

# COVID-19: Guidance for the financial services industry in the UAE

As the world attempts to address the various challenges arising from the Novel Coronavirus (**COVID-19**), governments and financial services regulators have been making efforts to mitigate the effects of the pandemic on the economy and financial sector. Set out below is an overview of the measures taken and guidance provided by the financial services regulators in the United Arab Emirates (**UAE**) and overseas to address the financial markets and various regulatory concerns.

## **UAE**

### **A. Dubai International Financial Centre (DIFC)**

On 8 March 2020, the Dubai Financial Services Regulatory Authority (**DFSA**), the independent financial services regulator for the DIFC, issued a [letter to all its regulated firms in relation to COVID-19](#). Many DFSA regulated firms have been, or are considering, enacting business continuity plans (**BCPs**) and/or disaster recovery plans (**DRs**). The DFSA outlined a number of non-exhaustive considerations in relation to assessments by regulated firms on the effectiveness of BCPs/DRs, including but not limited to:

- (i) the impact of invoking a BCP on customer protection and regulatory compliance;
- (ii) the amount of time that has passed since a BCP was last tested and whether testing was sufficient to account for the current risk environment; and
- (iii) even unexpected disruptions that may impact work from home procedures, such as where more than one working member of a household may be required to simultaneously work from home, or where schools may be cancelled leaving employees to manage childcare without support (noting that the UAE Ministry of Education announced the closure of all schools since 4 March 2020).

Further detailed guidance was provided by the DFSA in its letter in relation to notification requirements by regulated firms should they invoke their BCPs/DRs. The guidance stated that the DFSA should be informed of a number of issues, such as when and why the BCP was invoked, the impact on critical functions (if any), and the number of ill or absent staff, amongst others.

The DFSA also issued on 23 March 2020 a [letter on cyber-related risk monitoring and reporting](#). The letter outlined that, in light of the recent increase in the volume of email phishing campaigns used by cybercriminals attempting to exploit COVID-19 concerns, and the high number of staff working from home, regulated firms should continue to roll out cybersecurity awareness programmes with their employees. Firms were also asked to review remote access controls, including ensuring two-factor authentications, and implement enhancements where necessary. Where regulated firms experience cyber-related risks, notifications should be made through the DFSA Threat Intelligence Platform (**TIP**) and a Cyber Incident Notification Form should be filed (the DFSA also issued a [new guidance document](#) for completing cyber-related notifications).



Finally, the DFSA issued on 24 March 2020 a [letter outlining its various responses to COVID-19](#), including the DFSA's own operational continuity, its engagement with international financial services regulators, and its ongoing engagement with regulated firms.

## **B. Abu Dhabi Global Market (ADGM)**

Similarly, the Financial Services Regulatory Authority (**FSRA**), the independent financial services regulator for the ADGM, recommended on 9 March 2020 that physical meetings with its staff take place through non-face-to-face channels where possible.

The FSRA also circulated a mandatory questionnaire addressing COVID-19-related measures to all its regulated firms to be completed by 12 March 2020. The questionnaire covered a wide range of issues, such as:

- (i) whether BCPs are adequately in place to mitigate the impacts of COVID-19;
- (ii) the extent to which BCPs have been exercised and tested previously;
- (iii) a self-assessment as to the readiness of BCPs to handle the current situation; and
- (iv) to outline what specific measures under a BCP would be implemented to protect critical business functions (e.g. working from home, split operations, relocation of staff overseas, etc.).

Going beyond enquiries with regards to the robustness of BCPs to address COVID-19-related implications, the questionnaire takes a holistic approach to understanding COVID-19 risks, by requesting regulated firms to indicate if they have procedures in place to monitor staff travel overseas (both for business or personal trips) and to outline any internal functions for the management of staff with COVID-19-related symptoms. This proactive approach will inevitably enable both the FSRA and regulated firms to both assess risk as well as identify any issues that should be addressed.

