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**CASH AND TREASURY MANAGEMENT
COUNTRY REPORT**

UNITED ARAB EMIRATES

Executive Summary

Banking

The Emirati central bank is the Central Bank of the United Arab Emirates (UAE). Bank supervision is performed by the Central Bank.

The UAE does apply central bank reporting requirements. The Central Bank collects information on transactions between residents and non-residents via regular bank returns.

Resident entities are permitted to hold fully convertible domestic currency (AED) and foreign currency bank accounts domestically and outside the UAE (accounts in AED can be held in domestic banks' offshore affiliates). Non-resident entities are permitted to hold fully convertible domestic currency bank accounts and foreign currency bank accounts (belonging to non-resident banks and financial, industrial and trade companies) within the UAE.

The UAE has a large number of banks relative to the size of its population. There is a significant foreign banking presence in the UAE – 28 of its 46 commercial banks are foreign-owned and there are also 9 representative offices of foreign banks.

Payments

The Central Bank operates the UAE Funds Transfer System, which is the national RTGS system. The Image Check Clearing System (ICCS) was introduced in the UAE on July 12, 2008. A UAE Direct Debit System (UAEDDS) was launched in 2013.

Checks remain an important cashless payment instrument in the UAE. The increased use of electronic and internet banking has led to growth in the use of electronic credit transfers. Card payments are increasing rapidly, especially in the retail sector.

Liquidity Management

Companies based in the UAE have access to a variety of short-term funding alternatives. There is also a range of short-term investment instruments available.

Both cash concentration and notional pooling are used by companies in the UAE to manage company and group liquidity.

Trade Finance

The UAE is a member of the Gulf Cooperation Council (GCC). All trade between GCC member states is free from tariffs and other controls.

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PNC's International Services

PNC can bring together treasury management, foreign exchange, trade finance and credit capabilities to support your international needs in a coordinated and collaborative way.

International Funds Transfers

International Funds Transfers to over 130 countries in USD and foreign currency can be accessed through PINACLE®, PNC's top-rated, online corporate banking portal.

Multicurrency Accounts

Set up demand deposit accounts that hold foreign currency instead of U.S. dollars. These accounts offer a simple and integrated way to manage and move money denominated in more than 30 currencies, including offshore Chinese Renminbi. You can easily view deposit and withdrawal details through PINACLE.

PNC Bank Canada Branch ("PNC Canada")

PNC Bank, through its full service branch in Canada, can help you succeed in this important market. PNC Canada offers a full suite of products including payables, receivables, lending, and specialized financing to help streamline cross border operations.

Multibank Services

PNC's Multibank Services provide you with balances and activity for all your accounts held with PNC and other financial institutions around the world. PINACLE's Information Reporting module can give you a quick snapshot of your international cash position, including USD equivalent value, using indicative exchange rates for all your account balances. You can also initiate Multibank Transfer Requests (MT101s), and reduce the time and expense associated with subscribing to a number of balance reporting and transaction systems.

Establish accounts in foreign countries

Establishing good banking relationships in the countries where you do business can simplify your international transactions. PNC offers two service models to help you open and manage accounts at other banks in countries outside the United States.

- PNC Gateway Direct comprises an increasing number of banks located in many European countries and parts of Latin America. PNC's team will serve as a

point of contact for setting up the account helping with any language and time barriers and will continue to serve as an intermediary between you and the bank you select. You can access reporting and make transfers via PINACLE.

- PNC's Gateway Referral service can connect you to a correspondent banking network that comprises more than 1,200 relationships in 115 countries.

Foreign Exchange Risk Management

PNC's senior foreign exchange consultants can help you develop a risk management strategy to mitigate the risk of exchange rate swings so you can more effectively secure pricing and costs, potentially increasing profits and reducing expenses.

Trade Services

PNC's Import, Export, and Standby Letters of Credit can deliver security and convenience, along with the backing of an institution with unique strengths in the international banking arena. PNC also provides Documentary Collections services to both importers and exporters, helping to reduce payment risk and control the exchange of shipping documents. We assign an experienced international trade expert to each account, so you always know your contact at PNC and receive best-in-class service. And PNC delivers it all to your computer through advanced technology, resulting in fast and efficient transaction initiation and tracking.

Trade Finance

For more than 30 years, PNC has worked with the Export-Import Bank of the United States (Ex-Im Bank) and consistently ranks as a top originator of loans backed by the Ex-Im Bank both by dollar volume and number of transactions.¹

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(1) Information compiled from Freedom of Information Act resources.

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Contents

Executive Summary	2
PNC's International Services	4
Financial Environment	9
Country information	9
Geographical Information	9
Business Information	9
Country Credit Rating	10
Economic Statistics	11
Economics Table	11
Sectoral Contribution as a % of GDP	12
Major Export Markets	12
Major Import Sources	12
Political and Economic Background	13
Economics	13
Interest Rate Management Policy	13
Foreign Exchange Rate Management Policy	13
Major Economic Issues	13
Politics	14
Government Structure	14
Major Political Issues	14
Taxation	16
Resident/Non-resident	16
Tax Year/Filing	16
Corporate Taxation	16
Advance Tax Ruling Availability	17
Wealth Tax	17
Transfer Pricing	17
Thin Capitalization	17
Capital Gains Tax	17
Stamp Duty	17
Withholding Tax (Subject to Tax Treaties)	17
Tax Treaties / Tax Information Exchange Agreements (TIEAs)	17
Cash Pooling	17
Sales Taxes / VAT (including Financial Services)	17
Real Property Taxes	18
Other Business Taxes	18
Financial Transactions / Banking Services Tax	18
Payroll and Social Security Taxes	18
Cash Management	19
Banking System	19
Banking Regulation	19

