Minimum Capital for Banks Regulation
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Introduction
Under article 75 of the Decretal Federal Law No. (14) of 2018 Regarding the Central Bank & Organization of Financial Institutions (and its amendments), the Central Bank is required to establish regulations on the minimum capital requirement for licensed financial institutions. Through this regulation, the Central Bank establishes the minimum capital requirements for Banks.

Scope
This Regulation applies to all Banks, including branches of foreign banks, operating in the UAE.

Objective
The objective of this Regulation is to establish the minimum capital requirement for banks operating in the UAE.

Article (1): Definitions

1.1 Bank: Any juridical person licensed in accordance with the provisions of the Central Bank Law, to primarily carry on the activity of taking deposits, and any other Licensed Financial Activities.

1.2 Central Bank: The Central Bank of the United Arab Emirates


1.4 Regulations: Any resolution, regulation, circular, rule, standard or notice issued by the Central Bank.
1.5 Specialized Bank: A Specialized Bank as defined in and licensed under the Specialized Bank with low risk Regulation issued by the Central Bank.

Article (2): Requirement to maintain a minimum level of capital

2.1 Banks must at all times maintain a minimum level of paid up capital. The level of this requirement is set in article 3 of this Regulation.

2.2 This minimum level of paid-up capital must be held on an ongoing basis and is a prerequisite for licensing.

Article (3): Minimum level of capital required to be held

3.1 Banks incorporated in the UAE must maintain fully paid-up capital of at least two billion Dirham (AED 2,000,000,000).

3.2 Specialized Banks incorporated in the UAE must maintain fully paid-up capital of at least three hundred million Dirham (AED 300,000,000).

3.3 Branches of foreign banks must maintain:

3.3.1 fully paid-up capital of at least one hundred million Dirham (AED 100,000,000) at the level of the branch; and,

3.3.2 eligible capital of at least two billion Dirham (AED 2,000,000,000) (or equivalent) at the entity level.

Article (4): Quality of the capital to be held

4.1 The minimum capital requirement in this Regulation must be met solely with fully paid-up capital.
4.2 For branches of foreign banks, fully paid-up capital at branch level shall mean funds allocated to the branch with the following characteristics:

4.2.1 the allocated funds are irrevocable, unconditional, and not subject to any restrictions;

4.2.2 the allocated funds do not bear any interest;

4.2.3 the allocated funds are paid in UAE Dirham only; and,

4.2.4 the head office has signed an undertaking to cover any shortfalls in fully paid-up capital.

4.3 For branches of foreign banks, eligible capital at entity level shall mean regulatory capital as defined under the Basel framework as implemented in the jurisdiction where the bank is incorporated.

Article (5): Interaction with other capital requirements

5.1 The minimum paid-up capital requirements as defined by this Regulation do not interact with the requirements of other Regulations, including the risk-based capital requirements.

5.2 This implies that the minimum paid-up capital requirement of this Regulation should not be added to, subtracted from, or otherwise influence the requirements of other Regulations.

5.3 This also implies that the paid-up capital used to comply with the requirements of this Regulation, is still fully available to meet the requirements of other Regulations.

Article (5): المادّة (5): العلاقة مع متطلبات رأس المال الآخرة
Article (6): New Licensing

6.1 As part of the licensing process, the Central Bank may impose higher minimum capital requirements to those defined in Article (3), and define the quality of capital eligible to meet these requirements. These higher minimum capital requirements will remain applicable until a new capital decision is taken.

6.2 As part of the licensing process, applicants are required to submit a 3-year business plan. Their proposed level of paid-up capital must be sufficient to cover the expected regulatory capital requirements over that 3 year period, based on the projected activities.

Article (7): Breaching the minimum capital requirement

Banks, which breach or are likely to breach the minimum paid-up capital requirement as per this Regulation must immediately inform the Central Bank thereof.

Article (8): Enforcement & Sanctions

Violation of any provision of this Regulation may be subject to supervisory actions and sanctions as deemed appropriate by the Central Bank.

Article (9): Interpretation of Regulation

The Regulatory Development Division of the Central Bank shall be the reference for interpretation of the provisions of this Regulation.

Article (10): Cancellation of Previous Circulars and Notices

This Regulation repeals and replaces the following Central Bank Circulars and Notices:

10.1 Circular No. 80 dated 20 December 1981;
10.2 Telex No. 82/2679 dated 2 June 1982;

10.3 Telex 83/827 dated 9 March 1983;

10.4 Circular No. 202 dated 7 June 1983;

10.5 Circular No. 289 dated 30 July 1984; and,


Article (11): Publication & Effective Date

المادة (11): النشر وتاريخ النفاذ

11.1 This Regulation shall be published in the Official Gazette in both Arabic and English and shall come into effect one month from the date of publication.

11.2 Existing Banks not meeting the requirements of this Regulation upon its coming into force, must meet the requirements by no later than 31 December 2023.

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