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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 51 commercial banks are foreign-owned and there are also nine 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. However, 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 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.

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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.

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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]

Economic Updates

Receive regular Economic Updates from our senior economist by going to pnc.com/economicreports.

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

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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 Nuhayyan (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 — 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* * 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. Source: www.goodbusinessday.com.
International dialing code	+ 971

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	+ 7.1	+ 3.7	+ 3.2
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			
			Q1	Q2	Q3	Q4
GDP per capita	(USD)	40,428	–	–	–	–
GDP	(AED billion)	1,360	–	–	–	–
GDP	(USD billion)	370	–	–	–	–
GDP volume growth*	(%)	NA	NA	NA	NA	NA
Current account as % GDP		NA	–	–	–	–
Consumer inflation*	(%)	+ 4.0	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, March 2017 and 2016 Yearbook, World Bank, National Bureau of Statistics, UAE and Ministry of Economy, UAE

Sectoral Contribution as a % of GDP

Agriculture – 0.7%

Industry – 44.6%

Services – 54.7% (2016 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.

Major Economic Issues

The UAE 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 continues to trade with Iran in both goods and services.

The UAE economy, which benefits from significant natural oil reserves, has been hit by the effect falling global oil prices - economic growth is predicted to be weak in 2016 (the IMF has projected growth of 2.3% compared to 4% in 2015) as a result of low oil prices and a strong currency which impacted on the country's tourism sector. GDP of between 3.5% and 4% is forecast for 2017.

The federal government is tackling the economic slowdown through fiscal consolidation and a reduction in fuel subsidies. The government also plans to introduce a value added tax on January 1, 2018. VAT is expected to be introduced at a rate of 5% with some limited exceptions including basic food items, healthcare and education. Other measures to diversify its economy include closer trade ties with Asia and Africa. The UAE has committed to increasing its economic diversification away from oil with a target of increasing the contribution of the non-oil sectors to UAE GDP from 70% today to 80% by 2030.

Unlike its smaller emirate neighbours, which have large crude reserves, Dubai's economic prosperity stems from the successful diversification of its economy through tourism, real estate and construction (construction for the World Expo 2020 in Dubai is currently underway and USD 6.9 billion is expected to be channelled in to projects around the event). However, the emirate does rely to a large extent on the wealth of its neighbors to fuel its economic activity and the effects of the continued low cost of oil is being felt. GDP growth in 2016 was 2.7%, its lowest level since the 2009 recession. Growth was 4.1% in 2015. Debt, incurred largely as a result of the global financial crisis, is approximately 129% of GDP. USD 51 billion of debt is due to mature between 2017 and 2018.

The UAE is currently working on a law that would allow the federal government, not just the seven individual emirates, to issue sovereign bonds.

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 Nuhayyan, 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.

UAE nationals have long enjoyed a tax-free income, free high-quality health and subsidized fuel and even help paying for their weddings. Such benefits have minimized any disquiet over the wealth disparity between Abu Dhabi and Dubai and the poorer emirates in the north of the UAE (Umm al-Quwain, Fujairah, Ras al-Khaimah and Ajman).

However, as the federal government scales back on its welfare support, the gap between rich and poor has been brought sharply into focus. The government has committed 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 15-50 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 95 jurisdictions through 89 double tax treaties and eight TIEAs (www.eoi-tax.org, March 2017).

Cash Pooling

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

Sales Taxes / VAT (including Financial Services)

The UAE Ministry of Finance has confirmed the introduction of VAT. It is expected that the VAT system would be introduced at a low rate (5%) and would apply as from January 1, 2018 on a broad base of goods and services with some limited industry exceptions.

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 2017 (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 2017.

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	27,739

Source: www.accuity.com.

Overall Trend

The UAE's banking sector led the GCC region in terms of asset volume, with a total value of about USD 711 billion in 2016. The country hosts a diversified banking sector with a significant foreign banking presence in the UAE – 28 of its 51 commercial banks are foreign-owned, and 121 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. The top four banks have almost 53% of the total assets.

In July 2016, the boards of National Bank of Abu Dhabi and First Gulf Bank approved a merger between the two institutions. The merged institution will be Middle East's largest lender with assets in excess of USD 175 billion. The merger is expected to be completed by April 1, 2017. The National Bank of Abu Dhabi name will be adopted for the merged bank.

The UAE banking sector was badly affected by the global financial credit crisis. The ratio of non-performing loans stood at around 6.3% of banks' loans in Q3 2016. The figure was 8% in 2014. A number of regulatory measures have been introduced by the Central Bank aimed at preventing the financial sector from taking the types of the risks that led to the crisis. Most recently, effective from February 1, 2017, new regulations were introduced to ensure that banks' capital adequacy is in line with Basel III requirements.

Regulatory changes since the financial crisis also include the introduction by banks of more stringent measures when opening accounts or receiving financing. This has affected small and

medium-sized enterprises in particular, which make up as much as 90% of registered companies in the country.

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.

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) is an electronic salary transfer system that enables employees to be paid via banks, bureaux de change and financial institutions. There were 108 participants including 52 banks at the end of 2015. Approximately 3.5 million foreign workers (of 4.6 million) benefitted from the WPS 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 increased use of electronic and internet banking has led to a growth in the use of electronic credit transfers. The check remians a popular payment for both retail and commercial transactions. 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. Intrabank 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).

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.

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 ATMs and POS terminals are EMV-compliant.

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. In 2016, USD 2.13 billion was collected via the e-Dirham payment gateway. The number of transactions rose by 6.9% to 38.7 million.

The e-Dirham card can be used at EFTPOS terminals and online (E-Dirham Payment Gateway). Its functionality has been expanded to other payment services including direct debits and direct transfers.

There were 2.4 million cards in circulation in 2016, a 37.3% on 2015.

Digital wallet apps are available from leading UAE banks and telecoms oerator etisalat. All digital wallet services are developed in line with the Mobile Wallet initiative, the financial component of the Smart Government plan. The Smart Government initiative aims to ensure that all government services will be delivered via mobile phones, or other similar technology.

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 1,539 active companies with a presence in the DIFC including 425 financial services companies.

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 and mobile banking services are available and popular among retail customers.

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.dubaided.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