Furthermore, the ADGM Registration Authority has issued [a number of circulars in relation to COVID-19 preventative measures](#). This includes a [circular on 29 March 2020](#) implementing the UAE's 'Remote Work System' requirements under Ministerial Resolution No. 281 of 2020 'regulating the Remote Work in Private Establishments during the Period of Application of Precautionary Measures to Curb the Spread of Noel Coronavirus' (**Resolution 281**), issued by the UAE Ministry of Human Resources & Emiratisation (**MOHRE**), requiring all ADGM licensed entities to ensure that no more than 30% of their employees work from the firm's registered office (and that all those whose roles do not require physical presence in the office to work remotely).

Regulated financial institutions are also reminded of their general notification-related obligations. Principle 10 of both the DFSA's Principles for Authorised Firms and the FSRA's Principles for Authorised Persons require the regulated entities to keep the relevant regulator "promptly informed of significant events or anything else" that the regulator would reasonably be expected to be notified of.

## **C. 'Onshore' UAE**

These measures are in addition to the lowering of interest rates and the provision of stimulus packages by central banks around the world, including the UAE, to counter the effects of COVID-19 on the economy. For example, the [UAE Central Bank on 1 March 2020](#) issued a statement that "...*financial institutions are expected to implement measures such as re-scheduling of loans contracts, granting temporary deferrals on monthly loan payments, and reducing fees and commissions for affected customers*". This is somewhat of a similar approach taken in the United States as stated in the [Interagency Statement on Pandemic Planning](#), issued by the U.S. Federal Financial Institutions Examination Council (**FFIEC**) on behalf of itself and other agencies (including the Board of Governors of the Federal Reserve System) on 6 March 2020. Whilst not outlining loan forbearance options, the FFIEC



statement identifies guidance for financial institutions that should be taken to "*minimize potential adverse effects of a pandemic*" (although it provides a more extensive outline of potential issues and risk).

As the federal 'onshore' UAE financial services regulator for the banking sector, the [UAE Central Bank on 11 March 2020](#) has similarly asked its regulated institutions to communicate any invoking of BCPs, to ensure that banks have sufficient cash at branches and ATMs, and to ensure digital channels are equipped to handle the flow of what will inevitably be increased usage. The UAE Central Bank followed up with another [press release on 19 March 2020](#), encouraging banking customers to take advantage of digital and online banking services.

The AED 100 billion Targeted Economic Support Scheme (**TESS**) announced by the [UAE Central Bank on 14 March 2020](#) mentions that banks will be allowed to free-up their regulatory capital buffers to boost lending capacity and to support the UAE economy. The TESS stimulus programme also offers banks the ability to access loans and advances extended at zero cost against collateral, and requests participating banks to grant temporary relief to private sector corporate and retail customers for up to six months. This amount was increased by a further AED 16 billion on 22 March 2020 by the UAE Cabinet, bringing the total to AED 116 billion. The Government of Dubai also announced its own AED 1.5 billion three-month stimulus package on 12 March 2020 and the Abu Dhabi Executive Council separately announced its AED 50 billion economic relief package on 16 March 2020. Other stated measures by the UAE Central Bank include increasing the loan-to-value ratios applicable to mortgage loans for first-time home buyers by 5% under the UAE Central Bank Regulations regarding Mortgage Loans (i.e. from 80% to 85% or from 70% to 75%, depending on whether the property is less or more than AED 5 million in value), and to increase the maximum exposure banks can have to the real estate sector from 20% to 30% when the maximum has been reached (subject to holding more capital). The UAE Central Bank issued further guidance on the TESS operation on 18 March 2020 through its Decision No. 33/2020 and accompanying notice outlining further technical details of the programme, which was circulated directly to banks and finance companies within 'onshore' UAE.

