Welcoming Remarks

By

H.E. Governor of Central Bank of the UAE
Mr. Sultan Bin Nasser Al-Suwaidi

At the

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Good morning,,

Excellencies: Josef Tosvsky, Dr. Jassim Al Mannai,

Ladies & gentlemen

It gives me great pleasure to welcome you to the UAE, especially those who traveled a long way to be here with us at the outset of this important high level meeting, and I would mention in particular Mr. William Rutledge, Executive Vice President, Federal Reserve Bank of New York, and the other distinguished speakers.

Ladies & gentlemen

In this short speech, I will talk briefly about
The Global Financial Crisis and the impact on banks operating in the UAE.

As a result of massive outflow of funds from the UAE in the Summer months, especially during the month of August, liquidity at UAE Banks became in short supply, similar to what had happened in the major financial centers but for different reasons. Banks in the major financial centers were impacted by sub-prime mortgage loans and related structured products, and banks in the UAE had a very small and insignificant 1.2 per thousand exposure. The immediate reason for the liquidity outflow was the sudden exit of the hot money that was piling up to take advantage of the widely expected UAE Dirham revaluation, which was ruled out just before Summer, however if we add to that the general pessimistic mode that was and still prevailing, we should also admit that some contagion effect was there as well, which exasperated the situation.

Central Bank then had to respond, and as such it provided, towards the end of September, needed facilities to all banks operating in the UAE, which I will summarize as follows:

1 – AED 50 billion was made available in banks current accounts at the Central Bank,

2 – A swap facility against banks holdings of Central Bank CDs, and

3 – A facility to discount Local Governments bonds and sukuk.

We have noticed that these measures and the Federal Government measures; i.e. guaranteeing deposits of all banks with significant operations in the UAE plus making an AED 70 billion liquidity facility, improved the liquidity situation at banks to the extent they are only using about 15% of the first Central Bank facility now.

However even with this measured improvement, we are in the process of thoroughly examining **loans and advances** of all banks for the year end, to determine if we need to make extra provisions, and we will certainly make the required provisions then, if needed.

Ladies & gentlemen

There is some thing particular of strength about the UAE, which I want to mention here. It is relating to ownership of deposits as :

- Nationals and their companies hold 75% of all deposits,
- Arabs hold 8%, and
- Other nationalities 17%

Also banks financing from the European Commercial Paper issues (ECPs) and Medium-Term Notes (MTNs) is only to the extent of 9.9% of total bank assets

As for inter-bank deposits, it is only 12.7 % of total assets and most of it belongs to banks operating in the UAE.

Regarding the assets side, the majority of assets of national and foreign banks operating in the UAE are in the UAE and their parties are known and sound.

Also capitals and reserves of banks represent about 11.02% of all bank assets, which is considered comfortable.

On ownership of banks, local UAE Governments have substantial percentage of ownership in most of the UAE incorporated banks, which adds extra assurance.

Finally,

Many thanks to the AMF and the FSI of the BIS for holding this important high level meeting.

Thank you for your attention…