



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

## ***DEVELOPING ISLAMIC FINANCE INDUSTRY DATABASE***

### ***UAE's Practices on Collection and Dissemination of Banking Statistics***

***Consultative Meeting – OIC Member Countries  
On 24<sup>th</sup> September 2017 in Mugla , Turkey***



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# History of Banking Services in UAE

1940s

1950-1960s

1970s

1980-1990s

Dec 2016

*Prior to the establishment of the Union of Emirates*

- 1946: BBME (now called HSBC Middle East Bank)
- Current account with check facilities (to facilitate merchants in cash maintenance and bill settlement)

- Working capitals in the form of loans and overdrafts
- Import financing
- Foreign exchange

*Note: Trade grew in numbers during the period*

- 1973: UAE Currency Board
- 2 merchant banks
- 4 finance companies
- 2 brokers
- 10 representative office of foreign banks

- 1975: Dubai Islamic Bank

- Foreign currency deposits

- 1980: Currency Board changed to Central Bank of the UAE
- 21 national banks

*Note: Law requires minimum paid-up capital of AED40m*

- 1998: Abu Dhabi Islamic Bank

*Note: Law for Islamic banking was issued in 1985*

- Commercial banking
- Project Financing
- Leasing

- 23 national banks
- 6 GCC branches
- 20 foreign branches
- 2 investment banks
- 11 wholesale banks
- 27 finance companies
- 25 investment companies
- 114 rep offices
- 11 money and finance brokers
- 140 money changers

- Islamic Institution
- 8 full-fledged banks
  - 23 windows
  - 12 finance companies
  - 1 investment company



# Financial System in the UAE

Commercial Banks 94%  
Assets ( AED 2.6 Trillion )  
(USD 0.71 Trillion )

Other Financial Corporations 6%  
:Of Which Insurance Sector 3.3%

Dec 2016

8 Islamic Banks share –  
19.3 % of Bank’s Total  
assets

Banks are well  
capitalized – CAR 18%  
to 20% (Basel II )

OFCs regulated by  
Central Bank :

Finance Companies  
Investment Companies  
Money Exchange  
Houses  
Representative Offices  
of Foreign Banks  
Money & Finance  
Intermediaries

• OFCs regulated by  
other Regulators :

Insurance Companies -  
Insurance Authority

Stock Markets –  
Emirates Securities &  
Commodities Authority

Bank’s Loans &  
Deposits are around  
60% of Total Assets &  
Liabilities respectively

Around 100 % Loans to  
Deposits Ratio

Investments around  
11%

Position with CBUAE  
around 10%

- Tier 1 CAR around 17%
- Minimum CAR 12% as  
per CBUAE Regulation
- Basel III – To be  
introduced very soon

Banks have good  
Liquidity Position–  
ELAR 15% to 17%

- Basel Standards  
Complied



# Financial System in the UAE (2)

## Share of Islamic Banks in the UAE Banking System

Dec 2016

Item	All Banks		Islamic Banks		% Share - Islamic Banks
	AED ( Bln )	USD ( Bln )	AED ( Bln )	USD ( Bln )	
Bank Total Assets	2,613.6	711.7	505.5	137.6	19.3%
Bank Total Credit	1,574.8	428.8	335.2	91.3	21.3%
- Domestic Credit	1,454.4	396.0	318.2	86.6	21.9%
- Foreign Credit	120.4	32.8	17.0	4.6	14.1%
Bank Total Investments	288.9	78.7	58.6	16.0	20.3%
- Held to Maturity Investments	60.4	16.4	38.7	10.5	64.1%
Bank Total Deposits	1,562.9	425.6	348.6	94.9	22.3%
- Resident Deposits	1,363.9	371.4	339.2	92.4	24.9%
- Non Resident Deposits	199.0	54.2	9.4	2.6	4.7%
Capital & Reserves	307.8	83.8	49.4	13.5	16.0%

Credit to Non Residents & Deposits from Non Residents are low compared to Conventional Banks

Islamic Banks are holding majority of Held to Maturity Investments



# Central Bank of the UAE

## A Brief History of the Central Bank

**1973**

19 May 1973:  
Establishment of UAE  
Currency Board

*Issue national currency to replace other currencies (to issue the dirham and ensure full coverage in gold and foreign currencies)*

*ensured the organization of banking in the country and the establishment of rules which govern the soundness of banking business*

**1980**

10 Dec 1980: Currency Board was changed into Central Bank of the UAE

*Union Law No. (10) of 1980 was issued – concerning the Central Bank, the monetary system and organization of banking*

*issue currency per the provisions of the said law*

*ensure support for currency and its stability inside and outside the country as well as its free convertibility into foreign currencies*

*organize and develop banking as well as monitor the efficiency of the banking system, per the provisions of the law*

*function as the Bank of the Government*

*ensure a credit policy which helps in achieving balanced growth of national economy*

*monetary and financial advice to the Government*

*maintain government reserves in gold and other currencies*

*act as bank of banks operating in the country*

*act as financial agent of government at International Monetary Fund and World Bank as well as other institutions, and Arab/International Monetary Funds*



