



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





H.H. SHEIKH MOHAMED BIN ZAYED AL NAHYAN
PRESIDENT OF THE UNITED ARAB EMIRATES



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THE CBUAE BOARD OF DIRECTORS



H.E. KHALED
MOHAMED BALAMA
Governor



H.H. SHEIKH MANSOUR BIN ZAYED AL NAHYAN
Chairman



H.E. YOUNIS HAJI
AL KHOORI
Member



H.E. ALI MOHAMMED
BAKHEET AL RUMAITHI
Member



H.E. SAMI DHAEN
AL QAMZI
Member



H.E. ABDULRAHMAN
AL SALEH
Vice Chairman



H.E. JASSEM MOHAMMAD
BU ATABAHL AL ZAABI
Vice Chairman



MESSAGE FROM H.H. SHEIKH MANSOUR BIN ZAYED AL NAHYAN

VICE-PRESIDENT

DEPUTY PRIME MINISTER AND MINISTER OF PRESIDENTIAL AFFAIRS

CHAIRMAN OF THE BOARD OF DIRECTORS

I am pleased to present the 2022 Annual Report of the Central Bank of the United Arab Emirates (CBUAE). The report highlights our continued efforts to maintain monetary and financial stability, regulate and supervise financial institutions, ensure smooth operation of cash and electronic payments infrastructure, increase focus on Anti Money Laundering and Countering the Financing of Terrorism (AML/CFT), and protect consumers of financial services.

In 2022 the UAE was able to overcome the challenges brought on by the COVID-19 pandemic as widespread vaccination campaigns improved immunity. With the return of global trade activity, most developed and developing countries experienced a marked increase in inflation to levels that far exceeded inflation targets set in most advanced economies. At a macro-economic level, inflationary drivers were observed following the easing of pandemic-induced lockdowns, such as the strong rebound in aggregate consumer and business demand, disruptions in global supply chains and tighter labour markets.

These drivers were amplified by increased global geopolitical tensions, which have also materially contributed to historically high prices for oil, gas and other key commodities. Our most recent assessment is that the risk of the global economy facing a recession in the near term remains live, whilst medium term prospects remain significantly uncertain.

Against the backdrop of these global macroeconomic and geopolitical uncertainties, the CBUAE continued to implement coherent policy within its independent macro-prudential, monetary policy and regulatory mandate. The design of these policy decisions took due account of the UAE Government's strategic roadmap to sustain the competitiveness of the country, ensure high economic growth and achieve full employment of UAE nationals. The CBUAE's robust policy framework provided the foundation to achieve the targeted economic outcomes for the country, as the UAE recorded an estimated GDP growth of 7.6% in 2022. Despite the global trend, inflation in the UAE remained significantly below the 8.8% international average. This was in part due to the

CBUAE's decision to align with the strategy of the Federal Reserve System and raise the policy interest rate to 4.4%, as well as the exchange rate appreciation of the Dirham. Furthermore, the credit rating of the country remained high at Aa2 and AA- by Moody's and Fitch respectively, public debt level was low at 40% of GDP and credit continued to flow to both corporate and household sectors at a rate that was supportive of economic growth.

In its capacity as the macro-prudential authority for the UAE, the CBUAE terminated most temporary support measures aimed at helping the country cope with the COVID-19 pandemic, a decision that reflected the banking system's return to pre-pandemic levels of financial strength.

My assessment is that 2022 demonstrated the CBUAE's vigilance to unprecedented macroeconomic challenges and emerging risks whilst its proactive responses supported economic stability and the dynamism of the economy.

Looking ahead to 2023 and beyond, I would like to highlight two strategic priorities for the CBUAE that are also at the top of the agenda for governments, central banks and policymakers globally. Firstly, the CBUAE will begin a digital transformation programme which aims to significantly enhance financial infrastructure within the CBUAE and the country. Secondly, the CBUAE will contribute to the UAE's wider policy initiatives as part of the UAE hosting COP28. In particular, the CBUAE will continue to take the necessary steps to ensure the integration of climate risks and facilitation of sustainable finance in the regulatory framework of the financial sector. It will also look to adopt aspects of ESG principles in its own investment policies and processes in the medium term.

On behalf of the Board of the CBUAE, I would like to take this opportunity to express my gratitude to our management and staff, and all our stakeholders for their support and commitment to our vision to shape the CBUAE into a best-in-class central bank. The CBUAE has made a clear progress towards this ambitious goal in 2022, and I am convinced that it will remain steadfast in its pursuit of excellence in order to ensure a resilient financial system and contribute to the continued prosperity of the UAE.



MESSAGE FROM H.E. KHALED MOHAMED BALAMA

GOVERNOR

Our Board has made clear its vision for the CBUAE to become a world-leading institution in its promotion of monetary and financial stability, support of UAE competitiveness and facilitation of innovation in the wider financial services sector of the UAE. In order to deliver this goal, the executive management and staff of the CBUAE are deeply committed to a broad-based business transformation across all functional and operational areas.

To enable, track and direct this transformation, the CBUAE recently adopted a progressive medium-term strategy that is anchored to ambitious annual targets and global benchmarks. The key strategic objectives include ensuring compliance with international standards in all of the CBUAE's functional areas; driving adoption of digital technologies within the CBUAE and the UAE's financial services sector; strengthening partnerships with other central banks and international standard-setting bodies; and embedding sustainability across our policy mandates and day-to-day operations.

During 2022, the CBUAE made significant progress against this strategy. With regard to our mandate for supervision of financial services, our regulatory framework for banks and insurance companies was enhanced by strengthening regulatory standards for different aspects of risk management practices. In addition, consumer protection coverage was widened by bringing pay-as-you-go loans into the regulatory perimeter. Safeguarding against money laundering was made more robust by issuing guidance on dealing with risks from crypto-assets. The intensity of our supervisory work was also significantly increased across all sectors. Focusing on the upcoming book of regulatory reform, we will complete the implementation of prudential standards outlined in the Basel III Reforms package, finalise the framework for recovery and resolution, and develop enhancements to our framework for payment-related virtual asset activities.

From a financial stability perspective, in addition to the timely removal of COVID-19 temporary support measures, CBUAE updated its real estate lending framework and will move to full implementation in the medium term.

It is also worth highlighting developments across other critical functions of the CBUAE.

The Dirham Monetary Framework (DMF) was upgraded as per the approved roadmap to enhance monetary policy implementation in line with global standards. This included the establishment of a contingency liquidity insurance facility (CLIF) against high quality collateral, the launch of a comprehensive liquidity forecasting tool and improved transparency on daily monetary operations.

The CBUAE also partnered with the Federal Ministry of Finance to establish the infrastructure that enabled the first issuance of Dirham debt securities in May. Gradually, with regular activity of benchmark size, we expect a robust sovereign curve to be developed, on which pricing of UAE bank and corporate issuances can be based.

Major strides were made in innovation and technology, with the Board approving a comprehensive digital transformation strategy that envisages the use of pioneering new technologies in the areas of supervision, data processing

and storage. In relation to another core activity of the CBUAE – provision of safe and efficient payments infrastructure – such work will augment our services offering, with a new subsidiary (AI Etihad Payments) established to develop best-in-class payment infrastructure.

Progress has been promising in the use of Central Bank Digital Currencies. The wholesale CBDC pilot, conducted during 2022 with select central banks, facilitated cross-border payments and advanced our expertise in this area. The CBUAE will continue to work on further implementation of practical CBUAE use cases in 2023.

To foster a pipeline of Emirati talent and ensure expertise in the UAE's financial sector remains agile to new risks and opportunities, the capability of CBUAE's Emirates Institute of Finance was significantly advanced through partnerships with leading academic institutions in the UK.

The above examples are just a snapshot of the various projects that the CBUAE has delivered to date. It is testament to the quality of CBUAE staff that the same rigour and commitment will be applied to the next phase of our strategic plan.

Reflecting our aspiration to grow our presence in the international central bank community, the CBUAE has contributed to international standard-setting through active participation in the work of the Basel Committee on Banking Supervision (BCBS), the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), the Arab Monetary Fund and the Central Bank Network for the Greening of the Financial System.

We have also strengthened bilateral ties with other central banks through enhanced cooperation on supervision of financial institutions, anti-money laundering and cross-border payments, with the latter shown by the successful outcomes of the mBridge project.

A discussion of 2022 must include the CBUAE's policy role in the field of sustainability. In the supervisory context, the CBUAE sharpened surveillance of ESG risks in financial institutions and undertook, for the first time, stress testing focused on climate change transitional risks, while also conducting a comprehensive analysis of the impact of climate change on the UAE insurance sector.

Moving forward, CBUAE's ongoing support of COP28 and the 'Year of Sustainability' in the UAE will demonstrate our commitment to sustainability and sustainable finance, both locally and globally. Work on further policy initiatives that reflect this commitment is under way and will be announced in due course. We are also implementing comprehensive sustainability programmes at the CBUAE itself, with the objective to significantly reduce our own carbon footprint.

I would like to close my reflections on 2022 by thanking the Board for their strategic vision and unwavering support of our ambitious and comprehensive transformation programme. I also express my gratitude to CBUAE staff members for their significant contribution to delivering on our mandates to ensure monetary stability, a safe and sound financial system countering financial crime, efficient payments and protection of consumers of financial services.

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AT A GLANCE

The Central Bank of the UAE promotes financial and monetary stability, efficiency and resilience in the financial system, while working to protect consumers as regulator of the banking, insurance and financial services sectors in the United Arab Emirates.

7.6%
GDP growth vs 3.9% in 2021

AED 563 billion
Public debt and 2.8% change vs 2021

89
Enforcement Cases Initiated/Decided

233
Bank and financial sector-related licences issued, including renewals

22
Local banks operating in the UAE

1
Specialised bank

KEY METRICS AND STATISTICS

**AED
3.7 trillion**

Size of UAE banking sector in consolidated total commercial bank assets (+10.5% vs 2021)

**AED
47.2 billion**

Size of UAE Insurance Sector Gross Written Premiums

6.5%

Increase in Gross Written Premiums Y-o-Y

39

Foreign bank branches operating in the UAE

63

Representative Offices

62

Number of licensed insurance companies, The number of related insurance professions increased in 2022 by 5.2% to 489

**AED
17.2 million**

Financial sanctions/penalties imposed

65%

CBUAE Emiratisation rate

4.8%

Inflation rate vs 0.2% in 2021

84

Number of exchange houses operating in the UAE

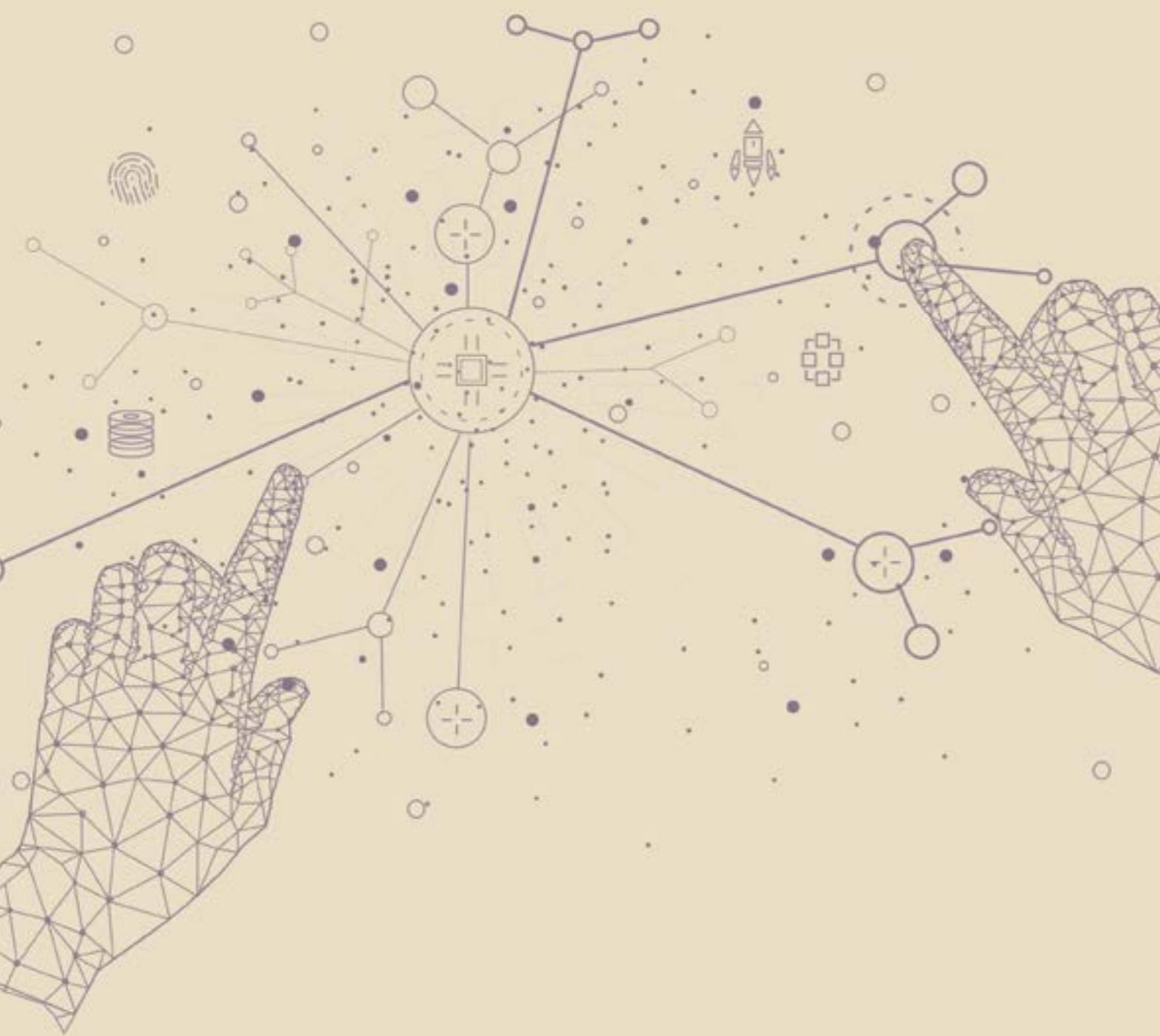
16

Number of finance companies operating in the UAE

751

Full-time employees

OUR VISION, OUR MISSION AND OUR VALUES



OUR VISION

To be among the top central banks globally in promoting monetary and financial stability and supporting the UAE's competitiveness.



OUR MISSION

Enhancing monetary management, financial stability, and protecting consumers through effective supervision of licensed financial institutions, prudent management of reserves, robust financial infrastructure and the adoption of digital technologies



OUR VALUES

Being Competitive

Our ambition is to be a global leader across various fields by investing in innovative technology, grounded in best practice and research.

Being Proactive

Establishing a proactive mindset that increases ownership, accountability, and innovation through empowering and enabling employees across all levels and facilitating effective decision making.

Being Transparent

Creating transparency and openness with the highest integrity across the organisation through effective communication and collaboration.

Being Talent-centric

Building a caring, talent-centric organisation that rewards and recognises employees and emphasises their development.

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2022 IN REVIEW

Support Competitiveness, Diversity and Growth

- New Climate Risk Stress Tests
- Cyber Security Centre of Excellence opened
- Updates to the Dirham Monetary Framework
- Joined Network for Greening the Financial System

Establishing a robust financial infrastructure through FinTech and digitalisation

- Central Bank Digital Currency (CBDC) real-value pilot held with three partner institutions
- Preparing a Buy-Now-Pay-Later (BNPL) regulation
- Central Bank Transformation (CBT) strategy finalised
- Readyng 2023 launch of Domestic Card Scheme
- Phase 1 of Financial Infrastructure Transformation (FiT) completed
- Roadmap prepared covering all FiT initiatives

Enhancing monetary and financial stability

- Frequent top-down stress testing of banks performed
- Enhancements to the Macro-prudential Policy Framework (MPPF)
- New federal debt issuance programme started with UAE government
- Effective winding down and repurposing of COVID-related economic support
- Real Estate Exposure Standards adopted
- Financial risk and performance analytics system upgraded
- Frameworks revised for market, credit and liquidity risk management of foreign reserves

Advancing regulatory and supervisory frameworks for Licensed Financial Institutions

- Thematic examinations of asset quality, Pillar 1 & 2 conducted
- Overseas examinations of 6 local bank foreign affiliates conducted
- New guidance being prepared on lending, credit monitoring and borrower obligations
- Imposition of AED 17.2 million in financial sanctions and penalties
- New Strict Liability Violations Regulation launched

Enhancing trust and confidence in the UAE's financial services sector

- 275 AML/CFT risk assessments, 15 onsite examinations conducted
- Financial Crimes Supervision Department created
- Increased supervision of Licensed Financial Institutions (LFIs), exchange houses, insurance companies, others
- Conformed CBUAE sanctions to Financial Action Task Force (FATF) guidelines

Strengthening supervision and compliance of the insurance sector with UAE law

- Progress on plan to require specific IFRS financial reporting standards by industry in 2023
- Released new Corporate Governance Regulation for industry
- Preparing for launch of Internal Controls Over Financial Reporting regime

Attracting, retaining, empowering top talent; top corporate services

- Target Operating Model 2.0 reorganisation of management structures and functions completed
- Recruitment of new employees increased 138% in 2022 versus 2021
- Enhanced employee benefits and development plan introduced
- Efficiency gains made in procurement as supplier diversity increased
- Progress on establishing a Source-to-Contract (S2C) automated procurement payment platform
- More than 90 CBUAE employees identified for individual development training
- Whistle-blower policy upgraded to latest international standard
- Ifsah Disclosure System launched to monitor and prevent employee conflict-of-interests

Implementing innovative practices to improve quality of the CBUAE work environment

- Remote work policies introduced in the wake of the COVID-19 pandemic
- Enhanced leave carry-forward, business travel per diems, telephone allowance
- Introduction of education subsidies for Emirati nationals in related post-graduate studies
- New programme enables transfer from CBUAE to other UAE federal entities
- Summer internship programme launched to provide opportunities to young workers

BOARD LEVEL COMMITTEES

EXECUTIVE LEVEL COMMITTEES

BOARD RISK COMMITTEE

AUDIT COMMITTEE

HUMAN RESOURCES COMMITTEE

FINANCIAL STABILITY POLICY COMMITTEE (FSC)

SUPERVISORY AND REGULATORY COMMITTEE (SRC)

RISK AND COMPLIANCE POLICY COMMITTEE (RCPC)

The Board Risk Committee is responsible for risk management frameworks (including definition of risk categories, e.g. financial, operational and business continuity risks, information security, legal and compliance risk associated with all CBUAE departments, risk measurement, appetite and limits definition, and risk management policies). It is also tasked to monitor and review the continued improvement of the CBUAE's information security, in addition to the overall risk management practices and processes across the CBUAE, and making relevant recommendations to the Board.