Banking Supervision.....	19
Central Bank Reporting.....	19
Exchange Controls.....	19
Bank Account Rules.....	20
Anti-money Laundering and Counter-terrorist Financing.....	21
Banking Sector Structure.....	22
Major Domestic Banks.....	22
Overall Trend.....	22
Payment Systems.....	24
Overview.....	24
High-value.....	25
Low-value.....	26
Payment and Collection Instruments.....	27
Overview and Trends.....	27
Statistics of Instrument Usage and Value.....	27
Paper-based.....	27
Credit Transfers.....	27
Checks.....	27
Electronic.....	27
Credit Transfers.....	27
Payment Cards.....	28
ATM/POS.....	28
Electronic Wallet.....	28
Liquidity Management.....	29
Short-term Borrowing.....	29
Overdrafts.....	29
Bank Lines of Credit / Loans.....	29
Trade Bills – Discounted.....	29
Factoring.....	29
Commercial Paper.....	29
Bankers’ Acceptances.....	29
Supplier Credit.....	29
Intercompany Borrowing, including Lagging Payments.....	29
Short-term Investments.....	29
Interest Payable on Bank Account Surplus Balances.....	29
Demand Deposits.....	29
Time Deposits.....	30
Certificates of Deposit.....	30
Treasury (Government) Bills.....	30
Commercial Paper.....	30
Money Market Funds.....	30
Repurchase Agreements.....	30
Bankers’ Acceptances.....	30

Liquidity Management Techniques	30
Cash Concentration.....	30
Notional Pooling.....	30
DIFC.....	31
Trade Finance.....	32
General Rules for Importing/Exporting	32
Imports	33
Documentation Required.....	33
Import Licenses	33
Import Taxes/Tariffs	33
Financing Requirements.....	33
Risk Mitigation.....	33
Prohibited Imports.....	33
Exports	34
Documentation Required.....	34
Proceeds	34
Financing Requirements.....	34
Export Licenses	34
Export Taxes/Tariffs	34
Risk Mitigation.....	34
Prohibited Exports.....	34
Information Technology.....	35
Electronic Banking.....	35
External Financing.....	36
Long-term Funding	36
Bank Lines of Credit / Loans	36
Leasing	36
Bonds	36
Private Placement	36
Asset Securitization / Structured Finance	36
Government Investment Incentive Schemes / Special Programs or Structures	36
Useful Contacts.....	37
Investment Promotion Agency	37
Central Bank.....	37
Banks.....	37
Stock Exchanges	37
Ministry of Finance	37
Ministry of Economy.....	37
Chambers of Commerce.....	37
Offshore Financial Centers	37

Financial Environment

Country information

Geographical Information

Capital	Abu Dhabi
Area	83,600 km ²
Population	5.78 million
Official language	Arabic
Political leaders	Head of state — President Khalifa bin Zayid Al Nahyan (since November 3, 2004) Head of government — Prime Minister Muhammad bin Rashid al Maktum (since January 5, 2006)

Business Information

Currency (+ SWIFT code)	Emirati dirham (AED)
Business banking hours	Business hours — 08:00–13:00 and 16:00–19:00 (Sat–Thu) Banking hours — 08:00–13:00 (Sat–Wed) 08:00–12:00 (Thu)
Bank holidays	2017 — January 1, April 24*, June 25–27*, August 31*, September 1–3*, 21*, November 30, December 1*, 2* 2018 — January 1, April 14*, June 15–17*, August 21–24*, September 11*, November 20*, 30, December 2* <small>* The date shown may vary by plus or minus one day. These dates are derived by converting from a non-Gregorian calendar (e.g., Muslim or Hindu) to the Gregorian calendar. Some of these dates cannot be determined in advance with absolute accuracy, even by the governing authorities. In the case of Muslim dates in particular, the feast days are determined by the sighting of a new/full moon.</small>
International dialing code	+ 971

Source: www.goodbusinessday.com.

Country Credit Rating

Fitch Ratings does not provide a country credit rating for the UAE.

Economic Statistics

Economics Table		2010	2011	2012	2013	2014
GDP per capita	(USD)	33,892	39,030	41,723	42,832	43,944
GDP	(AED billion)	1,051	1,280	1,371	1,422	1,467
GDP	(USD billion)	286	349	373	387	399
GDP volume growth*	(%)	+ 1.4	+ 5.0	+ 4.3	+ 4.6	NA
Current account as % GDP		2.5	14.7	18.5	16.1	NA
Consumer inflation*	(%)	+ 0.9	+ 0.9	+ 0.7	+ 1.1	+ 2.3
Population	(million)	8.44	8.93	8.95	9.04	9.09
Unemployment	(%)	4.0	4.0	3.8	NA	NA
Interest rate (3 month interbank)†	(%)	NA	NA	NA	NA	NA
Exchange rate‡	(AED per USD)†	3.6725	3.6725	3.6725	3.6725	3.6725

		2015			2016	
		Q3	Q4	Year	Q1	Q2
GDP per capita	(USD)	-	-	NA	-	-
GDP	(AED billion)	-	-	NA	-	-
GDP	(USD billion)	-	-	NA	-	-
GDP volume growth*	(%)	NA	NA	NA	NA	NA
Current account as % GDP		-	-	NA	-	-
Consumer inflation*	(%)	NA	NA	NA	NA	NA
Population	(million)	-	-	9.16	-	-
Unemployment	(%)	NA	NA	NA	NA	NA
Interest rate (3 month interbank)†	(%)	NA	NA	NA	NA	NA
Exchange rate‡	(AED per USD)†	3.6725	3.6725	3.6725	3.6725	3.6725

* Year on year. † Period average. ‡ Official rate.