Following the U.S. Federal Reserve Board's decision to cut Federal Funds Rates on 15 March 2020, the [UAE Central Bank on 16 March 2020](#) announced the:

- (i) lowering of interest rates on one-week Certificates of Deposits (**CDs**) by 75-basis points;
- (ii) maintaining the repo rate applicable to borrowing short-term liquidity from the UAE Central Bank against CDs at 50-basis points (above the one-week CD rate); and
- (iii) reducing the rates applicable to the Interim Margin Lending Facility (**IMFL**) and the Collateralized Murabaha Facility (**CMF** - for Islamic banking institutions) by 50-basis points.

This support and incentives from the UAE Central Bank has already been reflected by the banks. On 21 March 2020, Dubai-based banks jointly announced a number of measures, reflective of the UAE Central Bank's direction mentioned above. The Abu Dhabi-based banks equally announced on the same day its efforts for various forms of relief to support the UAE economy.

In an effort to help reduce the potential spread of COVID-19, the [UAE Central Bank on 26 March 2020](#), directed all banks to replenish their ATMs with new banknotes, to sanitise all ATMs on a regular basis and to issue preventive sanitation tools (such as disposable latex gloves) for all customers using ATMs. Following the issue of Resolution 281 by MOHRE, the [UAE Central Bank on 27 March 2020](#) issued its statement that the majority of workforce in banks, financial institutions and exchange houses under their supervision should work remotely with the exception of 30% of those working in critical positions. The UAE Central Bank also introduced a remote working priority system for employees to protect those most vulnerable.

We are also aware that the UAE Securities and Commodities Authority (**SCA**), the federal capital markets and securities-sector regulator in 'onshore' UAE, have issued a number of circulars to its regulated institutions covering a wide-range of issues. We understand that this includes providing the



SCA with their BCPs, informing the SCA if any such BCP has been invoked, and informing the SCA of any remote working decisions (including providing details of all computer IDs and identities of such personnel). We understand that a circular has also been sent to all companies listed on the Dubai Financial Market (**DFM**) and the Abu Dhabi Securities Exchange (**ADX**), requesting details of how they have been impacted by the current situation and whether they are making, or planning on making, use of the UAE Central Bank's TESS package.

The federal 'onshore' UAE insurance-sector regulator, the UAE Insurance Authority (**IA**), has launched a [dedicated webpage](#) to the impacts of COVID-19. On 8 March 2020, the IA issued Circular No. 3 of 2020, *“concerning the precautionary measures and preventative procedures for maintaining public safety and health and controlling the spread of the coronavirus (COVID-19)”*. The IA circular requires IA-regulated insurance companies to activate their BCPs and ensure that all staff working remotely are adequately equipped to do so, and to put in place a policy for customers affected by COVID-19.

## Other International Developments

On March 13 2020, the [U.S. Securities and Exchange Commission \(SEC\)](#) issued guidance on compliance with the U.S. federal proxy rules in relation to holding annual shareholders' meetings. This included guidance on announcing changes to the time and/or location for such meetings, regulatory measures for the conduct of 'virtual' shareholder meetings and proposed solutions for dealing with shareholder presentations.

The [European Securities and Markets Authority \(ESMA\)](#) on 11 March 2020 issued its recommendations in relation to BCPs, market disclosures, financing reporting and risk management, all of which centre around readiness to continue with regulatory obligations as well as maintaining transparency. The [UK Financial Services Regulatory Authority \(FCA\)](#) on 6 March 2020 also issued a statement on reviewing BCPs, stating that all regulated firms still needed to comply with regulatory obligations should they be invoked (our colleagues in London addressed some of the regulatory and operational concerns raised by both the FCA and the Bank of England in a previous note available [here](#)).

The [Financial Services Agency in Japan \(FSA\)](#) issued a number of notices throughout February and March, establishing a COVID-19 FSA Hotline, asking its regulated institutions to encourage working from home or staggering working hours, and stating flexibilities in relation to various reporting and disclosure deadlines.

Should you have any queries or require any assistance, please do not hesitate to contact our UAE Financial Services Regulatory team.

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