they are made, i.e. when the cheque is issued, the bank transfer executed, or the cash is paid out.

4.17. Receipts shall be recorded on the date they are received.

4.18. Contributions in an authorized foreign currency may be made directly to a UNOPS nostro account in the same currency if available. Authorised foreign currencies are defined as G10 currencies.

4.19. Prior approval of the CFO or his/her delegate shall also be obtained for all contributions that are not in G10 currencies or are in a currency where UNOPS does not hold a nostro account in that currency. Furthermore, CFO approval is required for contributions to be received through the UNDP SCA account.

4.20. UNOPS shall not 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 UNOPS to mitigate the costs. This will be further highlighted in the UNOPS Policy and Process Portal and updated from time to time. UNOPS will not receive contributions in currencies that are subject to sanctions or stringent capital controls.

5. **Operational Cash Management**

General principles for payments

5.1. Unless authorized by the CFO or his/her delegate, all payments from UNOPS shall be made by bank transfer. The CFO or his/her delegate may authorise cash payments. The CFO or his/her delegate may also authorise payments using other methods such as cheque, credit card payments, mobile payments, digital payments etc, as these become necessary over time.

5.2. With regards to the treatment of bank charges, policy requirements are the following:

(a) supplier payments are processed with the cost code SHA, and there is no reimbursement of bank charges to suppliers;

(b) 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 UNOPS does not reimburse incoming international wire charges; and

(c) Individual Contractor payments are processed with the cost code OUR; however UNOPS will not reimburse intermediary bank charges nor incoming international wire bank charges.

5.3. All payments from UNOPS 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).

5.4 UNOPS enforces contractually agreed payment terms, which may vary based on individual agreements. The Accounts Payable team is responsible for verifying and approving payments to ensure compliance with contract terms, internal policies, and financial regulations, except where a specific contract provision dictates otherwise.

Cash accounts available to offices

5.5. UNOPS has two advance account types available to offices to process cash payments:

5.5.1 Petty Cash Accounts (PC), which can be used to make payments in cash or other financial instruments for small expenditures at field locations, up to an amount approved by the CFO or his/her delegate; and

5.5.2 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 or his/her delegate.

5.6. 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 or his/her delegate.

5.7. An OA shall be made to UNOPS personnel as approved by the CFO 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.

5.8. Personnel to whom an OA is issued shall make use of the 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 and record them for future reference. 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 shall 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 to the Executive Office.

5.9. PC accounts may be made available to personnel as approved by the CFO or his/her delegate and details of process and limits will be elaborated in the UNOPS Policy and Process Portal. 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.

5.10. The amount and purposes of each PC shall be defined by the CFO or his/her delegate.

5.11. 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. The petty cash amount held by each UNOPS personnel shall not exceed the limits outlined in the Finance DOA Master Table. Any exceptions to these limits shall be authorised in writing by the CFO. 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.

5.12. The CFO will further detail the process of opening, maintaining and closing PC and OA through the UNOPS Policy and Process Portal.

Prepayments to Suppliers and Salary Advances to Personnel

5.13. Any salary advances to personnel as may be permitted by the United Nations Staff Regulations and Rules and UNOPS policies and procedures, or as may be appropriate in the best interests of UNOPS, require the authorization of the CFO or his/her delegate.

5.14 Any prepayment request made by a vendor must be reviewed according to UNOPS procurement policies and guidelines, in consultation with the Finance Group if need be. The decision and due diligence on the vendor shall be duly documented and form part of the Contracts and Property Committee (CPC) submission.

5.15. Any exception to UNOPS Financial Rule 122.20(a) must be referred to the CFO or his/her delegate for approval prior to CPC submission and contract signature.

5.16. RFPPs (request for prepayments) shall be submitted in ERP with supporting documentation, and approved by the relevant Finance DOA holder in accordance with the thresholds outlined in the Finance DOA Master Table.

5.17. Prepayments 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 the CFO or his/her delegate, unless otherwise authorized in writing by the CFO.

5.18. 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 in the UNOPS Policy and Process Portal.

6. Trade Finance Instruments

Issue side

6.1. UNOPS Financial Rule 122.20(c) authorises the establishment of guarantee facilities necessary to facilitate the financial operations of UNOPS in the commercial marketplace. Such facilities may be entered into by the CFO or his/her delegate.

6.2. The Treasury Unit is responsible for managing the transactional aspects of these guarantee facilities, overseeing their usage, and ensuring that Know-Your-Customer (KYC) on the trade facility providers and legal documentation are maintained and up to date.

6.3. Guarantee facilities may be utilised in cases where UNOPS is contractually required to provide a financial security to a counterpart. Such securities may include performance guarantees, payment guarantees, standby letters of credit, or documentary letters of credit. The issuance of these instruments shall not involve the borrowing of funds by UNOPS.

6.4. Operational guidelines for issuing Trade Finance instruments as listed in 6.3 are detailed in the UNOPS Policy and Process Portal.

Receipt side

6.5. As part of its standard procurement activities, UNOPS requires bidders and vendors to provide various forms of security instruments to guarantee their contractual obligations to UNOPS.

6.6. Such security instruments issued in favour of UNOPS may include bid securities, performance guarantees, advance payment guarantees, retention money guarantees, or standby letters of credit.

6.7. Operational guidelines for reviewing the acceptability of guarantors, the enforceability of guarantee terms and the authenticity of instruments are detailed in the UNOPS Policy and Process Portal.