The Central Bank of the UAE announces a comprehensive AED 100 billion Targeted Economic Support Scheme to contain the repercussions of the pandemic COVID-19

- The CBUAE has decided on a range of measures to instil confidence and improve the business environment in the UAE.

- The CBUAE has launched a comprehensive Targeted Economic Support Scheme for retail and corporate customers affected by COVID-19. These measures will enter into force with immediate effect.

- The CBUAE is allowing banks to free-up their regulatory capital buffers to boost lending capacity and support the UAE economy.

- All Banks operating in the UAE will have access to loans and advances extended at zero cost against collateral by the CBUAE.

- The CBUAE confirms its continued and strong commitment to maintain the peg of the UAE dirham to the US dollar. Foreign currency reserves amounted to over AED 405 billion as of 10 March 2020.
Abu Dhabi, United Arab Emirates: (14 March 2020): Given that the World Health Organisation has declared Covid-19 virus as a global pandemic, the Central Bank of the UAE (CBUAE) has adopted a number of measures in an effort to support the economy and protect consumers.

The Targeted Economic Support Scheme consists of AED 50 billion from the CBUAE funds through collateralised loans at zero cost to all banks operating in the UAE and of AED 50 billion funds freed up from banks’ capital buffers. The UAE banking system is adequately capitalized and banks maintain significant voluntary capital buffers in addition to the minimum prudential requirements. The draw-down of those voluntary buffers is not considered for the purposes of calculating the overall size of the targeted economic support scheme.

Banks are expected to retain sound lending standards and are required to treat all their customers fairly.

The purpose of the targeted scheme is to facilitate provision of temporary relief from the payments of principal and interest on outstanding loans for all affected private sector companies and retail customers in the UAE.

Participating banks should use the funding to grant temporary relief to affected private sector companies and retail customers in the UAE.
private sector corporate customers and retail clients for a period of up to 6 months. Many retail and corporate customers have become exposed to the risk of temporary shortfall of their cash flows due the outbreak of Covid-19 pandemic, and the scheme is addressing the current situation by providing both a relief to customers and a zero cost funding to banks.

All banks will be allowed to tap into a maximum of 60 percent of the capital conservation buffer, and, additionally, banks designated as systemically important by the CBUAE will be able to use 100 percent of their additional capital buffer for systemic importance.

The CBUAE is also reducing the amount of capital banks have to hold for their loans to SMEs by 15 to 25 percent. This change, which is broadly in line with the minimum standards set by the Basel Committee, will facilitate further access of SMEs to financing.

To ease its macro-prudential stance, the CBUAE will increase the loan-to-value (LTV) ratios applicable to mortgage loans for first-time home buyers by 5 percentage points. This will contribute to the affordability of housing without unduly increasing inherent risks. First time buyers will benefit from being required to put up less of their own capital when making the first real estate purchase.

The CBUAE will also revise the existing limit which sets maximum exposure that banks can have to the real estate sector. When the exposure reaches 20 percent of the banks’ loan portfolio (measured by risk-weighted assets), banks will be allowed to increase it to 30 percent, but will be required to hold more capital.

CBUAE Classification: Public
Furthermore, the CBUAE will adopt new regulations with the objective to reduce fees incurred by merchants when their customers pay by debit or credit cards. The CBUAE will also issue new regulations which will limit fees banks charge to their SME customers, and stipulate that banks cannot require larger minimum account balance that AED 10,000.

Additionally, the CBUAE will mandate all banks to open accounts for SME customers within a maximum timeframe of two days, provided acceptable documentation is in place and that the risk is acceptable in view of the AML and CTF obligations.

The CBUAE will issue guidelines on margin calls, requesting banks to always request additional collateral within a reasonable time, before liquidating the pledged stocks in a situation of market downfall. This would reduce excessive market volatility and provide investors with increased flexibility to act in their best interest.

Effective from 15 March 2020 and for a period of 6 months, the CBUAE has waived all fees which it charges for the payment services provided to banks operating in the UAE through its payment and settlement systems.

The CBUAE will continue monitoring the situation very closely, and is prepared to take further steps, if necessary.

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