The Audit Committee is responsible for monitoring the integrity of the CBUAE's financial statements, assessing the integrity of its financial reporting and disclosure processes, and reviewing and recommending the external auditor's terms of engagement, selection, appointment and fees. It also oversees the CBUAE's internal audit function.

The Human Resources Committee is responsible for reviewing the CBUAE's organisational structure and HR policies, approving the selection criteria for Heads of Department, and recommending any required changes to the Board.

The FSC's mandate is to identify threats to financial stability through active macro-surveillance of market activities, and to act to mitigate systemic risk by proposing macro-prudential policies and crisis management measures for the banking and insurance sectors, in line with the relevant Board-approved framework.

The SRC mandate is to supervise the safety and soundness of financial institutions licensed by the CBUAE by proposing and implementing prudential, conduct and AML regulations, consumer protection and market conduct measures, and oversight of payment systems, and proposing enforcement action.

The RCPC mandate is to recommend a holistic enterprise risk management framework to the Board Risk Committee, and implement policies and processes to maintain adequate and effective risk management across the CBUAE. It is also charged with ensuring compliance with all internal and external policies, rules and regulations applicable to the CBUAE.

MONETARY AND RESERVE MANAGEMENT COMMITTEE (MRMC)

EXECUTIVE AND STRATEGY COMMITTEE (ESC)

FINANCIAL CRISIS PREPAREDNESS AND MANAGEMENT COMMITTEE (FCPMC)

The MRMC mandate is to fulfil the CBUAE's goals for monetary stability through the design and use of monetary management tools, and reserve management, by proposing investment guidelines and optimising tactical reserve asset allocations.

The ESC mandate is to decide on all operational matters within its remit related to operations and support functions to ensure efficient and effective use of the CBUAE resources. It also serves as the Governor's forum to discuss general CBUAE steering matters with the senior management team. ESC is also charged with monitoring and steering implementation of the CBUAE transformation plan, and with reviewing and approving the CBUAE's digital innovation and FinTech initiatives.

The FCPMC mandate is to respond to the risk of systemic financial distress. It coordinates the CBUAE's response and financial crisis management measures, with the objective to ensure that severe issues affecting the financial system are addressed effectively.

08

ECONOMIC DEVELOPMENTS

The United Arab Emirates was one of the world's fastest-growing economies in 2022, enjoying strong GDP growth and moderate inflation, leveraging on rising energy prices and a dynamic non-oil related economy, including a surge in real estate investment and tourism.

During a year in which global economic growth was slowed by rising policy rates, the Ukraine conflict and a COVID-19 resurgence in China, the UAE economy managed to return to a pre-COVID state of growth, bolstered by proactive reform measures and a foresighted decision to become one of the first countries to reopen its economy after the pandemic.

As global GDP growth nearly halved in 2022 to 3.4% from 6.2% in 2021, UAE GDP growth doubled to an estimated 7.6% from 3.9%

in 2021, according to CBUAE forecasts. Additionally, while global inflation rose to an average of 8.8% in 2022 from 4.7% in 2021, UAE inflation averaged 2022 at 4.8%, and is projected to fall to 3.2% in 2023 by the CBUAE.

UAE economic highlights during 2022 also included a 10.5% increase in banking sector assets versus 2021, a 6.5% increase in insurance sector gross written premiums, a 4.6% expansion of banking credit, and a doubling of tourist arrivals.

Benchmark stock indices in Abu Dhabi and Dubai rose 40.5% and 20.9%, respectively, during the year. In addition, the UAE government ended the first nine months of 2022 with an AED 169.6 billion budget surplus.

8.1 INTERNATIONAL ECONOMIC DEVELOPMENTS

8.1.1 ECONOMIC GROWTH

In the January 2023 update of its World Economic Outlook (WEO), the International Monetary Fund (IMF) estimates global growth to decline to 2.9% in 2023 from 3.4% in 2022. The surge in policy rates to fight inflation, coupled with tight financial conditions and the spillover effects from the conflict in Ukraine, continue to weigh on economic activity. The reopening of China, on the other hand, is expected to provide a boost to global growth. Global inflation is estimated to have peaked in 2022 at 8.8%, and is projected to decline to 6.6% in 2023.

ADVANCED ECONOMIES

Advanced economies experienced a broad-based decline in economic activity during 2022, with growth dropping to 2.7% in 2022 from 5.4% in 2021, reflecting tighter monetary stances. In 2023, growth is projected to bottom out at 1.2%. In the case of the United States, growth fell to 2.0% in 2022 from 5.7% in 2021. While the first half of the year showed signs of sluggishness, the continued drawdown in consumer savings and a robust labour market supported activity in the remainder of the year. Growth is projected to slow further to 1.4% in 2023 as interest rate hikes continue to take a toll on economic activity.

After rebounding in 2021, growth in the Eurozone slowed to 3.5% in 2022. Despite the decline, growth surprised on the upside on the back of a faster-than-expected adjustment to higher energy costs and a drop in gas prices resulting from a warmer-than-expected winter. In 2023, growth is expected to fall to 0.7%, in part due to the effects of interest rate hikes.

Among other advanced economies, the United Kingdom experienced growth dropping sharply to 4.1% during 2022 from 7.6% in 2021, and falling into negative territory in 2023. Tight monetary and fiscal stances, and persistently high energy prices, are expected to lead to a 0.6% contraction in economic activity.

After growth declined to 1.4% in 2022 from 2.1% in 2021, the Japanese economy is projected to accelerate to 1.8% in 2023. Continued fiscal and monetary support, the yen depreciation, and the resolution of delays related to previous projects are expected to drive expansion in economic activity.

Table 8.1.1 Real GDP Growth in Selected Countries/Groups (%)

	2021	2022	2023 F
World Output	6.2	3.4	2.9
Advanced Economies	5.4	2.7	1.2
USA	5.9	2.0	1.4
Eurozone	5.3	3.5	0.7
United Kingdom	7.6	4.1	-0.6
Japan	2.1	1.4	1.8
Emerging markets	6.7	3.9	4.0
China	8.4	3.0	5.2
India	8.7	6.8	6.1
Gulf Cooperation Council (GCC)	4.5	5.3	3.2
UAE	3.9	7.6*	3.9*
Saudi Arabia	3.2	8.7	2.6
Qatar	1.6	3.4	2.4
Kuwait	1.3	8.7	2.6
Oman	3.0	4.4	4.1
Bahrain	2.2	3.4	3.0

Source: IMF, *World Economic Outlook*, January 2023, and IMF, *World Economic Outlook Database*, October 2022.

*CBUAE estimates and forecasts.

EMERGING MARKETS AND DEVELOPING ECONOMIES

Growth in emerging markets and developing economies (EMDEs) is estimated at 3.9% in 2022, significantly below the 6.7% registered in 2021. In 2023, growth is expected to remain broadly unchanged at 4.0%.

In China, growth fell sizeably to 3.0% in 2022 from 8.4% in 2021, reflecting COVID-19 outbreaks and a contraction in real estate investment. China's growth is expected to pick up to 5.2% in 2023 as lockdown measures to contain the spread of COVID-19 are relaxed, new vaccination campaigns for the elderly take hold, and fiscal and monetary policies support economic activity.

India's growth rate declined to 6.8% in 2022 from 8.7% in the previous year, mainly because of tighter financial conditions and intensifying geopolitical tensions. For 2023, growth is projected to moderate to 6.1% as domestic demand offsets unfavourable external factors.

GCC COUNTRIES

GCC countries experienced remarkable growth in 2022 owing to increased hydrocarbon production and earnings, and a resilient non-hydrocarbon sector. The 2023 outlook is less favourable, as concerns about global demand and declining oil prices hamper the economic prospects of GCC members. Estimates from the World Bank regional economic update point to a substantial drop in growth from 6.9% in 2022 to 3.7% and 2.4% in 2023 and 2024, respectively, primarily due to the projected sharp downturn in oil production in Saudi Arabia, consistent with the OPEC+ agreement to maintain lower levels of oil production at least until June 2023.

8.1.2 INFLATION

In 2022, global inflation reached record highs, due to large increases in commodity prices, supply chain bottlenecks, and resilient economic activity. Global inflation is projected to decline to 6.6% in 2023 from 8.8% in 2022, owing to a decline in global demand, the effects of monetary policy tightening, and falling commodity prices, especially for energy and food. However, inflation is expected to remain well above the targets of central banks in most countries.

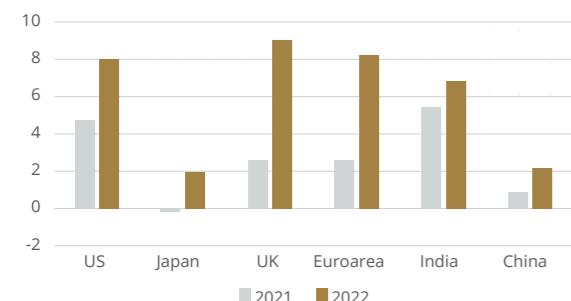
ADVANCED ECONOMIES

The IMF estimates the annual average inflation rate in advanced economies will moderate to 4.6% in 2023 from 7.3% in 2022. Annual inflation in the US averaged 8.0% in 2022, reflecting the lagging effects of loose monetary and fiscal policies in 2021, the increase in energy prices, and supply chain disruptions. Prices started to moderate by the end of the year as some of these factors reverted, and the effects of policy rate hikes began to take impact.

The conflict in Ukraine continues to be a significant source of vulnerability and volatility, especially for Europe. Soaring energy and food prices at the beginning of 2022 contributed to significantly higher inflation in the Eurozone. The subsequent reduction in energy prices, also owing to subdued demand associated with a warmer-than-expected winter season, contributed to a slowdown in inflation, which ended the year at 8.3%.

In the UK, annual inflation rates increased materially throughout 2022 and averaged 7.9% in 2022, reflecting spikes in both energy and food prices associated with the diminished availability of Russian oil and gas supplies. Japan's annual inflation averaged 2.0% in 2022, the highest rate since 1981.

Figure 8.1.1 Annual Average CPI Inflation in Selected Major Economies (%)



Source: IMF, World Economic Outlook database, October 2022

EMERGING MARKETS AND DEVELOPING ECONOMIES

The IMF estimates annual inflation in emerging markets and developing economies will drop to 8.1% in 2023 from 9.9% in 2022. In China, inflation slowed to 2.2% in 2022, on the back of weak domestic demand in an economy that has been constrained by stringent pandemic restrictions. India's inflation also decelerated, averaging 6.9% in 2022.

For other emerging markets in Asia, Eastern Europe and Latin America, the spillover effects from Russia's conflict in Ukraine caused inflation to surge. Major central banks in these regions tightened their monetary stances, which caused funding challenges across several countries.

GCC COUNTRIES

The GCC region also experienced higher inflation in 2022 compared to 2021 (with the exception of Saudi Arabia). However, it remained below that of advanced economies and most emerging markets and developing economies. In 2023, inflation is expected to ease on the back of global growth challenges and declining international energy prices.

Table 8.1.2 Average CPI Inflation in GCC Countries (%)

	2021	2022	2023 F
UAE	0.2	4.8*	3.2**
Saudi Arabia	3.1	2.7	2.2
Qatar	2.3	4.5	3.3
Kuwait	3.4	4.3	2.4
Oman	1.5	3.1	1.9
Bahrain	-0.6	3.5	3.4

Source: IMF, World Economic Outlook database, October 2022

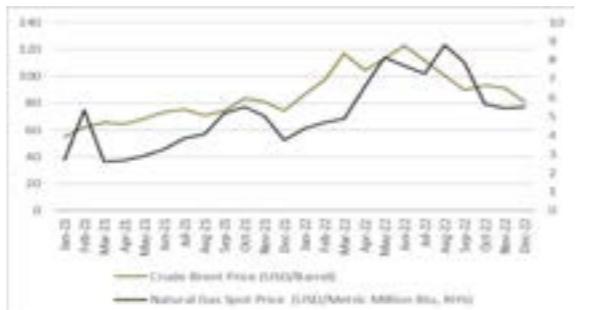
**FCSC

*CBUAE forecasts

8.1.3 COMMODITY PRICES

By the end of 2022, the price of Brent Crude reached USD 81.0 per barrel, up from USD 74.2 per barrel a year ago. Prices peaked in June with the intensification of the conflict in Ukraine, which raised the chances of global energy supply chain disruptions. Similarly, prices for natural gas rose to a peak of USD 8.8 MMBtu in August 2022 from USD 3.8 MMBtu in December 2021, before falling to USD 5.5 MMBtu in December 2022. Gold and precious metals experienced a rocky year, due to the conflict in Ukraine, soaring inflation, trade restrictions, and weak global growth. At the end of 2022, however, gold prices remained largely unchanged at USD 1,824 per ounce.

Figure 8.1.2 Crude Brent and Natural Gas Prices



Source: US Energy Information Administration (EIA)

8.1.4 MONETARY POLICY

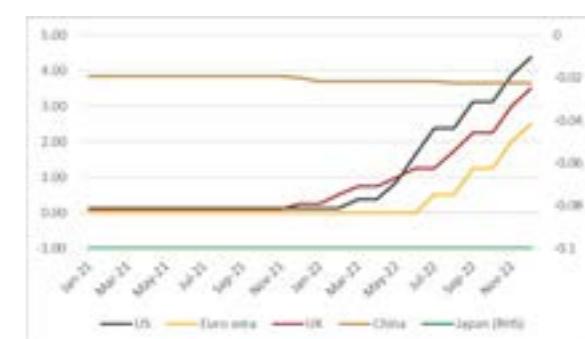
Global financial conditions remained relatively loose at the beginning of 2022, but tightened substantially in the second half of the year with steep increases in policy rates in many of the largest economies. As inflation started to show signs of deceleration at the end of 2022, financial conditions eased somewhat. The balance of risks to inflation is tilted to the upside, as core inflation continues to prove persistent, and the ongoing conflict in Ukraine continues to weigh on energy prices. As a result, financial conditions may tighten again if central banks need to raise policy rates further.

Major central banks worldwide continued their tightening cycle in 2022, with the objective of reining in soaring inflation. In 2022, the Federal Reserve increased the Federal Funds Rate seven times, reaching 4.50% upper band by the end of the year. In some instances, hikes were as large as 75 basis points (bps). The European Central Bank (ECB) also raised interest rates, but less frequently, and by less, as prolonged geopolitical tensions and tightened financing conditions hampered the Eurozone's growth. The main refinancing operations rate reached 2.5% by the end of 2022.

The Bank of England was more active compared to the ECB, as a total of eight hikes during 2022 raised the policy rate by almost 300 bps by the end of the year, in an attempt to contain surging inflation. Higher rates, however, took a toll on UK economic activity. The Bank of Japan (BoJ) kept its low policy rate at -0.1% despite inflationary pressures and a depreciating Yen, over concerns about volatility and uncertainty in overseas markets affecting the domestic market. Moreover, the BoJ announced it will loosen its yield curve control, allowing the 10-year bond yield to reach 0.50%.

In EMDEs, the People's Bank of China continued to cut its policy rate in 2022 to 3.65% to support activity in light of COVID-19 outbreaks and related lockdown restrictions introduced at the beginning of the year. The Reserve Bank of India (RBI) raised its repo rate for the first time since 2020 to 4.40% in May 2022. Following this, a series of hikes took the policy rate as high as 6.25% by the end of the year.

Figure 8.1.3 Policy Rates in Selected Economies (%)



Source: BIS

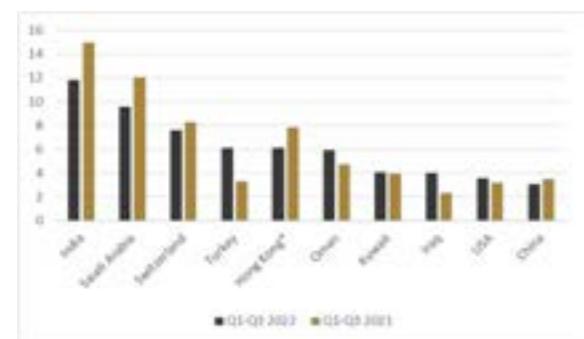
8.2 UAE EXTERNAL SECTOR

8.2.1 NON-OIL TRADE

Data up to September 2022 show the UAE's trade balance at AED 1.637 trillion. Non-oil exports grew by 9.5% year-on-year to AED 265.9 billion, with India, Saudi Arabia, and Switzerland among the main non-hydrocarbon trading partners, and oil products, gold, and aluminium being the most commonly exported goods. Re-exports also increased significantly by 22.7% year-on-year, reaching AED 407 billion in the first nine months of 2022. Saudi Arabia is the leading importer of UAE re-exports, followed by Iraq, India, the US and Kuwait. Telephones, diamonds, textiles, automobile parts, and oils were the key re-exported goods.

