

UAE CENTRAL BANK

Circular No.: **14/93**

Date : 20/6/1993

To : All Banks

Subject : **Returned Unpaid Cheques, Current accounts, Savings and Call accounts**

Dear Sirs,

In order to reduce the number of "returned unpaid cheques", ensure better discipline among bank customers and to enhance the standing of the cheque as a payment instrument in the Country, the UAE Central Bank has decided, after reviewing reports and banks' responses to the questionnaire sent to all banks on the "returned unpaid cheques", that all banks must abide by the following:

1. Banks may open current accounts and issue cheque books to all resident natural persons of 18 years of age or above and full legal capacity in addition to all resident juridical persons.

Opening of current accounts to non-residents (except non-resident banks) is prohibited.

A resident, for the purpose of this Circular, is defined as any natural person who holds the UAE nationality including those residing outside the UAE, any expatriate who holds a valid U.A.E residence permit, any diplomat, any formal consular employee of any foreign government, any employee of an international authority/organization, in addition to any company or sole proprietorship licensed to operate in any part of the UAE, a ministry, a department, a public authority/institution, an embassy, a consulate, and an international authority/organization.

The standard measurement of a cheque would be 15.5cm X7.5cm, but banks may issue large Cheques for their special customers. Name of the account holder must always be printed on the lower part of the cheque. A sufficient margin on the bottom part of the cheque (at least 1.5cm) must be kept blank for future encoding of cheques using MICR, in font style "E-13B".

Regarding Specifications for the paper to be used for cheques (weight, grain, direction, smoothness, reflectance, opacity etc.) banks are asked to comply with the standards issued by the American National Standards Institute (ANSI), especially with ANSI standard X9.7, 13, 18 and 27.

2. Banks may open savings and call/time deposit accounts for residents and non-residents. In this case, counter-cheques and ATM Cards, as applicable, may be made available to account holders, whereas the issuance of Cheque books is prohibited for such accounts.

Banks also may open savings and call accounts for minors and people without full legal capacity, but in this case the presence of guardians is required for all banking transactions.

3. Banks have to make sure that transactions of illiterate persons are undertaken in the presence of at least two bank officials and are counter signed by an officer of the bank.

4. Article (1) above does not apply in the case of non-resident banks and other financial institutions, as they may operate such accounts in the UAE, if their by-laws and local supervisory regulations permit them to do so.

5. Banks must obtain all necessary information and documents when opening current, savings and call accounts. This would include; account holder's full name, present address, place of work, physical checking of the passport and keeping a copy thereof initialed by the account opening officer under "a true copy of the original".

Banks must also obtain all necessary information and documents on juridical persons especially the

trade licence and must diarize for renewals in order to keep a copy of the valid licence on bank's files at all times.

With regards to "Associations", banks must not open accounts except for those associations that present a true "declaration decision" issued and signed by H.E. The Minister of Labour and Social Affairs.

All subsequent changes in the information provided on account holders must be updated regularly.

6. Those current account holders whom at least 4 Cheques get returned unpaid for insufficient funds, with a maximum time span between the first and the fourth cheque of one year, their current accounts must be closed, remaining cheques collected and the name reported to the Central Bank's Risk Bureau along with the amounts of each returned cheque.

Banks have the discretion to waive the counting of any returned cheque if they are convinced that such Cheque was written in good faith.

The Central Bank will use the information sent by all banks to compile a "List of Current Account Restricted Persons", which will be made available to all participating banks electronically.

7. Banks must give a formal warning to their customers each time when their cheques get returned unpaid.

8. Banks returning cheques unpaid must attach a slip on each cheque and tick the right reason/s for returning the cheque unpaid.

9. Banks should continue to follow their own procedures while opening, conducting and closing accounts, of course, keeping in view the above rules.

10. Once the current account of a customer is closed for financial reasons, the bank can consider reopening the account after a period of one year.

11. Banks must not leak any information they get through access to the Central bank's "List of Current Account Restricted Persons".

Based on the above Circular No. 457 dated 10th August 1987 is hereby cancelled with effect from 31st August 1993.

The above rules come into force on 1st September 1993, and all banks are requested to write to their customers to inform them accordingly, at least 15 days prior to 1st September 1993.

Yours faithfully,

Sultan Bin Nasser Al Suwaidi