



CBUAE issues SME Market Conduct Regulation to enhance SME practices across UAE banking sector

Abu Dhabi (04 April 2021): The Central Bank of the UAE (CBUAE) has issued a Small to Medium Sized Enterprises (SME) Market Conduct Regulation to promote best practices among licensed financial institutions (LFIs) when engaging with SMEs.

The objective of the regulation is to enhance SMEs' access to financial products and services. CBUAE's introduction of this regulation follows the launch of its new Financial Consumer Protection Regulatory Framework.

The regulation advances the CBUAE regulatory agenda by setting standards of market conduct of LFIs; strengthens governance over the design, promotion and sale of financial products and services, and promotes responsible financing practices and appropriate disclosure of risks. In addition, it provides SMEs with access to timely and accurate information to make informed decisions, implements clear mechanisms for redress of complaints by SMEs, and requires appropriate debt counseling.

Furthermore, LFIs are required to ensure that the opening of a bank account for an SME should be completed within three business days, provided that LFIs undertake appropriate due diligence related to financial crime compliance and that SME presents a low risk of money laundering or terrorism financing. The regulation also requires LFIs to establish an independent and effective complaints management function to ensure fairness, transparency, and neutrality in resolving complaints.

His Excellency Abdulhamid M. Saeed Alahmadi, Governor of the Central Bank of the UAE, said: "SMEs play a vital role in the UAE's economy. The UAE government has placed considerable emphasis on developing the SME ecosystem and removing obstacles for a transparent, entrepreneurial, and innovative SME sector in the UAE, which has good access to various financial sources. To sustain this momentum, the CBUAE aims to ensure that SMEs enjoy the highest business standard when interacting with licensed financial institutions, in line with our new consumer protection mandate. We are confident that this regulation will facilitate the provision of best-in-class products and services to SMEs."

For more information about Market Conduct Requirement for lending SMEs, please see the attachment.

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