Sources: International Financial Statistics, IMF, September 2016 and 2015 Yearbook, World Bank, National Bureau of Statistics, UAE and Ministry of Economy, UAE

Sectoral Contribution as a % of GDP

Agriculture - 0.8%

Industry - 46.9%

Services - 52.3% (2015 estimate)

Major Export Markets

Iran (14.5%), Japan (9.8%), India (9.2%), China (4.7%), Oman (4.3%)

Major Import Sources

China (15.7%), India (12.8%), USA (9.7%), Germany (6.8%), UK (4.4%)

Political and Economic Background

Economics

Interest Rate Management Policy

As the UAE has pegged the Emirati dirham (AED) to the US dollar, the UAE's interest rates are required to be aligned to those of the USD.

Foreign Exchange Rate Management Policy

Like most of its fellow member states of the Gulf Cooperation Council (GCC), the UAE has pegged its currency to the USD, at a rate of AED 3.6725 per USD 1.

GCC member states had planned to launch a common currency, the Khaleeji, in 2010. However, the UAE and Oman have since pulled out of plans for monetary union. Amongst the remaining GCC members, monetary union is not expected to be reached until 2020 at the earliest.

Major Economic Issues

The UAE economy has grown rapidly in recent years. It benefits from significant natural oil reserves and has successfully developed into one of the world's most open economies, attracting significant revenues from both a large expatriate workforce and its developing tourism business. The country's tax-free status means it is a popular place in which to work and invest. It has also developed relatively liberal trade regulations. The UAE joined the GCC common market at its launch on January 1, 2008. It also continues to trade with Iran in both goods and services.

From mid-2008, the global economic crisis impacted the UAE's economic growth, particularly in Dubai. Unlike other UAE emirates, Dubai does not have revenues from large oil reserves; instead, Dubai's recent economic success has come from the diversification of its economy. Key industries, such as tourism, real estate and construction, were badly affected by the global credit crisis. The city state also faces substantial debts. Dubai's oil-rich neighbor, Abu Dhabi, provided a series of financial relief packages in 2009, notably when the Dubai government-owned property investment conglomerate, Dubai World, faced a liquidity crisis. The Dubai government has also raised repayment funds through bond sales since July 2009. In February 2015, Dubai World announced it was restructuring debt of USD 14.6 billion.

During 2010, the economic climate in Dubai stabilized and modest economic growth has also returned to the UAE as a whole since 2010. However, the economy is again being challenged by low global oil prices and international economic weakness, which again is being felt most strongly in Dubai. The overall economy of the UAE expanded by 2.5% 2015, and, although growth has continued at similar levels in 2016, the medium term economic outlook is uncertain.

In April 2014, Dubai signed an agreement to refinance, at preferential rates, USD 20 billion of bonds and loans owed to the UAE central bank and Abu Dhabi. Dubai extended the maturities for

five years at 1%, below the 4% agreed in 2009. This extension will remove around a quarter of the USD 80 billion in maturities that the IMF states Dubai needs to repay in 2017.

Politics

Government Structure

The UAE is a federation of seven emirates (Abu Dhabi, Dubai, Ajman, Fujairah, Ras al Khaimah, Sharjah and Umm al Qaiwain) whose rulers comprise the federal government, the Federal Supreme Council (FSC).

Leading the FSC are the Federal President, who is the head of state, and the Prime Minister and Vice President, who is the head of government.

The federal government is based in Abu Dhabi.

Each of the UAE's seven emirates also has a local government.

Executive

The seven emirs govern the UAE in the FSC, which elects the President every five years.

The President of the UAE is the Emir of Abu Dhabi, Sheikh Khalifa bin Zayid Al Nahyan, who was unanimously elected in November 2004. The date of the next presidential election has not yet been announced.

The Prime Minister and Vice President is the Emir of Dubai, Sheikh Muhammad bin Rashid al-Maktum. He was appointed by the President.

Legislature

At national level, the UAE has a unicameral legislature. Half of the 40-member Federal National Council (Majlis al-Ittihad al-Watani) are appointed by the rulers of the seven emirates while the other half are elected every four years by an electoral college of 129,274 hand-picked Emiratis (59,991 of whom are women) appointed by the seven emirs. The next election is scheduled for 2015.

The Federal National Council reviews and oversees legislation to be enacted by the FSC, but it does not have the power to veto or change legislation.

International Memberships

The UAE is a member of the Gulf Cooperation Council (GCC). (The GCC consists of Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the UAE). It is also a member of the Arab League, the Arab Fund for Economic and Social Development, the Islamic Development Bank, the G-77, the Organization of Petroleum Exporting Countries (OPEC) and the World Trade Organization (WTO).

Major Political Issues

The UAE is a politically stable and relatively liberal regime located in the Gulf of Oman in the Middle East.

In December 2006, the UAE held its first ever national elections. The government appointed

voters from each of its seven emirates' electoral colleges to elect half of the 40-member Federal National Council's members. Those elected are also from within the emirates' electoral colleges. New elections were held on September 24, 2011. On February 15, 2011, the UAE's President, Sheikh Khalifa bin Zayid approved an expansion of electoral college members from 6,689 to 129,274 members to broaden political participation. The expanded electoral college members elected half (20 members) of the representatives in the Federal National Council. The remaining half will then be appointed by the King and members of the Supreme Council. Of the twenty newly elected members, there are four each from Abu Dhabi and Dubai, three each from Sharjah and Ras Al Khaimah and then two each from Ajman, Fujairah and Umm Al Quwain. The FSC has suggested that the powers of the advisory Federal National Council may be increased in the coming years; however, no timeline has yet been set.