Imports increased by 21% year-on-year in the first nine months of 2022, reaching AED 866.7 billion, largely reflecting the expansion of the non-hydrocarbon economy as well as the appreciation of the AED. China, Saudi Arabia, the US, Japan, Turkey and India were the main trading partners. On top of the list of imported goods were machinery, automobiles, telecommunications equipment, as well as mineral oils, diamonds, jewels, stones and precious metals.

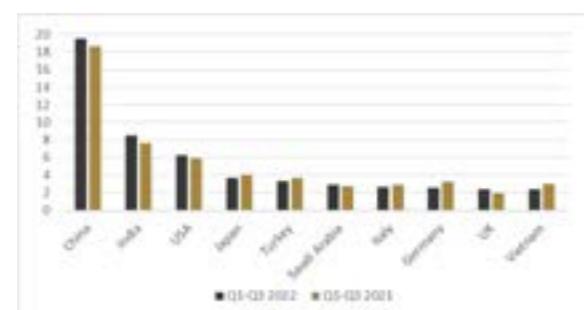
Figure 8.2.1 Share of UAE Non-Oil Exports by Trading Partner (% of Non-Oil Exports)



Source: FCSC

*China, Hong Kong Special Administrative Region

Figure 8.2.2 Share of UAE Imports by Trading Partner (% of Imports)



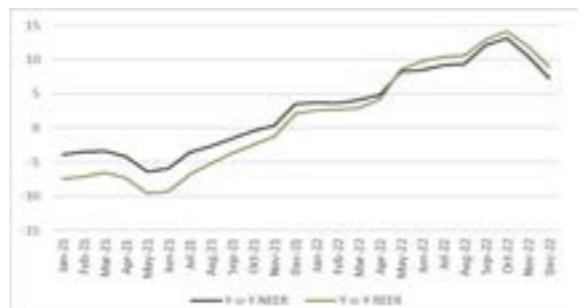
Source: FCSC

8.2.2 Exchange Rate

The average Nominal Effective Exchange Rate (NEER), which takes into account the bilateral exchange rates of UAE trading

partners, appreciated by 7.3% in 2022, largely on account of the USD appreciation. The average Real Effective Exchange Rate (REER), which accounts for inflation differentials between the UAE and its trading partners, appreciated by 9% in 2022, as a result of the lower UAE inflation rate relative to its main trading partners.

Figure 8.2.3 Nominal and Real Effective Exchange Rates (Y-o-Y, %)



Source: BIS

8.3 UAE ECONOMIC DEVELOPMENTS

8.3.1 Real GDP Outlook

Real GDP in the UAE is estimated to have grown by 7.6% in 2022, one of the highest growth rates globally, despite global uncertainties and headwinds. Strong economic activity reflects a rise in oil production, as well as a significant improvement in the non-oil sector. The CBUAE projects real output growth to slow to 3.9% in 2023, largely reflecting a decline in oil production partially offset by the strong performance of the non-oil sector. Growth is projected to increase to 4.3% in 2024, owing to a better performance in both the oil and non-oil sectors.

The CBUAE sees upside risks for the following years, due to the likely implementation of multiple structural reforms and strategies to transform the UAE into a well-diversified knowledge-based economy with large high value-added

sectors, and a leading country of choice for Foreign Direct Investment (FDI) and top talent.

Table 8.3.1 Annual Real GDP Growth Rates in the UAE (%)

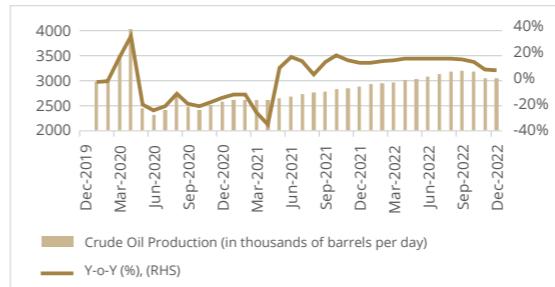
	2020	2021	2022 ^E	2023 ^F	2024 ^F
Overall GDP	-5.0	3.9	7.6	3.9	4.3
Non-oil GDP	-5.4	5.8	6.6	4.2	4.6
Oil GDP	-3.8	-0.7	10.1	3.0	3.5

Source: FCSC for 2020-21, and CBUAE estimates and projections for 2022-2024

OIL GDP

The oil sector is expected to have rebounded strongly in 2022 from almost zero growth in 2021. The estimated 10.1% growth in 2022 reflects a rising trend during the year, albeit slightly declining in the last quarter due to the November 2022 OPEC+ agreement to cut production by 2 million barrels per day. The 2022 average oil production reached as high as 3.1 million barrels per day, in line with OPEC+ agreements, from an average of 2.7 million barrels per day in 2021. Real oil GDP is projected to grow by 3.0% and 3.5% in 2023 and 2024, respectively. The uncertainty surrounding these projections is high, as they depend on the evolution of the Russia-Ukraine conflict, the heightened risk of a global slowdown, and the possibility of further OPEC+ cuts to oil production.

Figure 8.3.1 Average UAE Crude Oil Production



Source: OPEC

NON-OIL GDP

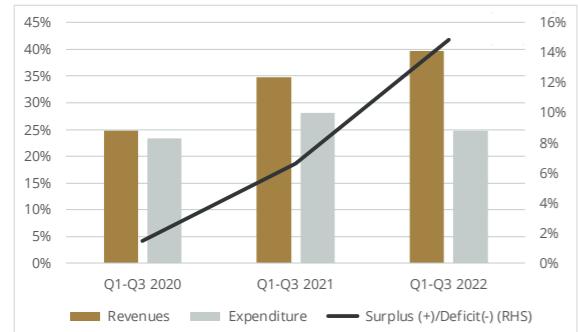
Non-oil GDP growth is estimated to have accelerated to 6.6% in 2022 from 5.8% in 2021. The strong performance reflects a variety of factors, including the removal of most COVID-19-related restrictions and resulting recovery in global travel and tourism, the real estate and construction sectors, expanding manufacturing activity, and increased activity associated with world-class events such as the Dubai EXPO and FIFA World Cup in Qatar. For 2023 and 2024, CBUAE projects real non-oil GDP growth to slow to 4.2% and then accelerate to 4.6%, respectively, in line with global growth trends.

GOVERNMENT INVESTMENT AND CONSUMPTION

The consolidated fiscal balance for the first nine months recorded a surplus of AED 169.6 billion, up from the 2021 surplus of AED 64.0 billion. With strong oil and non-oil growth and favourable oil prices, government revenues increased by 35.6% to AED 453.7 billion in the first three quarters of 2022. On the expenditure side, current spending rose by 6.3% year-on-year during the same period, to AED 273.1 billion, on account of a general increase in all spending categories except subsidies. Capital spending, measured by net investment in non-financial assets, decreased by 19.8% year-on-year to AED 10.9 billion. Total expenditures increased by 5%, reaching AED 284.1 billion.

Figure 8.3.2 Consolidated Fiscal Stance

Annualised in share of previous year GDP



Source: UAE Ministry of Finance

PRIVATE INVESTMENT AND CONSUMPTION

The UAE private sector continues to show dynamism, with multiple reforms and strategies aimed at fostering FDI inflows and attracting top talent. The banking sector continued to support private sector investment by channelling credit, which grew by 4.6% year-on-year at the end of 2022.

Domestic consumption remained strong in 2022, supported by the significant rise in the labour force, which helped contain wage growth. The 3-month moving average number of employees in the private sector and selected government-related entities, and the 3-month moving average total amount of wages paid in the private sector¹, continued to increase significantly year-on-year in 2022, exceeding pre-COVID levels by the end of the year.

8.3.2 SECTORAL ANALYSIS

Manufacturing Sector

The manufacturing sector accounted for 13.7% of non-oil GDP in 2021, making it the second-largest non-hydrocarbon sector after wholesale and retail trade. Following the UAE government's goal to expand the size of the sector to AED 300 billion by 2031 from AED 158 billion a decade earlier, the Ministry of Industry and Advanced Technology announced its latest project, 'Make It in the Emirates'. A consortium of national corporations proposed AED 110 billion in funding for potential purchase agreements with existing and new partners. The implementation of this project will create an estimated 13,600 jobs in the industrial sector, mostly for Emiratis.

The Abu Dhabi manufacturing sector also benefited from a series of government reforms and programmes aimed at developing a more favourable business environment, such as the Golden List Initiative and the Financial Ecosystem Programme.

Real Estate

Real estate is the sixth most important non-hydrocarbon sector, accounting for 8.2% of non-oil GDP. Despite the increase in interest rates, the UAE's real estate sector displayed a strong performance.

At the Emirate level, residential property sale prices in Abu Dhabi increased on

average by 2.1% in 2022, compared to 1.7% in 2021, while rents increased by 0.1% over the same period compared to a 4.2% decline in 2021. The implied rental yield declined on average by 2.0% year-on-year in 2022. The performance of the Dubai property market in 2022 was exceptional, reflecting its attractiveness worldwide. 2022 was in fact the best-performing year in Dubai's history, with residential property prices surging by 21.9%, and rents increasing by 3.2%.

Tourism and Hospitality

The UAE hospitality sector displayed strong performance during 2022. Data up to November suggest that a well-tailored relaxation of Covid-19 restrictions led to an increase in arrivals into the country. Dubai emirate received 12.8 million overnight visitors between January and November 2022. While this remains below pre-pandemic levels, it represents a more than doubling over the same period in 2021 (6.0 million). The shortfall with respect to pre-pandemic levels is likely related to continued lockdown measures in China. In Abu Dhabi, the occupancy rate climbed to 69% in the first 11 months of 2022 (up from 66% in the same period in 2021) and average daily room rates increased by 29% to USD 119.

Many hotels in both Dubai and Abu Dhabi reported full occupancy towards the end of 2022 as demand notably increased on the back of the Formula 1 event in the UAE capital and the FIFA World Cup in Qatar. Moreover, December has been exceptionally busy for Dubai and Abu Dhabi International Airports.

8.3.3 Inflation

The UAE headline average inflation rate reached 4.8% in 2022. The consumer price index in the country continued to rise during 2022, in line with global trends, but remained far below the world average of 8.8%. Prices during 2022 were affected by geopolitical developments taking place in several regions of the world, which put pressure on supply chains, driving up international commodity prices, particularly oil, raw materials and food prices.

The largest price increases took place in transportation (23.0%), food and beverages (7.2%), recreation, sports and culture (13.1%), and restaurants and accommodation services (7.2%). Data at the Emirate-level indicate CPI inflation in Abu Dhabi and Dubai increased by 5.6% and 4.7%, respectively.

In 2023, inflation is projected to decelerate to 3.2% due to softer price increases in all categories, especially transport, and food and beverages. Imported inflation is expected to be modest, owing to the disinflation trend worldwide, while rents and wages are also expected to contribute moderately. In 2024, inflation is projected to slow further to 2.8%.

¹ Based on the CBUAE Wage Protection System.

8.4 MONETARY AND FINANCIAL DEVELOPMENTS

8.4.1 Interest rates in the UAE

Short-term interest rates in the UAE increased steadily in 2022, following the trajectory of those in the US. The policy rate – the Base Rate – increased from 0.15% at the start of 2022 to 4.40% by year-end. Overnight interbank rates followed, with spreads between the Base Rate and overnight rates remaining relatively narrow through most of the year. However, overnight interbank rates began to track below the Base Rate in December.

Consistent with higher policy rates, yields on Monetary Bills (M-Bills) increased in 2022. The average yield on the 28-day M-Bill rose from 0.20% in the first auction in 2022 to 4.54% in the last auction. Yields on longer-date M-Bills were also up, with the M-Bills curve steepening through much of the year. Towards the end of the year, the curve started to flatten as inflation started to decelerate. In 2022, the Ministry of Finance issued its first ever Federal Treasury bonds (T-Bonds) which are domestic bonds issued by the federal government of the UAE denominated in Emirati Dirham. The primary objective of local currency bond issuance is to develop the UAE yield curve which plays an important role in providing a benchmark and reference index for various financing operations of the federal government,

including long-term mortgage interest rates and capital projects. The yield curve shows the interest rates of bonds on different maturities and indicates the expected return on the invested capital over different investment terms. Primary auctions attracted strong investor interest, with the first auction being more than six times oversubscribed. Pricing also reflected strong interest, with yields typically tracking around 20-30 bps above US treasuries at auction.

8.4.2 UAE Banking Sector

In 2022, the UAE banking sector recorded a 10.5% growth in total assets, reaching AED 3,670 billion. The sector exhibited resilience during the pandemic, supported by broad-based measures by the CBUAE. The Targeted Economic Support Scheme (TESS) was wound down in 2022 as the sector and economy recovered from the pandemic's repercussions.

The UAE banking system in 2022 consisted of 61 licensed banks, including two digital banks. The number of physical bank branches decreased by 22.3% in the past three years, driven by the digitalisation of financial services. The UAE banking system remained well capitalised, with adequate liquidity and funding buffers supported by robust growth in deposits.

Deposits in the UAE banking sector grew 11.3% during 2022. As a consequence, the loan-to-deposit ratio reached a seven-year low, indicating ample credit capacity. CBUAE Credit Sentiment Surveys reflected improved loan demand in 2022. As a result, bank loan growth recovered to 4.9%, driven by lending to the corporate and retail sectors.

8.4.3 UAE Insurance Sector

The insurance sector continued to grow in 2022. Gross written premiums (GWP) increased by 6.5% year-on-year and reached AED 47.2 billion, and the number of active insurance policies increased to 8.8 million. In line with these developments, gross paid claims increased by 2.2% to AED 27.3 billion; the retention ratio reached 54.3%; and technical provisions reached AED 69.0 billion. New licences of related insurance professions increased by 5.2% to 489 at the end of 2022.

8.4.4 UAE Equity Market

On a year-on-year basis, the equity price indices of both the Abu Dhabi Securities Exchange (ADX) and Dubai Financial Market (DFM) increased in the first half of 2022, but fell through the end of the year, in line with global trends and a tightening of financial conditions. By the end of 2022, the ADX Share Price Index grew by 40.5% year-on-year, and ADX market capitalisation reached AED 2.6 trillion. Similarly, the DFM Share Price Index increased by 20.9% year-on-year, while its market capitalisation settled at AED 577.6 billion.



09

OPERATIONAL HIGHLIGHTS

9.1 SUPERVISION

9.1.1 Banking Supervision

Prudential Supervision of the Banking Sector, Payments Systems and Exchange Houses

During 2022, the CBUAE continued its work to ensure robust supervision of a sound national financial sector, in accordance with its strategic and operational plan. The adoption of enhanced risk-based supervision since 2019 ensured that the CBUAE assesses any banking group operating in the UAE on a consolidated basis.

The CBUAE monitored the compliance of UAE incorporated banks with prudential standards.

Supervision of Licensed Financial Institutions

The anticipated GDP growth rebound in 2022, led by increased diversification, oil production, higher energy prices and the service sectors, coupled with the unprecedented rises in US interest rates, benefited the banking sector's profitability. However, the year also brought new challenges for banks to control the consequences of reduced affordability stemming from higher interest rates and

inflation, as well as the potential negative repercussions of reduced growth in the US, Europe and emerging economies.

In this context, the CBUAE constantly monitored the changing business landscape and reassessed the priorities of its examination efforts during 2022, to ensure that resources were allocated and re-prioritised to issues that required the most attention. The examination programme remained dynamic to ensure that the CBUAE was responsive to the issues within its financial system as necessary, fulfilling its legal mandate for effective supervision.

The CBUAE carried out baseline, follow-up and thematic risk-based reviews of LFIs to measure financial performance and validate compliance with enhanced regulatory requirements, including (but not limited to) governance, capital, liquidity, earnings, credit quality, and control measures over service and operational resilience.

The CBUAE continues to develop its ability to perform specialised supervision through subject matter experts and training initiatives. The quality and consistency of the examination process remain a key focus, further streamlined through the establishment of Standard Operating Procedures.

Foreign Operations of Local Banks

As part of its enhanced consolidated risk-based supervision, the CBUAE continued strengthening its regulatory co-operation and consistent oversight of the foreign operations of local-incorporated banks. During 2022, the CBUAE conducted six overseas examinations based on its risk-based supervisory plan. The CBUAE also continued its requirement for Long Form Audit Reports (LFAR), which focuses on assessing the application of prudential standards to all aspects of the business, and therefore ensuring the adequate monitoring of a bank's operations within different jurisdictions. The CBUAE utilises LFAR as an additional supervisory tool to achieve consolidated supervision on an ongoing basis for increased monitoring of the foreign and cross-border operations of local banks. Since not all of the banks' foreign operations are subject to annual examinations under the CBUAE's risk-based approach, the LFAR provides additional information to enable the CBUAE to assess any evolving or emerging risks on a consolidated basis.

