Notice No. : CBUAE/MMD/2020/4690
Date : 22 October 2020
Class. : Public
To : All Banks
Subject : New Regulations Regarding Reserve Requirements

After greetings,

Effective 28 October 2020, the Central Bank of the UAE (CBUAE) will introduce new regulations regarding reserve requirements for deposit-taking licensed financial institutions (attached hereto). The introduction of these regulations represents the second step towards implementation of the new Dirham Monetary Framework announced earlier this year.

These new regulations specify the level of reserve requirements and determine the operational arrangements related to the computation and maintenance of the reserve requirements along with their use for daily liquidity management.

With the introduction of these new regulations, maintenance of reserve requirements balances will be more flexible, whereby the length of the reserve maintenance period will be extended from 7 to 14 days to facilitate short-term liquidity management. On top of that, deposit-taking licensed institutions will be allowed to draw on their reserve balances held in the CBUAE on any day up to 100% for daily settlement purposes or to deal with any swings on overnight money market rates; while ensuring that they meet the daily average requirements over a 14-day reserve maintenance period.

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Page 1 of 2

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Page 1 of 2

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Page 1 of 2

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Page 1 of 2

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Should non-compliance with the maintenance of average reserve requirements arises over the 14-day period, a periodic financial penalty rate shall be levied equal to 400 basis points above the CBUAE’s Base Rate.

The first Reserve Computation Period will be from Wednesday, 28 October 2020 to Tuesday, 10 November 2020 and its corresponding Reserve Maintenance Period will be from Wednesday, 25 November 2020 to Tuesday, 08 December 2020. Accordingly, as a transitional measure from the current regime, the settlement date of the last Reserve Maintenance Period under the current regulations, shall be 25 November 2020; and the concerned team of the CBUAE will be in touch with all banks operating in the UAE regarding other relevant operational arrangements.

The level of reserve requirements for demand and time deposits shall remain at its existing ratios of 7% and 1%, respectively, in accordance with Notice No.1759/2020 dated 6 April 2020.

Any queries in this regard may be addressed to the Monetary Management Department of CBUAE by emailing to:

Monetary.Management@cbuac.gov.ae

Yours faithfully,

[Signature]

Abdulhamid M. Saeed Alahmadi
Governor