Concern over employment levels of young Emiratis resulted in the government introducing new legislation in February 2009 aimed at safeguarding UAE nationals' jobs. Private companies operating in the UAE may now only dismiss a UAE national for serious misconduct. In 2013 the UAE government announced it was considering changing its labor laws to encourage more Emiratis to work in the private sector, as only around 11% of the UAE's population are citizens. In November 2014, the Ministry of Labor announced plans for a new law which would give Emiratis working in the private sector the same salaries and benefits as those working in government-related jobs in the public sector.

The Emirate of Dubai announced compulsory health insurance provision for employees in December 2013 to be introduced on a staggered basis according to the number of employees employed within an organization.

In 2014, a bill for mandatory military service was passed into law, requiring military service for all Emirati men aged between 18 and 30. It is optional for women.

The wealth disparity between Abu Dhabi and Dubai and the poorer emirates in the north of the UAE is a potential area for concern for the UAE government. This has resulted in the government recently committing around USD 1.5 billion to improve utilities infrastructure in some of the country's less wealthy emirates.

Taxation

Currently no corporate income tax is imposed on the income of companies in the United Arab Emirates (“UAE”), except for oil and gas production and exploration companies and branches of foreign banks.

Resident/Non-resident

In practice, a company that is incorporated in the UAE is considered resident provided it can establish that: (1) all of the shares of the company are beneficially owned by residents of the UAE; or (2) all or substantially all of the company’s income is derived by the company from the active conduct of a trade or business other than an investment business in the UAE; and (3) all or substantially all of the value of the company’s property is attributable to property used in that trade or business.

Tax Year/Filing

The tax year is the Gregorian calendar year; however taxpayers may use a different accounting period.

Annual financial statements must be filed with the Ministry of Commerce by companies and branches located outside the free trade zones.

Entities located within a free trade zone report to the free trade zone authority of the relevant zone. Free trade zone entities have never officially been requested to file or report financial statements to any ministry/authority located outside the free zone.

Group taxation is not permitted.

Corporate Taxation

Income tax decrees have been issued by five of the seven Emirates (i.e. Abu Dhabi, Dubai, Sharjah, Ajman, Umm Al Qaiwan, Ras Al Khaimah and Fujairah), but currently are only enforced on the income of oil and gas exploration and production companies, branches of foreign banks and certain petrochemical companies under specific government concession agreements, at flat rates of 50%/55% (Dubai/Abu Dhabi).

There is no UAE wide federal corporate tax rate.

The tax or royalty paid by branches of foreign banks is generally determined by reference to the tax decree for the particular emirate, the rules specially made by the individual emirate, and any specific agreements that a particular bank may have made, generally at a flat rate of 20%.

There is no surtax or alternative minimum tax.

The UAE offers several free trade zones with renewable 50-year tax holidays and exemption from import duty on goods brought into that free zone.

There has been continued speculation about the possible introduction of a Federal Tax Law in the UAE in the future. The details and timing of the introduction of any new taxes in the UAE remains uncertain.

Advance Tax Ruling Availability

There is no advance tax ruling practice in the UAE.

Wealth Tax

Religious wealth tax (zakat) is currently not levied in the UAE.

Transfer Pricing

There is no specific transfer pricing legislation.

Thin Capitalization

There are no thin capitalization rules.

Capital Gains Tax

There is no capital gains tax.

Stamp Duty

There is no stamp duty tax.

Withholding Tax (Subject to Tax Treaties)

There are no withholding taxes in the UAE.

Tax Treaties / Tax Information Exchange Agreements (TIEAs)

The UAE has exchange of information relationships with 86 jurisdictions through 83 double tax treaties and three TIEAs (www.eoi-tax.org, February 2016).

Cash Pooling

The UAE has no specific tax rules for cash pooling arrangements.

Sales Taxes / VAT (including Financial Services)

There is currently no value added tax/sales tax in the UAE.

It is expected that VAT will be introduced by 2018, although specific details of the regime are yet to be released at the time of writing. It is expected to be in line with GCC agreed principles.

Real Property Taxes

Municipal taxes are imposed on certain hotel and leisure services and property rentals. Annual rental income of residential and commercial tenants is taxed at 5% and 10%, respectively.

A transfer charge is levied on the transfer of real property. The rate varies according to the local jurisdiction.

Other Business Taxes

The customs duty levied on most goods entering the UAE is 5% (excluding restricted products, which are charged at higher rates). In accordance with the Gulf Cooperation Council (GCC) customs law, the UAE also adopts a shared list of exempted goods (more than 630 items). (The GCC consists of Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the UAE.)

Imports and exports between the GCC member states are free of customs duties. Hotels generally pay a tax of 5% to 10% on the services provided to customers.

Financial Transactions / Banking Services Tax

There are no specific taxes levied on financial transactions or banking services rendered in the UAE. However, as noted above, branches of foreign banks are generally subject to tax at a rate of 20%.

Payroll and Social Security Taxes

There is currently no personal income tax in the UAE imposed on the income of individuals working in the UAE, and no tax returns need to be filed.

There are no payroll taxes payable by employers.