During 2022, the CBUAE reviewed 21 LFAR reports from various jurisdictions where the local banks operated through branches or subsidiaries.

Thematic Examinations

Advanced Asset Quality Thematic Examination

The CBUAE conducted a system-wide thematic review of asset quality for exposures exceeding a system-wide threshold of AED 500 million. The borrowers were reviewed for their exposures and performance across all material lenders. The key objectives of this thematic review was to enhance the consistency of classifications for

the same borrowers across the banks; ensure the adequacy of provisions for non-performing loans; and identify any exposure that may require close monitoring and review.

Thematic Examination of Pillar 1 and Pillar 2 Capital

The CBUAE conducted a system-wide thematic review of selected banks' Pillar 1 and Pillar 2 reporting. The primary objective was to identify areas of weakness in banks' internal processes for assessing their overall capital adequacy in relation to their risk appetite and risk profile.

Thematic Examination of Overseas Operations of Local Banks

As part of its enhanced consolidated risk-based supervision, the CBUAE conducted targeted examinations of UAE local banks' operations in Turkey and Egypt with strong interaction with local management and regulators. Numerous discussions and formal communications facilitated a mutual exchange of information and evaluation by CBUAE examiners.

Interim Guidance on Lending to Wholesale Obligors

The CBUAE worked closely with the UAE Banks Federation (UBF) to develop Interim Guidance on Lending to Wholesale Obligors. Issued in November 2022, this Interim Guidance aims to articulate expected practices for wholesale lending to be followed by banks in the UAE, without preventing them from applying stricter requirements. In addition, the Interim Guidance looks to:

- (i) increase the consistency of practices across institutions and

- (ii) ensure an appropriate level of control, transparency and sound decision-making for facility underwriting and subsequent credit monitoring.

Sound underwriting principles are expected to contribute to reducing credit risk in the UAE and improving financial stability.

Commercial Credit System

The CBUAE enhanced the existing Central Bank Risk Bureau's Commercial Credit System (CCSYS) to increase the effectiveness of commercial credit monitoring, to ensure that the lenders have better a view of the financial obligations of their existing and potential borrowers, and to improve data quality and supervisory oversight.

Enhancing Supervisory Capacity

The Risk-Based Supervision Executive Certificate Programme continued to expand, with the launch of the Advanced Certificate for Risk Based Supervision Professionals. This unique programme is designed to enhance the skills of CBUAE supervisors who examine federally licensed financial institutions in a risk based supervisory framework. To continue building relevant specialist skills, the 46 UAE citizens who achieved the Executive Certificate became eligible to enrol in the Advanced Certificate programme in Prudential Supervision. 12 UAE citizens achieved the Advanced Executive Certificate in Prudential Supervision in 2022.

The programme continues in cooperation with and is accredited by the Institute of Bankers, a recognised college of University College Dublin and a leading institute in training bankers and bank supervisors.

Analytics and Modelling

The CBUAE continued to enhance its risk analytics capabilities across various fields in support of supervising banks and conducting forward-looking diagnostics of bank data. Supervisory oversight of financial risk modelling at UAE banks was additionally improved through the Model Management Standards and Guidance, which were published to ensure that models employed by banks meet quantitative and qualitative standards to support informed decision-making and reduce Model Risk. The objectives of the initiative include increasing the quality of model management across UAE banks and mitigating the risk of potential underestimation of provisions and capital.

Supervisory Review and Evaluation Process

The CBUAE completed several Supervisory Review and Evaluation Process (SREP) reports in 2022 aligning with the plan mandated by the SREP Steering Committee. This included the Domestic Systemically Important Banks (D-SIBs) and other large banks sampled for close monitoring by the SREP Steering Committee. SREP is based on each financial institution's group consolidated structure and processes. The CBUAE SREP framework involves a comprehensive assessment of an institution's overall business model, corporate governance, and the risk to and adequacy of its capital and liquidity resources. In addition to SREPs, a brief summary and risk evaluation, in the form of an 'Institutional Profile', continued to be part of the review process for 2022.

Regulatory Cooperation

The CBUAE enables home and host supervisors to share information based on either a Memorandum of Understanding or by way of principle of reciprocity. The main activities within this framework include handling requests from domestic and foreign banking regulators, such as the Securities and Commodities Authority, UAE federal ministries, law enforcement agencies and by conducting supervisory colleges. In 2022 CBUAE processed over 500 requests for information from domestic and foreign competent authorities, as well as having conducted two supervisory colleges and participated in three supervisory colleges.

Finance Companies

The CBUAE completed 12 risk-based finance company examinations in Abu Dhabi and Dubai. Regulatory return forms were analysed quarterly and the FC database updated accordingly. More than 100 requests and licence renewals from finance companies were processed, and fit and proper interviews with senior management candidates conducted. In addition, the finance company examination standard operating procedure was revised and amended.

Exchange Houses and Remittances

84 active exchange houses licensed and supervised by the CBUAE continue to play a key critical role in providing access to financial services for those unable to participate in the formal banking sector. Expatriates, and notably low-wage earners, can receive their salaries securely and remit funds back to their home countries on a regular basis, particularly for financial support to families. The contribution of this sector to financial inclusion is underscored

by the fact that the UAE is the second largest remittance send corridor in the world, after the US.

During 2022, the CBUAE conducted:

Figure 9.1.1 Examinations of LFIs Conducted in 2022¹ before this graphic



Hawaladar Service Providers

There are currently 45 Registered Hawala service providers formally registered with the CBUAE under the Registered Hawala Providers Regulations, contributing to the improvement of services for expatriates remitting to countries where access to financial services is limited.

The CBUAE conducted:



9.1.2 Insurance Supervision

A year after its merger with the UAE Insurance Authority, the CBUAE made a series of regulatory and other changes to raise the quality of insurance industry supervision in the UAE. This included integrating a Digital Supervisory Platform (DSP) used for insurance supervision into the CBUAE's systems, permitting centralised reporting and analysis.

Insurance companies made progress in 2022 implementing Internal Controls

over Financial Reporting (ICFR) to upgrade the quality of insurance financial reporting. Adoption will permit high-quality information-sharing with the public and other stakeholders by ensuring the reliability of insurance firms' financial reporting, in accordance with generally accepted accounting principles. Firms were initially asked to design and test their own ICFR strategies. During 2022, companies submitted management assessments of their ICFRs, with a view to remedying any gaps in time for 2023 year-end external audits. The expectation is that IFRS 17 will result in significant restructuring and redesign of insurance company internal processes and controls, and ultimately enable more efficient supervision.

Plans were made to require insurance firms to start preparing their general purpose financial reports in conformity with the latest IFRS 17 accounting standards in 2023. The IFRS 17 reporting requirement for insurance firms initially covers only general purpose financial reporting. Regulatory reporting will continue under existing regulations. CBUAE plans to monitor implementation of IFRS 17 starting in 2023 once implementation is supported by robust auditing and ICFR at insurance firms.

The UAE insurance sector continued to grow in 2022. The number of licensed entities increased by 5.53% to 553 in 2022 from 524 in 2021. Gross written premiums rose 12% during the first three quarters of 2022 to AED 27.1 billion from AED 23.0 billion in the first three quarters of 2021.

Table 9.1.1 Licensed Entities in the UAE's Insurance Sector (2021 vs 2022)

	Total as 2021	Total as 2022
Insurance companies	62	62
Other Insurance Related Professions	462	491
Total	524	553

9.2 LICENSING

In 2022, the CBUAE processed applications for the following services: new licences, licence modifications and renewals, licences and approvals for branches, electronic banking service units, pay offices, ATM installations and cancellations, and capital and shareholding structure amendments.

The total number of licensees fell slightly to 233 in 2022 from 245 in 2021. The decrease was attributed in part to a decline in licences for Monetary Intermediaries, an activity being migrated to the Securities and Commodities Authority (SCA) following 2018's Decretal Federal Law No. (14) Regarding Central Bank & Organisation of Financial Institutions and Activities.

During the year, the number of licences issued to banks rose compared to 2021, while declines were noted in issuances to finance companies, exchange businesses and representative offices. Under the newly published regulatory framework, the CBUAE provided new licences to Specialised Banks, Stored Value Facilities and Retail Payment Services providers during the year.

At year-end 2022, a total of 102 foreign LFIs from approximately 20 countries were operating in the UAE, including 39 foreign banks and 63 representative offices. In

addition, 22 local banks and 1 specialised bank were also operating through a total of 573 branches, electronic banking service units and pay offices.

Table 9.2.1 Licensing of Financial Institutions, Insurance Companies and Professionals (2022 vs 2021)

	Total as of 2022	Total as of 2021
Bank	61	59
Finance Company	16	19
Exchange Business	84	89
Bank Representative Offices	63	65
SVFs	4	3
Retail Payment Services	2	-
Monetary Intermediaries	3	10
National Traditional Insurance Companies	23	23
National Takaful Insurance Companies	12	12
Foreign Insurance Companies	27	27
Insurance Broker companies	168	168
Insurance Agents Companies	29	30
Insurance Consultant (individuals & companies)	51	46
Loss & Damage Adjusters (individuals & companies)	136	126
Actuaries (individuals & companies)	74	67
Third Party Administrator Companies	20	21
Insurance Policies Price Comparison Websites	13	4
Total	786	769

9.3 ENFORCEMENT

9.3.1 Enforcement

The CBUAE continued to take robust measures on enforcement in 2022 across all sectors.

The focus remained on shortcomings in the anti-money laundering (AML) and sanctions compliance frameworks as the CBUAE imposed financial and administrative penalties in compliance with FATF guidelines. These included an instruction to remediate shortcomings within a given timeframe, an instruction to appoint a monitor to oversee and validate an LFI's remediation efforts, and revocation of licences.

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Enforcement Cases Initiated in 2022

The CBUAE imposed financial and administrative penalties on insurance companies and insurance-related professions during 2022. These addressed deficiencies in solvency and liquidity, governance, AML and sanction compliance, unauthorised cessation of business, and late payment of fees.

In verifying compliance with the Organisation for Economic Co-operation and Development's Common Report Standard (CRS), the CBUAE also imposed financial penalties on banks and several account holders.

Finally, the CBUAE initiated proceedings against a number of banks for non-compliance with its instructions regarding granting loans and other credit facilities, including credit cards, to beneficiaries of the National Debt Default Settlement Fund.

In total, the CBUAE initiated and/or decided 89 cases in 2022, including cases related to non-compliance with Emiratisation targets. For the year, the CBUAE imposed financial penalties totalling over AED 17.2 million.

Table 9.3.1 Enforcement Sanctions & Penalties in 2022

LFI Category	Number of Firms Penalised	Sanctions, Penalties in AED
Banks	21	6,730,000
Exchange Houses	7	8,195,858
Finance Companies	1	1,950,000
Hawaladars	1	0
Insurance Companies and Related Professions	5	270,111
Account Holders (under CRS)	4	80,000
Total	39	17,225,969

In 2022, six banks received financial sanctions for CRS reporting failures. Fifteen banks received financial sanctions for Emiratisation shortfalls.

One finance company received financial sanctions and an administrative sanction for issues relating to governance, reporting, solvency, consumer protection, and AML & Sanctions Compliance Framework shortcomings.

Five insurance companies and related insurance professionals received financial and/or administrative sanctions. The administrative sanctions imposed included remediation, prohibitions and/

or licence cancellations. The reason for the sanctions included solvency issues, violation of licence conditions, and/or late penalty of fees.

Seven exchange houses received financial and/or administrative sanctions.

The administrative sanctions imposed included remediation and/or licence revocation. The reasons for the sanctions imposed included shortcomings related to the AML & Sanctions Compliance Framework and/or violations of licence conditions.

The registration of one Hawala service provider was cancelled for AML & Sanctions Compliance Framework shortcomings.

Two authorised individuals received prohibitions for violations of licence conditions.

Four account holders received financial sanctions for failure to submit accurate or complete KYC self-certifications in a timely manner. Under the Common Reporting Standard of the OECD and UAE Cabinet Decision No. (93) of 2021, the CBUAE – as the regulatory authority for banks – must impose financial sanctions of AED 20,000 on account holders and controlling persons (a natural person who exercises control over an entity) if they submit inaccurate or incomplete KYC self-certification and/or supporting documents.

9.3.2 Enhancing Anti Money Laundering and Countering the Financing of Terrorism

In August 2020, the CBUAE established a dedicated department to handle all Anti Money Laundering and Countering the Financing of Terrorism (AML/CFT)

matters. In 2022, its scope expanded to incorporate all financial crime activities and supervise compliance over the UAE financial services sector. This is in line with the nation's Financial Crime Legal Framework and National Risk Assessment and is in accordance with guidelines set by the Financial Action Task Force.

The CBUAE's strong domestic collaboration with the UAE's competent authorities led to tangible outcomes such as the ongoing National Risk Assessment, Typology Reports and Best Practice Guidance on Remedial Actions and Enforcement. This close cooperation also supported the CBUAE in receiving timely information on its LFIs and Registered Hawala Providers from relevant stakeholders. This data sharing information is applied to CBUAE's risk assessment procedures.

The expanded scope of the department, along with other innovations and advancements, significantly increased the CBUAE's supervision of its LFIs/RHPs. All high-risk entities receive supervisory engagements through onsite and targeted inspections. In 2022, the number of supervisory onsite inspections with financial institutions increased to 107, compared to 2021 (61).

The CBUAE also participated in national-

led Thematic Reviews on Targeted Financial Sanctions and Suspicious Activity Reporting.

Using the latest technology and data analytics, the CBUAE is better able to identify and address emerging risks. Investments in the CBUAE's AML/CFT institutional risk assessments model also brings greater coherence across all inputs from real-time examinations, thematic reviews, compliance officer reports, industry events and adverse news monitoring on LFIs. These inputs are used to update AML/CFT risk scores, and, where required, enable appropriate supervisory interventions.

Outreach to the UAE and global financial communities are cornerstones of the CBUAE's AML/CFT approach. This provides the opportunity to share ideas and experiences and the adaptation of emerging best international practices. Regular engagement with the public and private sector also embeds a whole-of-government approach to all aspects of AML/CFT. In 2022, the CBUAE engaged with more than 17,000 participants from across the private sector in various forums.

Targeted Guidance was developed for the sector on topics related to Insurance, Payments, Politically Exposed Persons and Digital Identification for Customer Due Diligence.

Table 9.3.2 Increase in Supervision Efforts

Supervisory Contacts 2022	Banks	Finance Companies	Insurance Companies, Agents and Brokers	Exchange Houses	Registered Hawala Providers
On-site Examinations	16		15	29	39
Offsite AML/CFT Data Returns	57	16	275	87	36
Spot Checks		9		5	
Thematic Reviews	16		15	29	39

9.4 REGULATORY DEVELOPMENT

Key aspects of the UAE's regulatory framework for banks, insurance companies and financial institutions were advanced during 2022. The main focus was on corporate governance and risk management of insurance companies, the expansion and development of banking licence types, model management in banks, lending standards, the capital assessment process, and recovery and resolution.

A significant development was finalisation of two major regulations and accompanying standards for the UAE insurance sector following the CBUAE's merger with the UAE Insurance Authority. The new Corporate Governance Regulation and Risk Management & Internal Controls Regulation advanced the regulatory environment for insurance companies and related professions operating in the UAE.

Figure 9.4.1 New CBUAE Regulations Issued in 2022

The CBUAE issued regulations and standards in 2022 in these areas:



The Corporate Governance Regulation sets out the core duties and responsibilities of insurance company boards and senior management and established minimum requirements for insurance company internal structures and processes, including the composition of boards, senior management and key control functions.

The Risk Management and Internal Controls Regulation set requirements for board and senior management oversight and the management of risk in insurance companies, as well as clear standards for implementing risk, compliance and internal audit functions. The functions of the Chief Risk Officer Head of Compliance and Head of Internal Audit are given prominence in the risk management structures of insurance companies and such roles are subject to CBUAE approval.

The objectives of both regulations are to enhance the governance and risk management culture within the insurance sector and place clear responsibility and accountability on boards and senior management.

In 2022, work continued on proposed recovery and resolution frameworks for banks and insurance companies operating in the UAE. It is expected that the recovery planning regulation will be issued in early 2023, and the resolution framework later in the year. Work also began in 2022 on a new credit risk regulation expected to be issued during 2023.

9.5 CONSUMER PROTECTION

To encourage a focus on protecting consumers, the newly created Market Conduct Supervision Department worked to ensure industry compliance with consumer protection regulations and standards.

Raising Awareness

The CBUAE conducted 12 reviews during the year on consumer-related topics, mainly to assess the understanding and application of CBUAE regulations by licensed entities.

The 12 reviews consisted of three thematic reviews and nine desk reviews. Thematic reviews are larger in scope and number of participating LFIs and aim to test compliance on an industry level. Desk reviews are more focused and target a limited number of LFIs with a specific regulatory scope.

The three thematic reviews focused on small- to medium-sized enterprises, disclosure and transparency, and credit cards.

Small to Medium-Sized Enterprises Thematic Review

In this review, CBUAE aimed to identify barriers and challenges faced by SME customers and better understand LFI processes related to SMEs. The review also measured compliance with CBUAE Notice 1532/2021 and provided recommendations to mitigate identified challenges and barriers.

The CBUAE decided not to proceed with issuance of any additional regulations and standards, but will monitor industry performance and behaviour prior to issuance of any regulatory standards.

