



مصرف الإمارات العربية المتحدة المركزي  
CENTRAL BANK OF THE U.A.E.

## **CBUAE launches new regulations regarding reserve requirements**

**Abu Dhabi (22 October 2020):** The Central Bank of the UAE (CBUAE) announced today that, effective 28 October 2020, it will introduce a new regulations regarding reserve requirements for deposit-taking licensed financial institutions. The introduction of these regulations represents the second step towards implementation of the new Dirham Monetary Framework announced earlier this year.

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 financial 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.

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 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.

**Commenting on the launch of the new regulations, H.E. Abdulhamid M. Saeed Alahmadi, Governor of the Central Bank of the UAE, said:** "Reserve requirements represent a fundamental monetary policy tool used by the CBUAE for management of the banking sector liquidity. The launch of these new regulations will provide banks operating in the UAE the prospect to manage their day-to-day liquidity in a more flexible and efficient manner. In addition, the extension of the length of the reserve maintenance period from 7 to 14 days will provide an incentive for banks to take advantage of the new reserve averaging mechanism."

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