Employer and employee pension contributions are payable in respect of UAE-national employees only, at rates of 12.5% and 5% on salaries for employers and employees respectively.

The UAE does not impose social security taxes on foreign workers.

All tax information supplied by Deloitte Touche Tohmatsu and Deloitte Highlight 2016 (www.deloitte.com).

Cash Management

Banking System

Banking Regulation

Banking Supervision

Central bank

The Emirati central bank is the Central Bank of the UAE. It was established in 1980 and is based in Abu Dhabi. It derives its authority from the Union Law (No. 10) of 1980.

Within the UAE, it is the banker to the government and to other banks. It issues currency, manages the country's monetary reserves and supports government economic policy.

Other banking supervision bodies

Bank supervision is performed by the Central Bank.

Central Bank Reporting

General

The UAE does apply central bank reporting requirements.

What transactions - listed

The Central Bank collects information on all transactions between residents and non-residents via regular bank returns.

Whom responsible

The Central Bank collects the information from the banks involved.

Additional reporting for liquidity management schemes

Transfers between resident and non-resident bank accounts participating in the same liquidity management scheme are not subject to additional reporting requirements.

Exchange Controls

Exchange structure

The UAE's official currency is the Emirati dirham (AED).

Classification

The AED is subject to a conventional pegged arrangement. It is pegged to the USD at a rate of AED 3.6725 per USD 1.

Exchange tax

There is no exchange tax.

Exchange subsidy

There is no exchange subsidy.

Forward foreign exchange market

There is an active forward exchange market within the commercial banking sector. The Central Bank also offers swap facilities to commercial banks over one week, or one, two, three, six, nine and 12 month terms.

Capital flows

There are controls on certain capital transactions.

Companies in the UAE (not including branches of foreign companies) are required to be no less than 51% domestically-owned, although no restrictions apply to GCC nationals.

Companies are permitted to be wholly foreign-owned in one of the UAE's 38 free trade zones, including the Dubai International Financial Center (DIFC).

Loans, interest and repayments

When their loans to non-resident banks have a maturity equal to one year or below, resident banks are required to hold 30% of the amounts loaned in special deposit accounts at the Central Bank.

Royalties and other fees

There are no restrictions.

Profit remittance

There are no restrictions on the remittance of profits into or out of the UAE.

Bank Account Rules

Resident entities are permitted to hold fully convertible domestic currency (AED) and foreign currency bank accounts domestically and outside the UAE.

Non-resident entities are permitted to hold fully convertible domestic currency bank accounts and foreign currency bank accounts within the UAE.

Interest can be accrued on savings accounts and deposits and, subject to approval, current accounts. Overdraft facilities are also available.

Anti-money Laundering and Counter-terrorist Financing

- The UAE has implemented anti-money laundering and counter-terrorist financing legislation (Federal Law No. 4 of 2002, as amended by, Federal Law No.9 of 2014; Federal Law No.1 of 2004; Federal Law No.8 of 2004; Federal Law No. 2 of 2006 and Federal Law No. 7 of 2014. The Central Bank has also issued a series of related Regulations.
- The UAE is a member of the Gulf Co-operation Council (GCC), which is a member of the Financial Action Task Force (FATF). It is also a member of the Middle East and North Africa Financial Action Task Force (MENAFATF).
- The UAE has established a financial intelligence unit (FIU), the Anti-Money Laundering and Suspicious Cases Unit (AMLSCU) within the Central Bank (CB), which is a member of the Egmont Group.
- Account operating procedures require formal identification of the account holder and beneficial owners.
- Financial institutions must, where a customer performs a transaction on behalf of a third party, identify the customer and the third party.
- In the case of legal entities banks should obtain a copy of the valid trade licence, the name and address of the account holder and that of the partners or directors. Banks must maintain the names and addresses of shareholders with a holding of more than 5% in public companies.
- Financial institutions are required to conduct on-going CDD.
- Financial Free Zones (tax free zones where financial companies operate under an independent regulator) and all operations conducted therein are subjected to the provisions of Federal Law No. 4 of 2002 Regarding the Criminalization of Money Laundering.
- Financial institutions must verify and record the identity and details of customers transferring AED 40,000 or the equivalent in foreign currency in a single or multiple linked transactions, payments of cash for transfers or drafts above AED 3,500 or AED 2,000 by wire transfer.
- The CB requested Hawala brokers to register with the CB and submit details of transfers, senders and beneficiaries.
- All financial institutions in the broadest sense (including Hawala brokers) must record and report suspicious transactions to the AMLSCU.
- Cash exceeding the value of AED 100,000 or the equivalent in foreign currency which is imported into or out of the country must be declared to the customs authorities.
- All records must be kept for at least five years.

Data as at January 2016.

Banking Sector Structure

Major Domestic Banks

Bank	Total assets (USD million) December 31, 2015
National Bank of Abu Dhabi	1110,690
Emirates NBD	110,689
Abu Dhabi Commercial Bank	62,147
First Gulf Bank	61,937
Dubai Islamic Bank	40,811
Abu Dhabi Islamic Bank	33,229
Mashreq Bank	31,352
Union National Bank	25,446*

* As at December 31, 2014.

Source: www.accuity.com.

Overall Trend

Taking into account its population size, the UAE has a relatively large number of banks and a diversified banking sector. There is a significant foreign banking presence in the UAE – 28 of its 46 commercial banks are foreign-owned, with 86 branches and 9 representative offices of foreign banks. There are also two investment banks and five wholesale banks.