Disclosure and Transparency Thematic Review

This review aimed to test compliance across the industry with the bundle of new disclosure and transparency requirements released in the UAE 2021 Consumer Protection Regulation to insure proper implementation. The review resulted in several findings that were addressed with specific LFIs in the form of remediation plans, which CBUAE monitored to the point of full compliance.

Credit Card Thematic Review

This review focused on the top 15 industry players with the aim to assess their approaches to consumer protection within their credit card operations. The review involved intensive series of meetings with all participating LFIs to address misinterpretation of the regulation that led to wrong practices in interest calculations adopted by the industry.

CBUAE is addressing these cases by providing individual feedback to LFIs and has requested remediation plans. The intent of CBUAE is to issue regulatory clarification to the industry to ensure a unified correct understanding of the requirements.

Desk Reviews

CBUAE conducted desk reviews with a number of banks to address potential cases of non-compliance. The banks were requested to provide CBUAE with

remediation plans for the following areas, which were monitored to the point of satisfactory closure:

- Early Settlement Fees
- Credit Card Interest Calculation
- Fraud Trends and Reporting
- Insurance Company Complaint Performance
- Marketing through Calling by Telephone
- Revolving Overdraft Fees
- Delay in Issuing the Liability Letter / Clearance Letter
- Mortgage Loan Early Settlement Charges
- Credit Card Interest Calculation Mechanism on Retail Outstanding Balances

In their totality, the reviews completed in 2022 led to a constructive dialogue and amendment of outdated practices. Additionally, four guidance notes with the objective of providing better understanding on consumer protection regulations and standards were issued. In co-ordination with the UBF, five outreach sessions were conducted with members of industry that drew 1,500 participants.

In accordance with its core objective to strengthen trust in the financial system, the CBUAE began enforcing principles-based consumer protection regulations for LFIs pertaining to disclosure, product oversight, market conduct, customer choice, indebtedness and privacy.

The CBUAE created the institutional obligations to protect consumers in accordance with the Decretal Federal Law No. 14 of 2018. Similarly, an Ombudsman

unit is being planned to receive consumer complaints and pursue redress. The 'Sanadak' unit will ensure ethical conduct of firms and protect the rights of consumers.

Figure 9.5.1 Advancements in Consumer Protection during 2022



Expediting Court Case Management

The effectiveness of the Court Case Management System (CCMS) was strengthened, as the CBUAE issued a detailed rulebook on the roles and responsibilities of courts, LFIs and the CBUAE itself in complaint resolution. The goal is to improve efficiency, reduce processing times and costs, and streamline operations, with court orders quickly issued, benefitting LFIs and consumers. During the year, CCMS was integrated with the Abu Dhabi Judiciary Department, in what is expected to be a model across the UAE.

Expanding International Co-operation

With key industry partners, the CBUAE also participated in Arab Financial Inclusion Day, an event sponsored by the Arab Monetary Fund (AMF).

9.6 FINANCIAL STABILITY

Strengthening the Resilience of the UAE Financial System for the Future

The CBUAE is mandated to enhance financial stability in the UAE, since a stable and reliable financial system is a precondition for sustainable economic growth. As the impact of the COVID-19 pandemic dissipated, global tensions and volatile macro-financial developments required vigilance during 2022.

The CBUAE conducted risk assessments and scenario-based stress-testing and closely monitored the potential impact of external developments on the UAE financial system and economy. During these global headwinds, the UAE financial system remained sound, and economic growth was strong.

Targeted Economic Support Scheme

The CBUAE continued implementation of its gradual exit strategy from the Targeted Economic Support Scheme (TESS). The scheme was implemented in 2020 to mitigate the financial and economic repercussions of the COVID-19 pandemic. TESS helped stabilise the UAE economy and financial system during the crisis, and was removed without significant impact on the financial system or economy.

In line with rebounding economic activity, the CBUAE ended capital buffer and liquidity requirement temporary reliefs on

30 June 2022, as well as a TESS zero-cost funding facility that was available for the recovery programme.

Support measures that temporarily remained in place after 30 June 2022 included the reduced reserve requirements, decreased down-payment requirement for new mortgage loans, and the prudential filter. The CBUAE stood ready during the remainder of 2022 to take additional measures, if necessary, in line with its financial crisis preparedness and management framework.

Financial System Surveillance

The CBUAE conducted forward-looking surveillance of the resilience and vulnerabilities of the UAE financial system. The financial sector surveillance encompassed global, regional and domestic assessments of current financial risks and emerging financial trends affecting UAE banks and non-bank financial institutions.

The UAE financial sector remained resilient in 2022, with key performance indicators reflecting a broad-based recovery following the pandemic, supported by the CBUAE's proactive measures. The banking sector maintained ample lending capacity to support the economy. The CBUAE conducted regular asset quality assessments.

The CBUAE implemented Standards for Bank Real Estate Exposure, which facilitated the monitoring and oversight of real estate exposures. The CBUAE also enhanced the surveillance and analysis of ESG risks in financial institutions and financial markets.

2022 Stress Testing

In 2022, the CBUAE conducted an annual bottom-up stress test to explore potential vulnerabilities in the UAE banking sector and to make a forward-looking assessment of banks' capital and liquidity buffers. The hypothetical adverse scenario was developed around stagflation risk, triggered by high inflation and policy rates tightening in the US and Europe. The stagflation risk would transmit to the UAE GDP growth rate, oil price, and capital and housing markets. The results showed that the UAE banking sector could withstand the considered scenarios while maintaining adequate capital and liquidity levels.

In addition, the CBUAE continued its frequent top-down stress tests to evaluate the impact of high inflation and significant tightening of monetary policy on the UAE banking sector. Among other purposes, these stress tests aimed to measure the potential risks of debt sustainability of UAE corporates and households caused by interest rate hikes and the effect this would have on UAE bank capital and liquidity buffers. The results showed that the UAE banking sector had adequate capital and liquidity buffers to withstand a potentially higher than expected interest rate increase.

Finally, the CBUAE conducted a first climate risk stress test to make a preliminary assessment of the impact of climate transition risk on UAE banks' corporate lending portfolio. The stress test leveraged climate stress testing scenarios developed by the Network of Central Banks and Supervisors for Greening the Financial System (NGFS) and translated the effect to various economic sectors in the UAE and to bank balance sheets. In 2023, the CBUAE will continue its work on climate risk stress testing and conduct further analysis using

granular level data and examining physical risk impact on UAE bank balance sheets.

Macroprudential Policy Framework

The CBUAE Macroprudential Policy Framework (MPPF) aims to enhance the overall resilience of the financial system, to reduce systemic risks and their negative contagion effects on the real economy. The framework addresses cyclical and structural dimensions of systemic risks. The cyclical dimension reflects the changes in systemic risks over time and the structural dimension reflects the distribution and concentration of systemic risks within the financial system. Analytical enhancements during the year focused on keeping abreast of structural and technological changes that are shaping the financial system globally, for example, potential risks related to non-bank financial intermediation and crypto-assets.

In the annual designation of the UAE's D-SIBs the CBUAE designated the same four banks as in the previous year – First Abu Dhabi Bank, Emirates NBD, Abu Dhabi Commercial Bank and Dubai Islamic Bank. Banks designated as D-SIBs are subject to higher capital requirements (D-SIB capital buffer) and more intensive supervisory scrutiny. As part of the TESS exit measures, the temporary D-SIB capital buffer relief ended 30 June 2022.

9.7 MONETARY POLICY AND DOMESTIC MARKETS

Dirham Monetary Framework Rollout

The rollout of the DMF continued through 2022. The focus included the development of new liquidity facilities and enhancement of existing facilities,

improvements to transparency of the DMF and ongoing work to support domestic capital market development. A further focus was on building organisational analytical capability in order to support more active management of domestic banking sector liquidity.

The following steps were taken in the ongoing implementation of the DMF during the year:

Liquidity Insurance and Enhancement of Standing Facilities

Further enhancements were made to the liquidity facilities offered by the CBUAE. This included the introduction of new general terms and conditions for its standing credit facilities, the Marginal Lending Facility and the Collateralised Murabaha Facility, and the introduction of a new Contingent Liquidity Insurance Facility (CLIF). The introduction of the CLIF allows the CBUAE to offer reserves on an extended basis in response to actual or prospective stress on a collateralised basis. The new general terms and conditions also enhanced the CBUAE's collateral framework and updated the relevant agreements required in order to access such facilities. These enhancements allow the CBUAE to extend emergency liquidity while also protecting its balance sheet in all market conditions.

Supporting Capital Market Development

Following the successful roll-out of the M-Bills programme in 2021, CBUAE leveraged the underlying M-Bills infrastructure and regulations to support the UAE Ministry of Finance Treasury Bond programme. Under the arrangements with the Ministry, the CBUAE acts as Registrar,

Auction Agent, Issuing Agent and Paying and Calculation Agent for the Treasury Bond programme.

Following roll-out, the programme has made solid progress with total issuance of AED 9.0 billion through 2022 and the emergence of some secondary market trading. Solid investor demand has also been evident through the life of the programme, with primary auctions frequently oversubscribed five times or more. The infrastructure put in place by the CBUAE provides a robust platform for Dirham denominated debt issuance by UAE government-related entities, and the CBUAE hopes to expand its usage in the future.

Liquidity Reconciliation, Analysis and Forecasting

Following on from the International Monetary Fund's Technical Assistance mission on Liquidity Management and Forecasting in 2021, the CBUAE implemented many of its recommendations in 2022. These included the development and implementation of a framework for liquidity reconciliation and forecasting. The approach adopted by the CBUAE, with support provided by the IMF, applies advanced econometric techniques to analyse and forecast domestic liquidity. Such capacity building forms a vital part of the roll-out of the DMF and provides the analytical capability necessary to actively manage liquidity on a day-to-day basis.

Enhancing Transparency

The CBUAE enhanced the transparency of the DMF via the development of a new 'Monetary Policy and Domestic Markets' section on its website. This contains all relevant information relating to various features of the framework,

including governance arrangements, terms and conditions applicable to any facilities, relevant regulations and key data related to liquidity and M-Bills issuance. Development of the new website provides market participants and the general public with relevant information on monetary policy implementation in the UAE, including some educational material related to how the CBUAE implements monetary policy and how the monetary system of the UAE functions. By enhancing the transparency of the DMF in this manner, the CBUAE is aligning with leading central banks globally with respect to transparency of its monetary policy framework.

Organisational Arrangements

In 2022, implementation of the Targeted Operating Model 2.0 (TOM 2.0) saw the creation of a new standalone Monetary Policy Department. The creation of this department does not signal a new monetary policy regime. The mandate of the new MPD is to develop monetary management tools and build analytical capabilities and to define the CBUAE's monetary policy objectives through the formulation of the DMF and develop related liquidity management facilities. The development of a standalone department allows for further capacity building, particularly with respect to analytics, to provide support to roll out the DMF and to ensure that monetary policy implementation is backed by a sound theoretical and empirical framework.

9.8 BANKING OPERATIONS

9.8.1 Payments

In payments, the CBUAE is implementing initiatives to address the needs of diverse stakeholders,

ensuring the UAE remains at the forefront of technological development, innovation, resiliency, and security.

The CBUAE is building a financial market infrastructure (FMI) to ensure wider acceptance of non-cash payment means and interoperability in the market, providing payment and settlement services, overseeing FMIs and payment instruments, and fostering transparency and stability.

In 2022, the CBUAE made progress in preparing to implement a key component of the National Payment Systems Strategy (NPSS) developed in 2019 to design a world-class FMI that provides innovative payment solutions and enhances customer experience – the Instant Payments Platform (IPP).

The CBUAE formulated a plan to launch the UAE's Domestic Card Scheme following a phased approach towards strengthening the local processing of domestic card transactions through UAE national switch (UAESWITCH). The plan also enables issuance of domestic cards, which will deepen the usage of electronic platforms in the country, reduce the costs of a cashless society, and strengthen the country's data sovereignty and security.

At a regional level, the CBUAE continued to prepare to join the GCC-RTGS called (AFAQ) aiming at enabling real-time processing of cross-border payments among GCC countries by using their domestic currencies. The ultimate objective of this project is to increase the integration of domestic payment systems across GCC countries and enhance the efficiency of existing settlement mechanisms.

Similarly, the CBUAE supported the efforts of the institution in charge of the Arab regional Payment System (called 'BUNA') to improve clearing and settlement of cross-border payments in the Arab region. AED was the first settlement currency in BUNA, and UAE-based banks are gradually joining the system to benefit from its services.

Developments in Payments Systems

Implementation of the Instant Payments Platform under NPSS

The key components of the NPSS are to rationalise the CBUAE's Payment Systems landscape, develop and operate the IPP, modernise the infrastructure and data centre for payment systems, and establish a fully owned subsidiary to implement and operate FMI.

The IPP, one of the most important pillars of the NPSS, aims to facilitate instant and faster payments and allow for the transfer of funds around the clock, using bank accounts, mobile numbers, identification numbers and other types of identifiers. The IPP would also facilitate QR code-based payments, and electronic direct debit operations, in addition to electronic cheques.

The platform would enable the transfer of funds easily, quickly and smoothly, without the need to know an account number or IBAN. By providing innovative payment services to participating parties from institutions, companies and service users, the platform contributes to keeping pace with the rapid changes in the payment sector in the UAE and ensuring compliance with best practices and international standards, including the ISO 20022 standard, the new international financial messaging standard.

In terms of making progress to implement the NPSS roadmap in 2022, the CBUAE:

- Finalised design and kick-started implementation of Core Services (Credit Transfer), Overlay Services (Addressing Services, Request to Pay) and Value Added Services (Case Management)
- Completed analysis and design phase for Release 2 systems (electronic direct debits)
- Deployed the infrastructure and architecture components for NPSS services
- Finalised the migration scope of legacy systems
- Gradually on-boarded pilot participants in the testing phase of the IPP and organisation of detailed functional and technical workshops

The soft go-live of the IPP is planned for Q1 2023.

2022 also saw the formal creation of 'AI-Etihad Payments', the new CBUAE subsidiary in charge of FMI development and operation at the national level. This important milestone will strengthen the UAE's position as a worldwide financial centre connected with the key international financial markets.

Domestic Card Scheme

In 2022, the CBUAE initiated development of the UAE's national domestic card scheme, which aims to localise card payment operations within the UAE, reduce the economic cost of electronic payments, enhance oversight effectiveness and ensure payment-related data localisation.

The implementation of the scheme, planned to be completed in 2023, is being phased, with Phase 1 to enable routing of POS domestic transactions locally through UAESWITCH, while Phase 2 consists of designing specifications and launching full-fledged, UAE-branded domestic cards.

Ensuring Readiness to Join GCC-RTGS and BUNA

In 2022, the CBUAE ensured its readiness along with the country's financial community to join the GCC-RTGS system with the finalisation of all the required changes to its systems, and completion of all necessary testing with other GCC central and commercial banks participating in the system. The effective joining date is set for the end of March 2023.

Similarly, and after becoming the first central bank to facilitate the provision of liquidity in its own currency to participants, the CBUAE has actively worked with UAE-based banks to facilitate their participation in BUNA, the Arab regional payment system. While few banks have joined the system, AED is ranked the first settlement currency in BUNA, and the volume of settled transactions is consistently increasing.

BUNA is now capable of full operations, and there will be a high-level focus for usage proliferation in the coming years as an effective and price-competitive means of transactional processing across the region.

Compliance with ISO 20022

The CBUAE is actively working towards introducing the financial messaging standard ISO 20022 under a phased

approach in several of its key business areas, in line with the roadmap published by SWIFT.

ISO 20022 will enable richer, better-structured and more granular transaction data to be included in payment messages. Additional information for payment service providers and their customers will enable a better client experience. Further benefits include less manual intervention, more accurate compliance processes, higher resilience and improved fraud prevention measures.

ISO 20022 is being implemented by banks, corporations, payment systems and financial applications providers to conduct payment operations. It is currently used by a number of Real Time Payment (RTP) schemes and in some Real Time Gross Settlement (RTGS) markets.

In 2022, the CBUAE's focus was on the Swift Alliance and Swift Scope platforms, while Phase 2, planned for completion in 2025, aims to upgrade the internally impacted system to accommodate Treasury platforms, and the DMF including M-Bills.

The CBUAE's priorities in payment systems for the year ahead build on work undertaken in previous years, and are aligned with the UAE's declaration of 2023 as a 'Year of Sustainability'. Among these priorities, the following are major ones:

- Continue implementation of the NPSS programme
- Integrate the IPP with similar platforms in partner countries
- Launch the Domestic Card Scheme in the UAE

- Ensure mutual acceptance of cards between the UAE and certain countries through bilateral links of UAESWITCH with national card switches of these countries
- Ensure compliance of payment systems with relevant international standards
- Strengthen the position of the UAE in the regional and international payment ecosystem

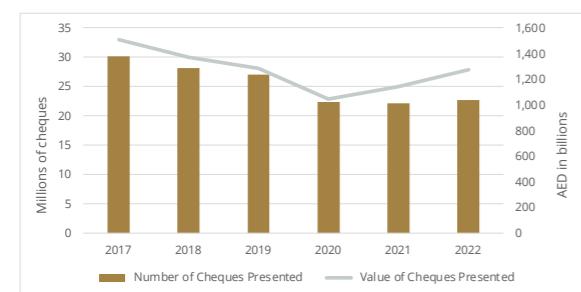
The Operational Capacity of the UAE's Payment Systems

The operational capacity of UAE payment systems such as Image Cheque Clearing System, UAE Funds Transfer System, UAE Direct Debit System, UAE Wages Protection System, UAESWITCH and Instant Payment Instruction continued to be sound and robust in 2022.

a) Image Cheques Clearing System (ICCS)

ICCS processed a volume of 22.7 million cheques in 2022 worth AED 1.3 trillion, increases of 2.5% and 11.6% compared to last year, respectively.