# Development of Islamic Finance

## Milestones

1975      1985      1998      2000      2010      2015

Full-fledged  
Islamic banks

Dubai Islamic  
Bank

Abu Dhabi  
Islamic Bank

2000s: Six new Islamic banks

2002: Sharjah  
Islamic Bank –  
first converted  
conventional  
bank in the  
world

Merger of  
Emirates  
Islamic Bank  
and Dubai  
Bank

Conventional banks offer Islamic window  
(Latest: 23 windows)

Islamic Certificate of  
Deposits

Federal Law  
No. (6) of 1985

CB BoD's  
Resolution No  
165/6/2004

Interim  
Margin Lending  
Facility



## *Development of Islamic Finance (2)*

### **Islamic Certificate of Deposits (ICD)**

- A structured product designed and tailored to accommodate the demanding need of Islamic banks for a liquidity management tool.
- First issued by the Central Bank of the UAE in Nov 2010. The ICD issued through collateralized murabahah facility was then launched in Aug 2011.
- As at the end of Dec 2016, the outstanding amount of the ICD stood at AED20.1b (USD5.5b).

### **Sharia Compliant Repurchase Facility for ICD**

- The Sharia compliant facility, which accepts the Central Bank's ICD as collateral, is introduced to provide a source of liquidity to banks.
- The new facility is based on a murabahah concept.

### **Sharia Compliant Interim Marginal Lending Facility (IMLF)**

- A mechanism allowing the UAE's banks to borrow funds overnight from the Central Bank in order to help their liquidity management.
- As of April 2015, the central bank has extended the spectrum of eligible collateral to include Sharia compliant securities other than CDs.





# Banks / OFC Statistics Collection & Dissemination

**UAE Central Bank has introduced an online platform called “ Banking Return Form System “ for collecting periodical regulatory reports ( Monthly/Quarterly) from Banks & Other Financial Corporations**

Banks are uploading excel based forms online in the system  
Monthly 2 batches ( batch 1 in 7 working days & batch 2 in 11 working days ) & Quarterly batch ( Within 25<sup>th</sup> of next month )

There are currently around 70 Reporting Forms of which around 30 forms are included in the monthly batch. Monthly batch data collects the main and basic banking data which provides key information such as Credit, Deposits, Investments, Inter-bank position, Capital , NPLs ,Provision , Liquidity, Currency Exposures and Large Exposures Etc.

Quarterly batch provides more detailed information on the data variables included in the monthly batch in addition to information such as Capital Adequacy(Basel Report) and applying added focus on Large Exposures

Banks are submitting IFRS compliant reports to Central Bank . Regulatory Reporting Forms have been designed in line with the requirements of IFRS, Basel Standards and IMF Guidelines

Existing 8 Islamic Banks are submitting same reporting forms which Conventional Banks are submitting.

An initiative by Central Bank is in progress to collect additional reports from Islamic Banks along with the existing report forms.

**Islamic Windows data needs to be captured separately**

Stakeholders interests are well considered - IFSB



# Banks / OFC Statistics Collection & Dissemination (2)

**Other Financial Corporations(OFCs) such as Finance & Investment Companies under the Regulatory Supervision of Central Bank submits Quarterly Regulatory Reports. Although the size of these OFCs are not very significant, Central Bank is currently addressing the requirement for enhanced data coverage from this sector sensing the potential growth**

implementation of the recommendations of a recent Technical Assistance Mission from IMF specifically aimed to enhance OFC Sub Sector data coverage is in progress. Accordingly, Central Bank is in the process of introducing more and detailed Regulatory Reporting Forms for OFCs similar to Banks. In addition , Central Bank is also in the process of signing formal Agreement/MOU with other Regulatory Authorities of Insurance Companies & Stock Markets for data sharing

Data collected thoroughly reviewed and used for compilation and dissemination of various banking & monetary statistics on a monthly basis. Apart from that, data is used for many of the regulatory functions such as offsite supervision, Financial Stability & Liquidity assessments etc.

All these statistical reports are compiled in compliance to the latest guidelines issued by the IMF on Monetary & Financial Statistics

Apart from publication, Statistical Reports are being submitted to International Institutions such as IMF ( SRFs) & BIS. Prudential and Structural Islamic Financial Indicators (PSIFIS) are being compiled and submitted to IFSB every quarter

Statistical Reports are made available to the public normally by end of subsequent month following the reporting month. Main statistical reports published by Central Bank are Monthly Statistical Bulletin, Banking Indicators ( All Banks ), Banking Indicators by Type ( National and Foreign Banks & Conventional and Islamic Banks), Monetary Aggregates, International Reserves, Monetary Base and Monetary Survey. All reports are published in Central Bank website



# *The Way Forward*

## **Prudential Framework**

- a) Capital adequacy – Basel III Introduction**
- b) New Regulations for Islamic Banks**

## **Data Collection & Dissemination**

- a) Introduce additional Regulatory Reporting forms – Islamic Banks**
- b) Fetch data separately from Islamic Windows of Conventional Banks**
- c) Enhance data coverage – OFC Sub Sector**
- d) Finalize agreement with other OFC Regulators – data sharing**



*Thank you for your attention*