Three of the four largest banks in terms of assets are all majority state-owned - Emirates NBD, the National Bank of Abu Dhabi and Abu Dhabi Commercial Bank.

Emirates NBD was formed in October 2007 as a result of a merger between two Dubai-based banks, the previously second and fourth largest banks in the UAE – Emirates Bank International and the National Bank of Dubai. Emirates NBD is currently the largest bank by total assets in the Middle East. In July 2016, the boards of National Bank of Abu Dhabi and First Gulf Bank approved a merger between the two institutions, which will see the creation of the Middle East's largest lender with assets in excess of USD 175 billion. The merger could become effective as soon as the first quarter of 2017 and will see the National Bank of Abu Dhabi name adopted for the merged bank.

A number of leading international banks also have a presence in the UAE and the majority of banks in the UAE have good solvency rates.

Established in 2004, the UAE is home to the Dubai International Financial Center (DIFC), an offshore financial center expected to establish Dubai as the Gulf region's leader for capital and investment. Over 1,455 institutions have a presence in the DIFC.

From 2008, the UAE banking sector was badly affected by the global financial credit crisis, mainly from problems in the international capital markets and a high exposure to property markets,

particularly in Dubai. The ratio of non-performing loans stood at around 6% of banks' loans as of 2014 and is predicted to have fallen further during 2015. Outstanding provisions started to fall in October 2012, due in part to a recovery in the Dubai real estate market.

The Central Bank of the UAE has made USD 32.7 billion available to the country's banking sector, through a credit facility for financial institutions and by guaranteeing deposits in local and foreign banks. The Central Bank announced in November 2009 an additional liquidity facility worth around AED 50 billion available to all UAE banks and branches of foreign banks, following the announcement by the property conglomerate, Dubai World, that it was seeking to restructure its debt, to which many UAE and regional banks are creditors. In 2012 the Central Bank announced the establishment of a margin lending facility, a discounted funding tool for banks.

In November 2008, the UAE government announced the merger of Dubai's two largest mortgage companies, Amlak Finance and Tamweel, with two government-owned banks, Real Estate Bank and Emirates Industrial Bank. The new bank, Emirates Development Bank, provides facilities for the country's property buyers and developers. The Cabinet approved the establishment of the bank in June 2009 and the bank's structure became formalized in August 2010. In November 2012, HSBC Bank Middle East received approval from the central bank to buy the onshore business of Lloyds Banking Group in UAE. This deal saw HSBC taking over an asset size of USD 769 million. Also in 2012, Emirates Islamic Bank merged with Dubai Bank to create the fourth Islamic bank in the UAE. In April 2014, Barclays Bank agreed to sell its retail banking operations in the UAE to Abu Dhabi Islamic Bank for AED 650 million.

Payment Systems

Overview

The Central Bank operates the UAE's main payment system, the UAE Funds Transfer System (UAEFTS), which is a real-time gross settlement (RTGS) system used for all interbank credit transfers, regardless of value.

The Central Bank launched a new Image Check Clearing System (ICCS) on July 12, 2008. All checks and draft payments were previously cleared by an electronic Clearing House.

The UAE Direct Debit System (UAEDDS) was launched in 2013 and provides a centrally operated method of effecting a range of recurring payment transactions, such as for utility services, card payments and loan repayments.

The Wages Protection System (WPS) processes salary payments including all government payments via the central bank. There were 108 participants including 52 banks at the end of 2015.

The national UAE SWITCH ATM network can be used to process interbank card payments.

High-value

Name of system	UAEFTS
Settlement type	Real-time gross settlement / net settlement
Settlement cycle	Payments are settled at the Central Bank on a same-day basis with immediate finality. Large-value transfers are settled individually while low-value retail payments are processed in batches on a net settlement basis.
Links to other systems	NA
Payments processed	All interbank credit transfers
Currency of payments processed	AED
Value and other limits to processing	There are no value thresholds.
Operating hours	08:00 to 14:00 Gulf Standard Time (GST)
System holidays	The system is only closed on Fridays and bank holidays.
Cut-off times	NA
Participants	There are currently 52 banks, four non-banking financial institutions, five third-party service providers and 47 exchange houses that participate in the UAEFTS.
Access to system	Using SWIFT format
Future developments	NA

Low-value

Name of system	ICCS
Settlement type	Net settlement
Settlement cycle	Checks deposited by customers are scanned by bank branches and sent to head offices, where they are forwarded to the Central Bank. Payment is then made against the account holder's check image. Checks are now cleared for same-day settlement.
Links to other systems	NA
Payments processed	Checks and demand drafts
Currency of payments processed	AED
Value and other limits to processing	There are no value thresholds.
Operating hours	The system operates between 08:00 and 13:00 GST from Saturday to Wednesday, and between 08:00 and 12:00 on Thursday.
System holidays	The system is only closed on Fridays and bank holidays.
Cut-off times	10:00 GST for same day settlement by 16:00
Participants	There are 56 banks, 22 government ministries and four non-bank financial institutions that currently participate in the ICCS.
Access to system	Payment instructions are submitted to the ICCS by banks on floppy disk.
Future developments	NA

Payment and Collection Instruments

Overview and Trends

The most important cashless payment instruments in the UAE in terms of volume, to date, have been checks. More recently, the increased use of electronic and internet banking has led to a growth in the use of electronic credit transfers. Card payments are increasing rapidly, especially in the retail sector. A direct debit scheme was launched in 2013 and has seen a rapid take up.