Figure 9.8.1 Cheques presented through ICCS



Source: CBUAE

b) UAE Funds Transfer System (UAEFTS)

UAEFTS processed 74.5 million transactions

in 2022 worth AED 4.9 trillion for retail transfers, a 23.1% increase in volume and 26.9% increase in value, respectively, compared to 2021. Institutional transfers were 634,000, worth AED 7.8 trillion, which represented an increase of 17.9% in volume and 36.2% in value, from 2021.

Figure 9.8.2 Value of Transactions through UAEFTS



Source: CBUAE

c) Instant Payment Instruction (IPI)

The number of transactions on the IPI increased significantly during 2022 to 38.3 million transactions, amounting to AED 101.2 billion, compared with 21.0 million transactions amounting to AED 51.7 billion in 2021.

Figure 9.8.3 Value and Number of Transactions using IPI



Source: CBUAE

d) UAE Wages Protection System (UAEWPS)

The average number of registered employees on the UAEWPS increased to 5.2 million in 2022 from 4.2 million in 2021. The total number of salaries increased from AED 46.4 million to AED 55.5 million, and there was also an increase in the value

of salaries paid, amounting to AED 249.0 billion compared with AED 212.0 billion in 2021. The number of employers registered on 31 December 2022 in WPS increased to 275,680 from 216,690 at the end of 2021, an increase of 27%.

Figure 9.8.4 Transactions through UAEWPS

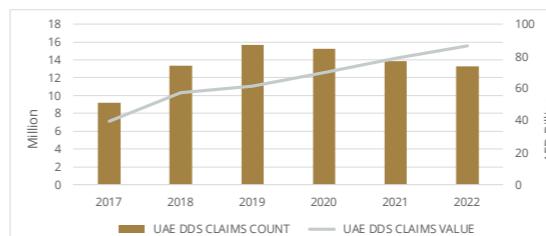


Source: CBUAE

e) UAE Direct Debit System (UAEDDS)

The UAEDDS performed 13.3 million transactions worth AED 86.0 billion, a 4.2% decrease in the number of transactions, while the value of transactions increased by 9.4%.

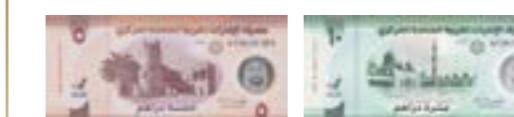
Figure 9.8.5 Claims through UAEDDS



Source: CBUAE

9.8.2 Cash Management

Banknotes



In April 2022, the CBUAE launched two new banknotes, in five- and ten-dirham denominations, made of polymer and enhanced by advanced technical

characteristics and security features. The new banknotes are the third issue of the national currency, and reflect the CBUAE's aim to keep pace with the nation's development and vision in the next fifty years, particularly in the financial and economic sectors.

These currency issues follow the success of the initial 50-dirham polymer note. The new AED 5 and AED 10 banknotes highlight the CBUAE's adoption of sustainable practices and its efforts to develop enhanced environmental standards in the financial sector, and to promote sustainable growth by using environmentally friendly and recyclable polymer material. They are more durable and sustainable than traditional cotton paper banknotes, lasting two or more times longer in circulation.

In December 2022, as part of the UAE's 51st anniversary celebrations, the CBUAE launched a new banknote of AED 1,000 denomination, made of polymer. The issuances support the CBUAE's strategy to improve the functioning of the UAE financial sector. In the design of the new banknote, the CBUAE was keen to highlight the spirit of the union and the success story of the UAE, using images along with cultural and development symbols that reflect the pioneering global achievements of the UAE.

The front side of the new AED 1,000 banknote depicts the image of the late Sheikh Zayed bin Sultan Al Nahyan, next to a model of a space shuttle. This was inspired by the meeting of the late Sheikh Zayed bin Sultan Al Nahyan with the pioneers of the American space agency NASA in 1976, to express the ambitions of the founding leader to position the UAE amongst the pioneering explorers of the space.

This ambition was achieved in the Emirates Mars Mission "Hope Probe" journey in 2021. To mark this event, it was embodied in the new banknote by placing the image entitled "Emirates Mission to Explore Mars - the Hope Probe" at the top of the banknote, left of the late Sheikh Zayed's image. In addition, the image of an astronaut was added as a security mark on both sides of the banknote, reflecting the arrival of the first Emirati astronaut in space. The CBUAE was also keen to focus on another global achievement for the UAE, placing an image of the Barakah Nuclear Energy Plant in the Emirate of Abu Dhabi at the reverse side of the new banknote.

CBUAE Wins Regional Award for AED 1000 Polymer Banknote

The CBUAE was awarded 'Best New Banknote' for its new AED 1000 banknote from the High Security Printing EMEA conference, a regional forum for secure printing technologies. The new 1000 Dirham banknote was selected for its unique designs, technical characteristics and innovative security features. The new banknote is made of polymer material and has three-dimensional designs. The CBUAE has incorporated advanced security technologies, used for the first time in the EMEA region as well as the use of multi-coloured KINEGRAM® making the UAE the first country in the Middle East region to issue the largest of its kind surface-applied foil stripe in banknotes.

Figure 9.8.6 CBUAE's New 'AED 1000' Polymer Banknote

Polymer Banknote Underlines CBUAE Sustainability Efforts

- Banknote designed from sustainable polymer material with three-dimensional designs
- Advanced security technologies used for the first time in the EMEA region
- Use of multi-coloured KINEGRAM® - first country in the Middle East to issue largest surface-applied foil stripe in banknotes



Minting and Issuance of Commemorative Coins

Issuance of Coins Commemorating the Sheikh Zayed Grand Mosque Centre

The CBUAE in 2022 issued 1,971 silver commemorative coins in collaboration with the Sheikh Zayed Grand Mosque Centre, affiliated to the Ministry of Presidential Affairs. The issuance of this commemorative coin aims to showcase the Sheikh Zayed Grand Mosque, named after the late Sheikh Zayed bin Sultan Al Nahyan. The front side of the coin shows a portrait of the late Sheikh Zayed bin Sultan Al Nahyan, with his immortal saying, 'The union lives in my soul, in my heart, and it is the dearest to my heart'. The reverse side of the coin comprises a drawing of Sheikh Zayed Grand Mosque and "the Year of the 50th", coinciding with the 50th anniversary of the union.

Issuance of Commemorative Coins for the Tawazun Economic Council 30th anniversary

In collaboration with the Tawazun Economic Council (Tawazun), the CBUAE issued 1,000 silver commemorative coins to mark the 30th anniversary of Tawazun in 2022. The issuance of the commemorative coins highlights the vital role of Tawazun, which was established in 1992 to create, build and manage industrial relationships for the benefit of the UAE.

The front side of the coin bears a bitmap of the desert, topped with the name 'Tawazun' in Arabic and English, in addition to the slogan 'Strong Roots, Endless Possibilities' placed on the upper and lower extremities in both Arabic and English. On the reverse side, it includes the nominal value of 30 dirhams and the name of the CBUAE, written in Arabic and English.

Issuance of Commemorative Coins for the 50th Anniversary of the UAE Football Association

In collaboration with the UAE Football Association (UAEFA), the CBUAE in 2022 issued 1,000 silver commemorative coins to mark the 50th anniversary of the UAEFA to coincide with the UAE President's Cup final. The issuance of this commemorative coin aims to highlight the significant achievements of the UAEFA at the Gulf and international level since its establishment in 1971. The front side of the coin includes the logo and name of UAEFA in Arabic and English and a phrase '50 years' in celebration of its history. The reverse side bears the UAE logo and the name of the CBUAE in both Arabic and English, in addition to the nominal value of the coin (AED 50).

Issuance of Commemorative Coins to Mark the Silver Jubilee of American University of Sharjah

In collaboration with the American University of Sharjah (AUS), the CBUAE issued 1,000 commemorative silver coins to celebrate AUS's Silver Jubilee, in fulfilment of the vision of its founder, His Highness Sheikh Dr. Sultan bin Mohammed Al Qasimi, a member of the Supreme Council, Ruler of Sharjah, and President of American University of Sharjah. The front side of the coin includes a drawing of AUS

with the year of its establishment in 1997, surrounded by the name of the university in Arabic and English. The reverse side of the coin includes a logo, specially designed to celebrate the 25th anniversary, in addition to the nominal value (AED 25), with the name of the CBUAE written in Arabic and English.

Issuance of Coins to Mark the 50th Anniversary of Zayed Port and 10th Anniversary of Khalifa Port

The CBUAE in cooperation with Abu Dhabi Ports issued 1,000 commemorative silver coins in 2022. The issuance was in conjunction with the 50th anniversary of Zayed Port and the 10th anniversary of Khalifa Port. The front side includes a drawing of the Abu Dhabi Ports Group logo with the name 'Central Bank of the UAE' written in Arabic and English. The back side of the coin includes a drawing of the port, the name "AD Ports Group" in Arabic and English, and 'Zayed Port 50th anniversary' and 'Khalifa Port 10th anniversary' in Arabic and English. The coin has a nominal value of 50 dirhams.

9.9 RESERVES MANAGEMENT

Prudent management of foreign exchange reserves is core to the mission of the CBUAE. Accordingly, the CBUAE invests its foreign exchange reserves in safe and liquid investment-grade assets meeting the liquidity parameters set by the Board of Directors.

The investment process follows best practice and observes the IMF Guidelines for Foreign Exchange Reserve Management. The CBUAE's policy objective for holding the foreign exchange reserves is to support

confidence in the exchange rate policy; mitigate disturbances arising from the balance of payments and/or the domestic banking system; facilitate transactions in foreign currency with government departments and the local banking system; and maximise return at an acceptable level of risk.

2022 was a challenging year in financial markets, as monetary conditions were tightened across the globe to stem inflation in the aftermath of huge fiscal and monetary stimuli due to the global pandemic. The combination of sound reserve management and effective bond and money market operations allowed the CBUAE to execute core functions in market conditions that were stressed by tighter monetary policy globally and the increasing geopolitical tensions that were characteristic of 2022.

Diversification of Assets

The diversification of assets towards the Board-approved strategic asset allocation (SAA) framework was implemented in all internally managed portfolios. Under the framework, the Board sets overall objectives and constraints and clearly indicates their preferred level of risk tolerance, while reserve managers subsequently maximise returns against the benchmarks and targets approved by key decision makers. The new framework allows for dynamic decision making with clear targets leading to the implementation of a globally diversified investment strategy used by both internal and external managers aimed at maximising risk-adjusted returns.

The framework is in line with international best practices and lends credibility to the CBUAE's vision of being among the top central banks globally. In 2023, the SAA

framework and investment strategy will be reviewed in line with the CBUAE's three-year (2024-2026) investment horizon.

The new framework allowed for dynamic decision making with clear targets leading to the implementation of a globally diversified investment strategy used by both internal and external managers aimed at maximising risk-adjusted returns.

9.10 CBUAE'S INTERNAL CONTROL FUNCTIONS

9.10.1 Risk Management

A core CBUAE objective is to enhance trust and confidence in the UAE's financial services sector. During 2022, the CBUAE led by example, adopting leading international standards and practices in its internal risk management and compliance. Several key milestones were reached during the year which enhanced the CBUAE's risk and governance frameworks and practices.

Enhanced Sanctions Screening

The CBUAE implemented new sanction screening systems to ensure that all international foreign exchange payment transactions it makes are routinely screened against UAE, UN and other applicable sanction lists, in line with the CBUAE's AML-CFT Policy and global standards.

Launch of Cyber Security Centre of Excellence

To secure the UAE's FMI and facilitate technological innovation, a Cyber Security Centre of Excellence was launched which sought to foster collaboration among UAE financial sector stakeholders on real-world cybersecurity capabilities for

businesses. The centre promotes internal and community initiatives such as Cyber War gaming, an industry-wide information-sharing platform, in addition to monitoring for vulnerabilities at the CBUAE.

Governance, Transparency and Conflict of Interest Management

During the year, the CBUAE launched the Ifsah Disclosure System, a key mechanism for preventing and managing conflicts of interest involving CBUAE employees. The system allows for collecting, reviewing and managing mandatory annual and ad-hoc disclosures by CBUAE staff, covering potential conflicts of interest arising from family relations, external employment, memberships, investments, private commercial activities, and relations with FIs, counterparties and vendors.

The implementation of Ifsah was accompanied by an organisation-wide awareness campaign and training, which were followed by mandatory employee disclosure submissions within specified time frames.

In governance and transparency, the CBUAE's whistleblowing policy was enhanced to align it with best practices, industry developments and lessons learned since the policy was introduced in 2018. Enhancements were communicated through a publicity campaign on the CBUAE's LinkedIn page, website, intranet newsletter and employee training sessions.

Boosting Operational Resilience

The desire to retain operational resilience defined the CBUAE's response to and management of the COVID-19 pandemic during 2022. As vaccines began to take effect and infections subsided, the

CBUAE gradually lifted crisis management arrangements in line with UAE government directives. Even as the health threat waned, the lessons learned from the pandemic were applied to shape the new normal of the CBUAE's work environment, such as introducing hybrid remote working policies.

With the benefit of hindsight, the CBUAE's response to the pandemic showed the importance of pre-existing crisis management safeguards to upgrade resilience capabilities in breadth as well as agility. To maintain momentum going into 2023, a strategic crisis management simulation was held at the end of 2022 to refine crisis governance protocols.

Fine-Tuning Financial Risk Analytics and Frameworks

In its ongoing strengthening of reserve and risk management practices, the CBUAE introduced an enhanced financial risk and performance analytics system in 2022, which strengthened financial risk management efforts to prudently manage foreign exchange reserves. The new system empowers portfolio managers to view and analyse portfolio risk analytics and performance attribution. It also enables regular reporting to senior management with additional insights on performance and risk.

In line with its new Investment Policy, the CBUAE completed significant updates to the market risk, credit risk, and liquidity risk frameworks related to management of foreign exchange reserves. The market risk framework is now based on the most relevant and widely adopted market risk metrics. The credit risk framework continues to emphasise safe management of foreign exchange reserves by placing restrictions on the credit quality of eligible investments and counterparties. The new

liquidity risk framework stresses the need for CBUAE reserves to have the capacity to act as a buffer to mitigate the effect of potential stress in the domestic banking system.

9.10.2 Internal Audit

The CBUAE has adopted a 'three-lines model' approach including senior management of the business functions, the functions of risk management and compliance, and an independent and effective internal audit function.

Internal Audit reports functionally to the Board Audit Committee, and administratively to the Governor.

The Audit Committee is responsible for monitoring the integrity of CBUAE's financial statements, assessing the integrity of its financial reporting and disclosure processes, and reviewing and recommending the external auditor's terms of engagement, selection, appointment and fees. The committee also oversees CBUAE's internal audit function.

The Audit Committee has reviewed and approved the internal audit's charter and framework, which defines the function's responsibilities and authorities.

The mission of Internal Audit is to provide independent and objective assurance and advisory services to assist CBUAE in achieving its objectives. The internal audit function helps CBUAE accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of the governance, risk management and control processes.

In line with the internal audit plan, the function has completed the following key activities:

- Conducted review of four departments/functions, five branches, and eight concurrent activities
- Performed quarterly follow-up of corrective actions
- Provided regular reporting to senior management and the Board Audit Committee
- Acted as liaison for State Audit Institution reviews
- Performed an annual internal audit quality assessment

9.11 CBUAE'S TRANSFORMATION JOURNEY

Continuous improvement lies at the core of one of the CBUAE's most important core objectives: to support shaping the future of the UAE's financial technology and digitalisation journey.

In an organisational sense, transformation is a daily reality at the CBUAE, which is working continuously to be among the top central banks globally as part of its 2023-2026 strategic plan.

In 2022, the CBUAE made progress in accelerating the modernisation of the UAE financial services ecosystem, while at the same time driving forward its own internal transformation as an institution. Internally, the CBUAE introduced process refinements and digital innovations through projects such as the Central Bank Transformation strategy.

Efforts to shape the future of the UAE financial sector and the CBUAE gained pace in 2022, as implementation roadmaps for multiple transformational and strategic initiatives and projects set for 2023-2026 were drafted, based on extensive consultation, assessment and benchmarking exercises.

Yearly targets and assessment mechanisms were designed for all strategic indicators that are directly linked with the global competitiveness rankings of the UAE and the CBUAE in key areas. At the same time, the CBUAE made substantial progress toward its strategic goals.

Accelerating Central Bank Transformation

To leverage the power of innovation and bolster UAE competitiveness, the CBUAE launched a transformation initiative to enhance the UAE's monetary and financial system and its digital infrastructure. The Central Bank Transformation aims to reduce compliance costs and improve customer and employee satisfaction, operational efficiency and efficacy, service levels and data-driven decisions, while optimising the CBUAE's group capabilities.

A comprehensive Central Bank Transformation strategy was finalised in 2022 to complete the various elements of this wide-ranging initiative during 2023-2026, and many are already underway.

The Central Bank Transformation strategy, and the ongoing pilot work on CBDC, are part of a larger, five-year strategic plan at the CBUAE called the Financial Infrastructure Transformation (FiT) programme. This programme looks to transform and elevate the UAE financial services sector and its associated digital infrastructure to world-class distinction.

