



## **CBUAE Announces New Caps on Banking Fees for Customers**

**Abu Dhabi – 18 June 2018:** UAE Central Bank (CBUAE) announces that it has published an Amendment to ‘Annexure 2’ of the *Regulations Regarding Bank Loans & Services Offered to Individual Customers (2011)*. This Amendment sets out the new maximum limits or ‘fee caps’ for fees or commissions charged on retail customer service. The fee caps apply to banking consumer related charges for example, home loans and late fees for credit cards.

This Amendment comes as CBUAE is undertaking more active supervision of the banking sector with the adoption of consumer protection principles - competition inhibiting, usury, notary function, and strategic related principles. Furthermore, banks and finance companies must have the appropriate product approval processes in place for all products which include an examination of the basis and appropriateness of the fee calculation and, if applicable charge lower fees than those prescribed in the caps.

Fee caps are being used as a tool to protect consumers from anti-competitive and unfair practices. This includes ensuring that entities do not automatically default to using the maximum caps when the actual costs are lower and banks will have to justify their increased costs in order to increase fees. If consumers notice incidents of non-compliance they are urged to notify the Central Bank immediately.

CBUAE calibrated the cap levels on the targeted fee types based on a detailed benchmarking exercise, understanding of cost bases and expert judgment by CBUAE. The analysis benchmarked 140 fee types and applied fee caps on 43 based on those consumer protection principles. Of the 43, 24 fee types are common with the old fee caps but are either at the same level or lower and 19 are new fee types such as those that relate to home loans and credit cards.



Banks have been engaged in an initial round of consultations about the revised CBUAE regulation on fee caps and are comfortable with the extensive benchmarking and transparent nature of the new fee cap mechanism.

CBUAE also instructed banks and finance companies to display the new fee caps on their websites.

Going forward fees charged by the banks will be reviewed annually, going forward, to ensure that consumers are appropriately protected. The Amendment also states that banks will need to notify and seek approval from CBUAE (ex-ante) of any planned introduction of a new fee or a change of fees larger than 5%. Banks will have to notify and seek approval by CBUAE for these additions or changes during the first 5 days of April or October each year.

All fees that are highlighted in the Amendment are exclusive of UAE VAT charges set by the Federal Tax Authority.

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