Statistics of Instrument Usage and Value

	Transactions (million)		% change	Traffic (value) (AED billion)		% change
	2014	2015	2015/2014	2014	2015	2015/2014
Checks	32.1	32.6	1.5	1,608.4	1,649.6	2.6
UAE FTS	20,688	25,407	22.8	2,453.0	2,570.7	4.8
Card payments	79,430	88,532	11.5	114.5	128.1	11.9
Direct debits	795	2,740	244.6	2.3	11.1	382.6
TOTAL	100,945.1	116,711.6	15.6	4,178.20	4,359.50	4.3

Sources: Central Bank of the UAE Annual Report and UAE Monthly Indicators (Data Room).

Paper-based

Credit Transfers

Both paper-based and electronic credit transfers are used in the UAE. However, they are all processed electronically (see below).

Checks

The check remains an important payment instrument in the UAE, in terms of both volume and value.

All checks are cleared through the Central Bank's electronic Image Check Clearing System (ICCS) on either a same day or next working day basis.

Electronic

Credit Transfers

Credit transfers are used for large-value payments and by companies to pay suppliers and salary payments. They are also used to make tax and benefit payments.

Credit transfers are settled through the UAEFTS system. Intra-bank transfers can be effected through banks' proprietary electronic banking facilities. The majority of cross-border transfers are processed via SWIFT between correspondent banks.

Direct Debits

Direct debits are available in the UAE and their usage and availability is increasing. Direct debits are used for payment of fees to the government of Dubai and for utility bill payments. Direct debit payments are processed via the UAE Direct Debit System (UAEDDS) launched in 2013.

Payment Cards

The use of payment cards continues to increase in the UAE, especially among retail consumers. Only Kuwait and Saudi Arabia have higher rates than UAE's card usage within the Gulf region. There were 12.64 million payment cards in circulation at the end of 2015, up 6.7% from the end of the previous year.

The international card networks Visa and MasterCard are the primary brands of credit cards issued by banks in the UAE. VISA Electronic card, Debit Master Card and UAESWITCH Debit Cards are the main type of debit cards.

Each bank in the UAE has its own clearing and settlement arrangements with card issuers.

In January 2009, the UAE central bank announced that banks should start to place chip and PIN technology on all debit and credit cards to help combat payment card fraud. All prepaid and debit cards were migrated to EMV technology by December 31 2012, and all charge and credit cards made the changes by December 31, 2014.

ATM/POS

There is an increasing use of ATMs and POS terminals. There were 5,144 ATMs in the UAE as of mid-2016 and 141,000 POS terminals at the end of 2015.

ATMs in the UAE are interconnected by UAE SWITCH. This connects via the GCCNet ATM network to all the ATM networks of its fellow GCC member states plus those of Egypt, Iran and Lebanon.

All POS terminals in the UAE have migrated to EMV technology for card payments since March 31, 2012. All ATMs were required to make the transition by December 31, 2012.

Electronic Wallet

The e-Dirham card (e-Dirham G2) is an e-purse card operated by the Ministry of Finance and National Bank of Abu Dhabi. It is primarily used as a payment method for government services. It is issued to companies and individuals in the UAE by several banks and the Ministry of Finance and Industry. The e-Dirham card can be used at EFTPOS terminals and online (E-Dirham Payment Gateway) and is currently being expanded to other payment instruments. It may become part of the national identity card in the future. (From January 2009, all Emiratis have had to use the national identity card to facilitate government and private transactions.)

Liquidity Management

Short-term Borrowing

Overdrafts

Both resident and non-resident entities can arrange overdrafts with the bank.

Bank Lines of Credit / Loans

Resident and non-resident entities can arrange short-term bank loans denominated in local and foreign currency from local and foreign banks.

Trade Bills - Discounted

No information currently available.

Factoring

Factoring is widely available in the UAE, with and without recourse.

Commercial Paper

No evidence exists of an active commercial paper market within the UAE.

Bankers' Acceptances

Bankers' acceptances are not used in the UAE.

Supplier Credit

Supplier credit is available from international banks operating in the UAE.

Intercompany Borrowing, including Lagging Payments

Emirati groups are permitted to establish intercompany loans, both as part of a liquidity management scheme or for a longer term.

Short-term Investments

Interest Payable on Bank Account Surplus Balances

Subject to approval, interest-bearing current accounts are available to both resident and non-resident entities. Savings accounts accrue a higher rate of interest.

Demand Deposits

Interest-bearing demand deposit accounts are available to both resident and non-resident entities in AED or major foreign currencies.

Time Deposits

Banks usually offer time deposits in AED or a major foreign currency with maturities of one, two, three, six and 12 months.

Certificates of Deposit

Offered to banks by the Central Bank, certificates of deposit (CDs) are available in AED, EUR or USD with maturities between one week and five years. Daily auctions are held for CDs with a maturity of up to one year. Longer-dated CDs are auctioned monthly. CDs are issued with a minimum value of AED 1 million, EUR 1 million or USD 1 million. In November 2010, the Central Bank started issuing Sharia-compliant Islamic certificates of deposit (ICDs), with maturities ranging from one week to five years.

Treasury (Government) Bills

Treasury bills are not issued by the Emirati government at present.

Commercial Paper

There is no active commercial paper market within the UAE.

Money Market Funds

Money market funds are increasingly available.

Repurchase Agreements

CDs can be used in the UAE as a type of repurchase agreement.

Bankers' Acceptances

Bankers' acceptances are not used in the UAE.

Liquidity Management Techniques

Cash Concentration

Cash concentration is the more common technique used by companies to manage company and group liquidity.

Both resident and non-resident bank accounts and separate legal entities can participate in a cash concentration structure located in the UAE.