Under the FiT programme, each Central Bank Transformation project has clear, well-defined goals, targets and KPI benchmarks, and aims to incorporate best-in-class technical solutions, robust business cases and design principles.

The effort is being overseen by the newly established Transformation Office and Strategy Management Office, which will effectively identify, deliver and track value for the CBUAE, the UAE financial sector and the UAE.

To date, the following initiatives have been identified as priorities:

Figure 9.11.1 CBT.Digital.Automation Project



CBT.Digital.Automation is an ambitious undertaking to create a digital twin of the CBUAE where employees, customers, architectures, intelligence, governance, ecosystems and all aspects of the CBUAE's operations will be mimicked on a digital platform. Coupled with technologies such as workflow, business rules, AI and analytics, the CBUAE aims to automate over 88% of its existing processes.

The digital twin is a digital version of all aspects of CBUAE operations that will enable CBUAE to develop a highly automated and intelligent suite of capabilities. Essentially, it is data where each element will have meta-data that will allow for automated planning, tracking, authorisation and reporting of our activities, as well as improve the provision of customer and employee service.

The digital twin of an employee will leverage data from Targeted Operating Model roles, human resources and enterprise resource planning, and systems such as Identity and Access Management to enable automation, activity management, authorisation, and learning and development.

The digitalisation of operations will benefit CBUAE, allowing it to analyse, plan and execute its responsibilities with best-in-class speed, precision and effect. New levels of digital control will provide analytical insights and the ability to manage activities, systematise regulations, policies, procedures and delegations of authorities, and automate CBUAE's strategic and operational planning and reporting.

In addition, department-level processes, reporting and analytics will be automated, and the CBUAE will gain a new ability to more effectively manage documents and perform enterprise searches.



The **CBT.Digital.Customer Experience** project will digitalise and automate more than 70 customer journeys through an omni-channel experience. By leveraging automation, analytics and over 80 new e-services, the CBUAE will create a differentiated, holistic and streamlined experience for customers, which are primarily LFIs.



The **CBT.Digital.Employee Experience** will provide a single digital point of entry for corporate and departmental communications, and a toolkit personalised to each employee. The unified personalised employee portal is expected to boost employee and team efficiency and efficacy. Workplace analytics will enable individuals and teams to better support employee wellness.

As part of the CBUAE's 2026 vision and objectives, the Central Bank Transformation initiative is designed to support a core strategic objective – the attraction, retention and empowerment of top talent. Ultimately, Central Bank Transformation represents a technology, data and cultural evolution that is empowering the CBUAE to provide effective and efficient services to customers, stakeholders and employees.

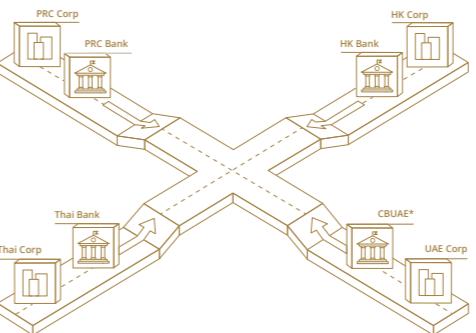
Leading on CBDC

The CBUAE has made Central Bank Digital Currency (CBDC) implementation a priority to empower financial inclusion, facilitate cross-border international payments and support the growth of the nation's financial sector.

In 2022, the CBUAE became one of the first central banks in the MENA region to host a real-value pilot use of wholesale CBDCs in conjunction with BIS Innovation Hub Hong Kong Centre, the Hong Kong Monetary Authority, the Bank of Thailand and the Digital Currency Institute of the People's Bank of China. CBDCs are issued by states and considered as legal tender, providing the same functions as conventional cash. Many countries are currently exploring or implementing CBDCs.

The pilot was the outgrowth of Project mBridge, a multi-participant CBDC initiative the CBUAE joined to conduct cross-border and international payments in a real-time, low-cost, efficient and transparent manner, with payments settled in a secure medium.

Figure 9.11.2 mBridge Real-Value CBDC Pilot



In the mBridge pilot, 20 commercial banks from the four participating jurisdictions used the platform to settle a variety of payments for corporate customers focusing

on cross-border trade. Over USD 12.0 million in CBDCs were issued, facilitating more than 160 cross-border payments and FX transactions totalling more than USD 22.0 million (AED 80.0 million) in value.



Commercial Banks



CBDCs Issued



Cross-border payments and FX transactions

The CBUAE established its CBDC Strategy in 2022 with an objective of becoming a CBDC centre of excellence and regional hub for CBDC infrastructure hosting and operation.

Another objective of the strategy is to clarify UAE digital currency policy and affirm that the CBUAE CBDC is legal tender in the UAE.

As a promising solution to achieving the G20's vision of developing a digital central bank currency that facilitates cross-border trade and balance of trade payments, CBDCs are seen at the CBUAE as an innovative way to supplement conventional payment systems.

Moving forward, the CBUAE aims to provide CBDC cross-border payments in an ongoing, secure manner through a controlled production launch of mBridge with partnering central banks and the BIS Innovation Hub by early 2024. In addition, major trading countries that can serve as partners in bilateral CBDC bridges will be explored. Proof of concept work on a domestic retail CBDC will also commence in 2023, as a precursor to a comprehensive CBUAE CBDC Strategy expected in two years.

Managing Financial Infrastructure Transformation

The Financial Infrastructure Transformation programme, which includes Central Bank Transformation and CBDC, aims to improve the UAE financial services sector and its digital infrastructure.

In 2022, the CBUAE completed Phase 1 of FiT and commenced Phase 2, which was scheduled to be completed in the first quarter of 2023. All 11 parts of FiT are scheduled to be completed by 2026. Aside from CBDC and CBT, the other elements of the FiT initiative include:

Figure 9.11.3 FIT Programme Elements

- Supervisory Transformation**, a programme to improve licensing and supervisory processes. Strategies include using data analytics to devise new methods that comply with best practices, based on a 360-degree oversight of LFIs.
- Enterprise Data Management**, a project to upgrade the definition, integration, analysis and retrieval of data for both internal applications and external communication.
- Innovation Hub**, a collaborative platform for engagement, research and development for innovative financial technology.
- IPP**, which is being rolled out in the first quarter of 2023 under a pilot with a group of LFIs.



Domestic Cards Scheme, the UAE's first unified, secured, and efficient card payment platform to facilitate the growth of e-commerce and digital transactions.



Open Finance, a platform leveraging inter-connectivity and inter-operability to drive innovation, competitiveness and collaboration in the financial services sector.



Financial Cloud, a secure, resilient, scalable, and reliable sovereign financial infrastructure.

The CBUAE intends to develop FiT initiatives in line with its 2026 vision by adopting a group operating model leveraging a combination of the CBUAE, its subsidiaries and affiliated entities such as Al Etihad Payments and the Emirates Institute of Banking and Financial Studies (EIBFS).

Attracting Innovative Financial Technology

The planned creation of a CBUAE provisional regulatory sandbox will enable the piloting of innovative solutions with non-traditional financial service models and uses of technology, further encouraging SME growth.

Additionally, the CBUAE is spearheading the Open Finance initiative, a secure way of opening financial institution systems to accredited third parties that can leverage customer-consented financial data and build new applications and innovative financial services. Some of these enhancements may

give financial services customers from the corporate and retail sectors, and SMEs, more control over their information, and stimulate creation of new services that deliver better value for the money.

The CBUAE's Open Finance initiative is intended to deliver enhanced customer value and lead to the creation of new financial services products and offerings, from digital advice to financial automation, that leverage insights and innovations.

A More Agile Organisation

In 2022, a broad range of strategic measures were adopted to transform the CBUAE into a more agile organisation that continues to attract and nurture world-class talent. Central to this effort was the rollout of an enhanced version of CBUAE's Target Operating Model, TOM 2.0, which led to a redesign of departmental structures and functions.

The restructuring created an opportunity to enhance human resource policies, and resulted in a new standardised job evaluation methodology, a market-driven job titling framework and a grading of staff positions in terms of seniority to match best practices. The migration of CBUAE employees to the new structure, which encourages collaboration, accountability and autonomy, was completed in the third quarter of 2022.

The transformation of the CBUAE's business culture continued apace, as a range of improvements were made in 2022 to enhance the organisation's competitive employee value proposition, drive performance, and promote fairness and flexibility for valued employees.

Recruiting efforts accelerated, and the CBUAE increased the number of new employees in 2022 by 138% compared to 2021. In total, 93 new people joined CBUAE's staff, 55 of whom were UAE nationals. Of these new employees, 31% entered managerial positions to drive transformational projects and initiatives.

The CBUAE's effort to boost Emirati employment within its workforce gathered strength in 2022. Within the Financial Intelligence Unit, the Emirati workforce nearly doubled from 34 to 67 during the year. In core functions, 37 talented young Emiratis came on board. Recruitment was aided by a Virtual Career Fair at the UAE Embassy in Washington, and the annual Tawdheef career fair in Abu Dhabi, which attracted many job seekers.

At the end of 2022, CBUAE had 751 employees, with an Emiratisation rate of 65%.

More than 90 high-performing employees were identified for individual, bespoke development training to further their skills, capabilities and performance, and to gain exposure to the CBUAE. In 2022, 98 employees were recommended for promotions to managerial roles.

A summer internship initiative was launched. Six college undergraduates from NYU Abu Dhabi, Zayed University, and the American University of Sharjah spent six weeks in the programme. A new graduate development initiative was also established for Emirati graduates. A group of senior employees were also selected to participate in a two-week development programme titled "Strategic Leadership in The Era of Disruption", which was conducted by Saïd Business

School, University of Oxford, UK, with the aim of equipping future leaders with the skills to manage change.

The CBUAE Youth Council launched several initiatives internally and externally during the year. Many were led by youth organisers. A major initiative was an employee Happiness and Wellness Programme.

In the areas of AML/CFT and risk management, as activities were expanded, the CBUAE continued to raise the level of in-house expertise among its staff. Training of CBUAE staff was held under the strictest international standards to strengthen technical competencies and ensure a future-ready workforce.

Prioritising Procurement

To deliver excellence in procurement during 2022, the CBUAE focused on applying strategic thinking, streamlining business processes, integrating the latest technology and encouraging responsible stewardship of resources. Efforts were made to increase inclusiveness and diversity by engaging local suppliers, and to ensure that suppliers were adhering to ethical behaviour and best-practice compliance standards that support the CBUAE's business objectives.

During the year, progress was made to increase matching of purchase order and invoice accuracy to 100% and reduce the procurement cycle to 10 days. Plans are underway to implement the 'S2C' automated procurement system platform.

Standardising Islamic Finance

The CBUAE's Higher Shariah Authority (HSA) played a constructive role in Islamic finance in 2022 when it supported codification of a new UAE law (Decretal Law No. (50) of 2022) that for the first time classifies and provides legal certainty for a new class of Shariah-compliant contracts.

Figure 9.11.4 New Shariah-compliant Contract Law

Chapter 6 of the new Commercial Transaction Law of 2022 empowered the CBUAE's Board of Directors to issue bylaws and regulations on Shariah-compliant contracts and products and services based on the HSA's recommendation to ensure comprehensive coverage of Islamic financial transactions.

The CBUAE, under the guidance of the HSA, continued its work to enhance the standardisation and harmonisation of Shariah-compliant practices in the UAE. In collaboration with different UBF committees, the CBUAE addressed several issues related to important products for Islamic Financial Institutions (IFIs). These included standardisation and issuance of guidance regarding the Shariah aspects of Sukuk, Repo transactions, and syndicated deals.

In regard to Sukuk market maturity, the HSA provided the market with further flexibility and guidance to ensure that UAE-based IFIs actively issue and/or trade in global Sukuks, while continuing efforts to advocate for the UAE's position.

The CBUAE supported innovation within Islamic financial markets by providing specific guidance for products and services to be offered to the public by IFIs. In relation to the Libor transition and its specific impact on Islamic financial products and services, the HSA has issued targeted guidance to the market to allow for a smooth transition and the adoption of the new backward-looking benchmark rate.

Takaful insurance was another focus of the CBUAE as an updated Takaful Regulation was issued. These tackled changes and updates regarding the merger of the Insurance Authority into the CBUAE, as well as the establishment of the HSA as the authority responsible for issuing standards and general rules regarding Shariah aspects of the Takaful insurance sector, which are binding for Takaful companies operating in the UAE.

Emiratisation was also a focus of the HSA's agenda in 2022. A resolution was issued that allows IFIs to substitute the appointment of a fifth Internal Supervision Shariah Committee member with the appointment of two trainee members who are UAE nationals. The trainees are to be provided with relevant on-the-job experience and be able to engage with different departments within the IFIs. This resolution aims to provide the UAE market with a new generation of Shariah scholars specialised in Islamic banking and finance.

As part of its consultative approach, the HSA also conducted several meetings with stakeholders during the year to discuss issues and challenges faced by the market, as well as opportunities related to Islamic finance and sustainability.

Mohammed Bin Rashid Government Excellence Award

During the year, the CBUAE was awarded the Mohammed Bin Rashid Government Excellence Award, one of the UAE's top honours, for significantly improving the quality and performance of its work as the nation's banking, insurance and financial services sector regulator.

Under the umbrella of the Sheikh Khalifa Government Excellence Programme, the CBUAE won the 2022 Award in the category of Best Performance Improvement Entity.

The CBUAE was also shortlisted as one of the five best federal entities in two other categories: Leading Federal Entity and Best Entity in Adopting Artificial Intelligence.

The prizes are prestigious for UAE governmental organisations, and are named after His Highness Mohammed bin Rashid Al Maktoum, Vice President and Prime Minister of the UAE, and Ruler of Dubai.



9.12 SUSTAINABILITY

The CBUAE, like the UAE itself, is committed to a sustainable future.

Sustainability and sustainable finance principles are guiding the CBUAE's operational decision-making. Given our collective responsibility in ensuring a sustainable future, the CBUAE is accelerating efforts to promote the practice of sustainable finance, and internally to expedite its own green transition.

The CBUAE joined the Network for Greening the Financial System, a central bank effort to address climate-related and environmental financial risks through supervision, scenario design and analysis, and monetary policy, to achieve net zero CO₂ emissions by 2050.

Internally at the CBUAE, the drive toward sustainability is an organisational commitment, and green initiatives permeate across all verticals, from digitalisation to reserves to administration, currency, regulations and more. It is a key strategic priority for the CBUAE going forward.

Special Sessions on Green and Sustainable Finance, chaired by the Governor of the CBUAE, were held to oversee progress and implementation of the full range of the CBUAE's green and sustainable finance initiatives and its internal sustainability transformation.

By advancing digitalisation in the banking, insurance and other financial services sectors, the CBUAE is supporting the transition to a sustainable economy. For instance, the advent of digitalisation has led to a reduction in the number of physical

bank branches. Sustainability is also the driving force behind the CBUAE's shift from cotton-based to longer-lasting and recyclable polymer currency bank notes.

From a policy perspective, the CBUAE is a member of the UAE Sustainable Finance Working Group, established with other UAE regulators, UAE government agencies and exchanges to support the development of sustainable finance in the country through regulatory collaboration. The work of this group is concentrated on three main areas in relation to climate change risk, (i) Disclosure; (ii) Governance and Risk Management; and (iii) Taxonomy. The development of regulatory principles that aim to guide licensed financial institutions in managing the transition towards sustainable finance is being led by CBUAE.

With regard to its own physical operations, the CBUAE is undertaking an internal sustainability transformation and is working actively to reduce its own environmental impact in specific areas of its activities. As an example, sustainability is driving changes to the CBUAE's procurement principles to encourage responsible resource policies and integrate requirements that enable the procurement of more sustainable products and services.

Driving the Sustainable Transformation of UAE Banking, Insurance and Financial Services

During 2022, a wide range of sustainable finance and other initiatives were further intensified as the CBUAE worked to advance the green agenda. Forward-looking surveillance of the resilience and vulnerabilities of the UAE financial system was enhanced, and the focus on ESG risks in financial institutions was sharpened. To

promote the application of sustainable finance, the CBUAE conducts in-depth surveillance of sustainability factors in financial markets and institutions, covering global and local developments, to identify ESG risks and opportunities in comparison to international benchmarks and best practices.

In its reserve management policies, which classify green and sustainable financial instruments as eligible for reserves management purposes if they comply with other risk parameters, such as credit risk, the CBUAE maintained exposures to ESG financial assets in the capital markets tranche. Looking ahead, the CBUAE will continue to further embed sustainability criteria in strategic asset allocation.

The pilot top-down climate risk stress test in 2022 focused on climate-change transitional risks in the sector. The CBUAE will continue facilitating climate-risk stress testing capabilities, enhancing the scope of the stress tests and the granularity of data.

In the UAE insurance sector, assessments and identification of climate change risks and adaptation were also performed, including risk mitigation measures and opportunities associated with the sustainability transition. The CBUAE will continue to address climate change risk and adaptation in the financial sector.

Driving the Sustainable Transformation of the CBUAE

Throughout the organisation, green and sustainability management initiatives were introduced to reduce the CBUAE's environmental impact in areas such as facilities operations, including recycling measures, currency bill shredding, and reduced water, electricity and paper consumption. Power supply charging for electric cars was also expanded across CBUAE premises.

A focus on improving sustainability as an employer and an institution was also a priority in 2022, as the CBUAE expanded employee benefits and strengthened its commitment to fostering a culture of productivity, engagement, happiness and wellbeing across the organisation, especially among youth.