The majority of international cash management banks in the UAE only offer cash concentration for managing liquidity.

Notional Pooling

Notional pooling is available in the UAE. Both resident and non-resident bank accounts and separate legal entities can participate in a notional cash pooling arrangement located in the UAE.

Companies in the Gulf region often favor the UAE as a location for regional pooling and treasury activities. Bahrain is also a popular location.

DIFC

The Dubai International Financial Center (DIFC) operates as an offshore financial center and tax-free zone. There are currently 1,455 active companies with a presence in the DIFC including 408 financial services companies.

In September 2005, the DIFC launched the Dubai International Financial Exchange (DIFX), which is now Nasdaq Dubai. Dubai Financial Market (DFM) is the majority shareholder of Nasdaq Dubai after it purchased two-thirds of the shares of Nasdaq Dubai from Borse Dubai (which still owns one-third) and Nasdaq OMX Group (which holds shares in DFM) in May 2010.

Trade Finance

General Rules for Importing/Exporting

The UAE is a member of the GCC, which is a subset of the Arab League. The GCC common market entered into force on January 1, 2008. All trade between GCC member states and most trade with other Arab League countries (with the exception of Algeria, the Comoros Islands, Djibouti, Mauritania and Somalia), i.e. the Greater Arab Free Trade Area (GAFTA), is free from tariffs.

The UAE is home to 48 free trade zones and 12 special economic zones.

Imports

Documentation Required

Imports originating outside the GCC will normally need to be accompanied by a commercial invoice, a customs declaration, a bill of lading and a packing list. A certificate of origin may also be required.

Imports originating inside the GCC do not require formal supporting documentation, although a commercial invoice should normally be supplied.

Import Licenses

Some steel and textiles require import licenses.

Import Taxes/Tariffs

As a member of the GCC, the UAE applies the common customs code to all imports originating from outside the GCC. Imports from GCC countries and most imports from non-GCC countries are exempt from tariffs.

Imports from outside the Arab League are usually subject to a 5% common external tariff. Higher tariffs are levied on alcohol (125%) and tobacco (100%), and additional duties on quantity and weight can mean even higher tariffs.

Financing Requirements

There are no particular financing requirements for imports.

Risk Mitigation

The UAE does not operate a national risk mitigation program for importers.

Prohibited Imports

Imports are usually prohibited for moral, health and environmental reasons, for foreign policy reasons and to protect national security. Companies blacklisted by the Arab League are not permitted to import products into the UAE, and all trade with Israel is also forbidden.

Exports

Documentation Required

Exports to countries outside the GCC will normally need to be accompanied by a commercial invoice, a customs declaration, a bill of lading and a packing list. A certificate of origin may also be required.

Exports to countries within the GCC do not require formal supporting documentation, although a commercial invoice should normally be supplied.

Proceeds

There are no restrictions on the use of export proceeds.

Financing Requirements

There are no particular financing requirements for exports.

Export Licenses

Exports from the UAE do not require export licenses.

Export Taxes/Tariffs

The UAE does not levy taxes or tariffs on exports.

Risk Mitigation

Export credit insurance is available on a commercial basis in the UAE, mainly from private companies such as Euler Hermes. Insurance for outward investments in other Arab countries is also provided by the Arab Investment and Export Credit Guarantee Corporation (DHAMAN). Export financing is provided by commercial banks.

Prohibited Exports

The UAE prohibits exports to Israel.

Information Technology

Electronic Banking

The UAE is a regional leader with regard to its banking services and technology. An increasing number of companies have access to electronic banking services which are now widely available and offered by most commercial banks in the UAE. There is no national bank-independent electronic banking standard in the UAE. The services on offer usually include balance and transaction reporting as well as payment initiation. Browser-based banking services are offered by most banks and are popular with individuals and small companies. These services are far more popular in the UAE than in other Middle Eastern countries. Online banking is usually retail-orientated.

External Financing

Long-term Funding

Bank Lines of Credit / Loans

Medium and long-term financing is available in the form of bank loans.

Leasing

No information is currently available.

Bonds

Bonds, including sukuk (Islamic bonds), are issued by the government, banks and large companies in the UAE.

Private Placement

No information is currently available.

Asset Securitization / Structured Finance

No information is currently available.

Government (Agency) Investment Incentive Schemes / Special Programs or Structures

No information is currently available.

Useful Contacts

Investment Promotion Agency

Abu Dhabi Investment Company (Invest AD) — www.investad.com

Central Bank

Central Bank of the United Arab Emirates — www.centralbank.ae

Banks

National Bank of Abu Dhabi — www.nbad.com

Emirates NBD — www.emiratesnbd.com

First Gulf Bank — www.fgb.ae

Abu Dhabi Commercial Bank — www.adcb.com

Stock Exchanges

Abu Dhabi Securities Exchange — www.adx.ae

Dubai Financial Market — www.dfm.ae

Nasdaq Dubai — www.nasdaqdubai.com

Ministry of Finance

Ministry of Finance — www.mof.gov.ae

Ministry of Economy

Ministry of Economy — www.economy.ae

Abu Dhabi Department of Economic Development — ded.abudhabi.ae

Dubai Department of Economic Development — www.dubaied.gov.ae

Chambers of Commerce

Abu Dhabi Chamber of Commerce and Industry — www.abudhabichamber.ae

Dubai Chamber of Commerce and Industry — www.dubaichamber.com

Offshore Financial Centers

Dubai International Financial Center — www.difc.ae

Dubai Financial Services Authority — www.dfsa.ae