2023 – The Official 'Year of Sustainability' in the UAE

Looking ahead, sustainability principles will shape the transformative agenda of the CBUAE in an ever-greater way during 2023 as it works to promote green and sustainable finance in the UAE and further integrate sustainability principles into its own operations.

2023 in the UAE has been designated an official 'Year of Sustainability' by the UAE Cabinet. During this time, the CBUAE will continue to co-ordinate and refine sustainable finance sector policies, activities on the government task force, and support the 'Year of Sustainability' and the COP28 global climate summit being held in the UAE for the first time.

Internally, the CBUAE intends to drive forward its own sustainable transformation and look for innovative ways to further reduce its environmental impact and bring sustainable finance products to the market. Operationally, integration of the sustainability-based approach will continue to influence how the CBUAE performs its core regulatory, supervisory and risk management functions.

Like the pursuit of excellence, the integration of sustainability is an ongoing process that requires a commitment to adopting best-class standards that constantly evolve. In 2023, the journey toward excellence in sustainability will continue for the CBUAE.

9.13 TRANSPARENCY, OUTREACH AND RESEARCH

Transparency, outreach and research are core responsibilities and clear priorities of the CBUAE, which strives across its traditional and digital communication activities to deliver a world-class standard of openness and inclusion for the citizens of the UAE and the global community. Relevant issues crucial to UAE consumers and the financial community were closely followed and regularly communicated during 2022, including those aiming to strengthen co-operation and information exchanges in areas of supervision, innovation and payments.

During 2022, the magnitude and quality of how news and information was communicated externally was improved, as the CBUAE worked to improve its compliance with the IMF's Central Bank Transparency Code for the dissemination of CBUAE publications and announcements across all media channels.

The CBUAE distributed press releases, periodic financial sector reports and its annual report in Arabic and in English in 2022. Press releases covered a wide range of CBUAE activities, including meetings of the Board of Directors and meetings of senior leadership with UAE LFIs, as well as key decisions that were made.



These communications supplemented the CBUAE's announcements of new memoranda of understanding and partnerships with central banks and government agencies, as well as the establishment of new strategic initiatives.

9.13.1 Transparency

To best serve its ecosystem of partners and consumers, the CBUAE relaunched its website and mobile application featuring an improved, interactive visual interface and e-services providing easy access to statistics, news and other information. The platforms were designed and developed to meet best international standards while enhancing the user experience.

Additionally, engagement with the CBUAE through social media substantially increased during 2022, with the number of CBUAE LinkedIn followers, for example, rising above 70,000 for the first time. The CBUAE worked during the year to raise awareness of its supervisory and

regulatory role in safeguarding the stability of the UAE monetary and financial system.

The transparency of the DMF was enhanced through a new 'Monetary Policy and Domestic Markets' section on the CBUAE website, with information on framework features including governance arrangements, terms and conditions applicable to facilities, regulations, and key data related to liquidity and M-Bills issuances.

The development of this new section provided market participants and the public with information on monetary policy implementation in the UAE, and educational material on CBUAE monetary policy and the UAE monetary system. Enhancing the transparency of the DMF brings the CBUAE into line with leading global central banks regarding transparency of monetary policy frameworks.

In everything it undertakes, the CBUAE strives for effective communication with key stakeholders, which includes members of the financial sector, consumers, and members of the public, especially on matters of consumer protection, which is also part of the CBUAE's mandate.

Special Transparency Campaigns on AML/CFT Practices for LFIs and Hawala Regulations

During 2022, as part of an ongoing effort to raise awareness around new legislation and laws, the CBUAE published guidelines relating to AML/CFT practices for LFIs, in addition to financial and administrative penalties for LFIs that violate UAE laws and CBUAE directives.

In co-operation with relevant UAE authorities, a campaign aimed at enhancing awareness of the laws and regulations regarding money transfers as well as the Hawala Providers' Registration System were launched.

9.13.2 Outreach

The CBUAE expanded its efforts to increase international collaboration, partnerships and co-operation.

In November, the CBUAE hosted the 17th High-Level Meeting on Financial Stability and Regulatory and Supervisory Priorities in Abu Dhabi, a two-day event organised by the Bank for International Settlements and the Arab Monetary Fund. His Excellency Khaled Mohamed Balama, Governor of CBUAE, gave introductory remarks at the gathering.

To promote financial literacy and inclusion and national and international co-operation and partnerships, the CBUAE participated in the G20's Finance Track Global Partnership for Financial Inclusion Working Group meetings in Indonesia and India. With key industry partners, the CBUAE also participated in Arab Financial Inclusion Day, an event sponsored by the Arab Monetary Fund.

The CBUAE regularly submits data through the IMF's online Integrated Collection System portal and shares key economic indicators with the Bank of International Settlements.

In research, the foundations were laid to work with the IMF to build an analytical macro-financial framework for the UAE. Associations with other central banks and regulators, and other global and regional partners such as the AMF, BIS, the BCBS, the G20, NGFS and other key international organisations, continued. The CBUAE facilitated an IMF Annual Staff Visit, an Article IV visit and an IMF Scoping Mission for MacroEconomic Framework.

Table 9.13.2 International Partnerships in 2022

CBUAE International and Domestic Co-operations in 2022	Total Number
MoUs initiated in 2022 with foreign entities	49
MoUs initiated in 2022 with other UAE entities	4
Material interactions (meetings/inputs/clarifications) with foreign entities in 2022	20
Total number of material interactions (meetings/inputs/clarifications) with other UAE entities in 2022	3

In banking supervision, co-operation with national and international foreign regulators was enhanced, and improvements were made to the quality of credit monitoring and the supervision of banks' modelling practices. Regulatory co-operation, transparency and consistent oversight of the foreign operations of local banks was strengthened.

In the area of innovative financial technology, the CBUAE continued to expand co-operative relations with central banks around the world.

Regional cooperation was also enhanced. An MoU to enhance financial and banking co-operation was signed with the Central Bank of Egypt and the Central Bank of Jordan. The Governors of the respective central banks agreed to explore opportunities to collaborate across the financial sector, including supervision of LFIIs, information and expertise exchange, and development of payment systems and technical skills.

The CBUAE is also planning to collaborate with the RBI on cross-border use-cases for CBDCs.

To promote synergy between Islamic finance and sustainability and to encourage active participation of Islamic Financial Institutions in developing and offering sustainable products, the HSA hosted the 4th Centralised Shariah Authorities meeting in Abu Dhabi. The meeting was attended by five international organisations and representatives from 10 countries.

During 2022, the CBUAE increased its consolidated supervision and co-operation with other regulatory bodies. Supervisory colleges were organised

for local institutions with cross-border operations deemed material from a risk perspective. The CBUAE also participated in supervisory colleges run by home-country supervisors for significant foreign banks with operations in the UAE. Supervisory information was routinely shared with home supervisors to promote effective, ongoing consolidated supervision.

During the year, numerous requests were handled by the CBUAE from domestic and foreign regulators, including the SCA. The CBUAE is actively upgrading its formal arrangements and memoranda of understanding with foreign supervisors.

9.13.3 Research

In economic forecasting and research, internal structural reforms introduced during the year will see the establishment of a standalone Economics and Research Department in 2023, which supports the CBUAE in its decision-making in an advisory and analysis role, and a new Statistics & Analysis Department.

The CBUAE's research and statistics functions increased coverage during 2022 and received positive feedback from stakeholders. The Quarterly Economic Review was revamped.

Foundations were laid to work with the IMF to build an analytical macro-financial framework for the UAE. A comprehensive analytical and data management tool is planned to be implemented in the coming years, which will provide a full-fledged dynamic framework for policy analysis and multi-scenario forecasting.

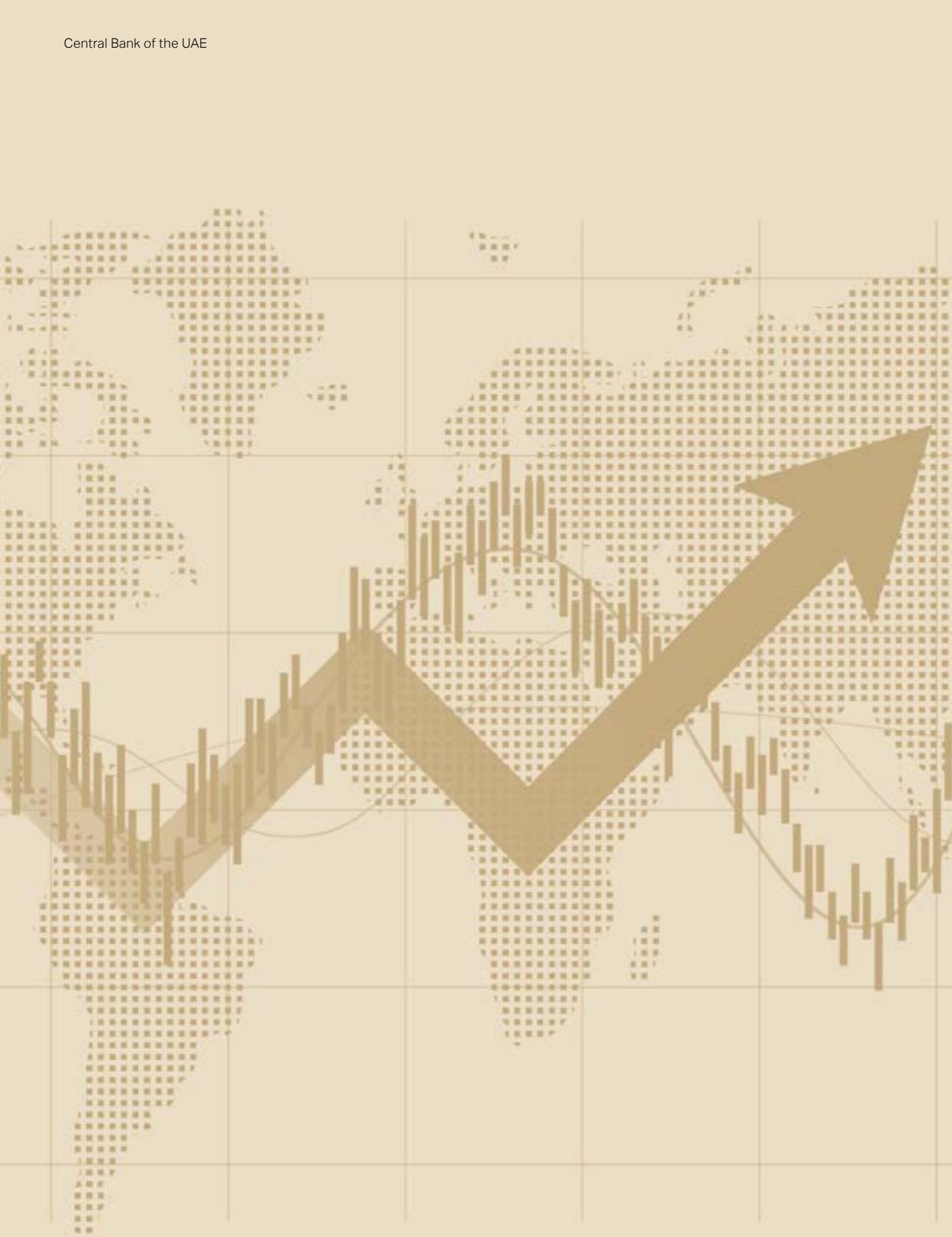
Throughout 2022, the research and statistics function increased the accuracy and quality of CBUAE statistical reports, including complying with the IMF's latest Monetary and Financial Statistics Manual and Compilation Guide and the Financial Soundness Indicators Compilation Guide.

The process of compiling Balance of Payments statistics was also upgraded and prepared according to the sixth edition of the IMF's Balance of Payments and International Investment Position Manual.

Looking ahead, the CBUAE intends to migrate to the latest global IMF standard for disseminating economic data to the public from its forerunner, e-GDDS, to automate statistics compilation and dissemination processes and to expand statistics coverage, particularly in the Other Financial Corporations sector.

The CBUAE produced two working papers in 2022: 'Domestic and External Inflation Drivers in Oil Exporting Countries: Empirical Evidence from the UAE' and 'COVID-19 Cases and Stock Prices by Sector in Major Economies: What do We Learn from the Daily Data?'.

In 2023, the CBUAE intends to enhance research output on topics such as 'The Real Estate Market in the UAE - Impact on Growth and Inflation', 'Labour Market Dynamics and Implications for Growth and Inflation', and 'Climate Change Risks in the UAE on Financial Sector', among others.



10 FINANCIAL REPORTING

The CBUAE balance sheet grew by 6% in 2022, largely due to net inflows in the local economy. In light of the worldwide increase in yields compared with 2021, investments were focused on shorter-term maturities to minimise market impact. The impact of higher interest rates also resulted in a decline in equity, while the growth in liabilities is mainly reflected in the interest-bearing Overnight Deposit Facility.

10.1 BALANCE SHEET OF THE CBUAE

	Note	2022 AED'000	2021 AED'000
ASSETS			
Cash and balances with banks	7	279,251,948	267,074,023
Deposits	8	63,425,470	42,229,708
Derivative financial instruments	9	5,839,837	14,806,074
Loans and advances	10	5,554,692	2,135,800
Investments at amortised cost	11	46,343,985	47,340,673
Investments at fair value through other comprehensive income	12	112,405,303	113,932,995
Investment at fair value through profit and loss	13	21,695,694	20,529,251
Gold bullion	14	16,044,601	11,912,635
Property, plant and equipment	15	683,188	618,677
Other assets	16	1,309,915	986,515
TOTAL ASSETS		552,554,633	521,566,351
LIABILITIES AND EQUITY			
LIABILITIES			
Current accounts and deposits	17	236,659,869	214,427,967
Certificates of deposit and monetary bills	18	164,747,589	164,728,171
Currency issued	19	120,011,331	111,815,394
Derivative financial instruments	9	16,159,749	155,718
Deferred grant	20	298,164	313,707
Other liabilities	21	3,807,015	3,955,703
TOTAL LIABILITIES		541,683,717	495,396,660
EQUITY			
Fully paid up capital	22	20,000,000	20,000,000
General reserve	22	3,501,467	6,013,301
Fair value reserve	22	(12,783,664)	31,722
Retained earnings		153,113	124,668
TOTAL EQUITY		10,870,916	26,169,691
TOTAL LIABILITIES AND EQUITY		552,554,633	521,566,351

10.2 APPENDIX

FIGURE 9.1.1 EXAMINATIONS OF LFIS CONDUCTED IN 2022

- FIGURE 8.1.1** ANNUAL AVERAGE CPI INFLATION IN SELECTED MAJOR ECONOMIES
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LIST OF ABBREVIATIONS

ADX	ABU DHABI SECURITIES EXCHANGE
AED	ARAB EMIRATES DIRHAM
AMF	ARAB MONETARY FUND
AML	ANTI-MONEY LAUNDERING
AML/CFT	ANTI-MONEY LAUNDERING/ COUNTERING FINANCING OF TERRORISM
BNPL	BUY-NOW-PAY-LATER
CBDC	CENTRAL BANK DIGITAL CURRENCIES
CBUAE	THE CENTRAL BANK OF THE UAE
CBT	CENTRAL BANK TRANSFORMATION
CCMS	COURT CASE MANAGEMENT SYSTEM
CCSYS	CENTRAL BANK RISK BUREAU'S COMMERCIAL CREDIT SYSTEM
CPI	CONSUMER PRICE INDEX
CLIF	CONTINGENCY LIQUIDITY INSURANCE FACILITY
UAE DDS	UNITED ARAB EMIRATES DIRECT DEBIT SYSTEM
DFM	DUBAI FINANCIAL MARKET
DMF	DIRHAM MONETARY FRAMEWORK
DSP	DIGITAL SUPERVISORY PLATFORM
ECB	EUROPEAN CENTRAL BANK
EMDE	EMERGING MARKETS AND DEVELOPING ECONOMIES
FATF	FINANCIAL ACTION TASK FORCE
FCSC	FEDERAL COMPETITIVENESS AND STATISTICS CENTRE
FDI	FOREIGN DIRECT INVESTMENT

FIT	FINANCIAL INFRASTRUCTURE TRANSFORMATION
FMI	FINANCIAL MARKET INFRASTRUCTURE
G-20	GROUP OF TWENTY
GCC	GULF COOPERATION COUNCIL
GDP	GROSS DOMESTIC PRODUCT
ICAAP	INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS
ICCS	IMAGE CHEQUE CLEARING SYSTEM
ICFR	INTERNAL CONTROLS OVER FINANCIAL REPORTING
IFIs	ISLAMIC FINANCIAL INSTITUTIONS
IMF	INTERNATIONAL MONETARY FUND
IPP	INSTANT PAYMENTS PLATFORM
LIBOR	LONDON INTER-BANK OFFER RATE
MENA	MIDDLE EAST AND NORTH AFRICA
MOU	MEMORANDUM OF UNDERSTANDING
MPPF	CBUAE MACROPRUDENTIAL POLICY FRAMEWORK
NGFS SYSTEM	NETWORK OF CENTRAL BANKS AND SUPERVISORS FOR GREENING THE FINANCIAL SYSTEM
NEER	NOMINAL EFFECTIVE EXCHANGE RATE
NPSS	NATIONAL PAYMENT SYSTEMS STRATEGY
OPEC	ORGANISATION OF PETROLEUM EXPORTING COUNTRIES
RTGS	REAL TIME GROSS SETTLEMENT
SREP	SUPERVISORY REVIEW AND EVALUATION PROCESS

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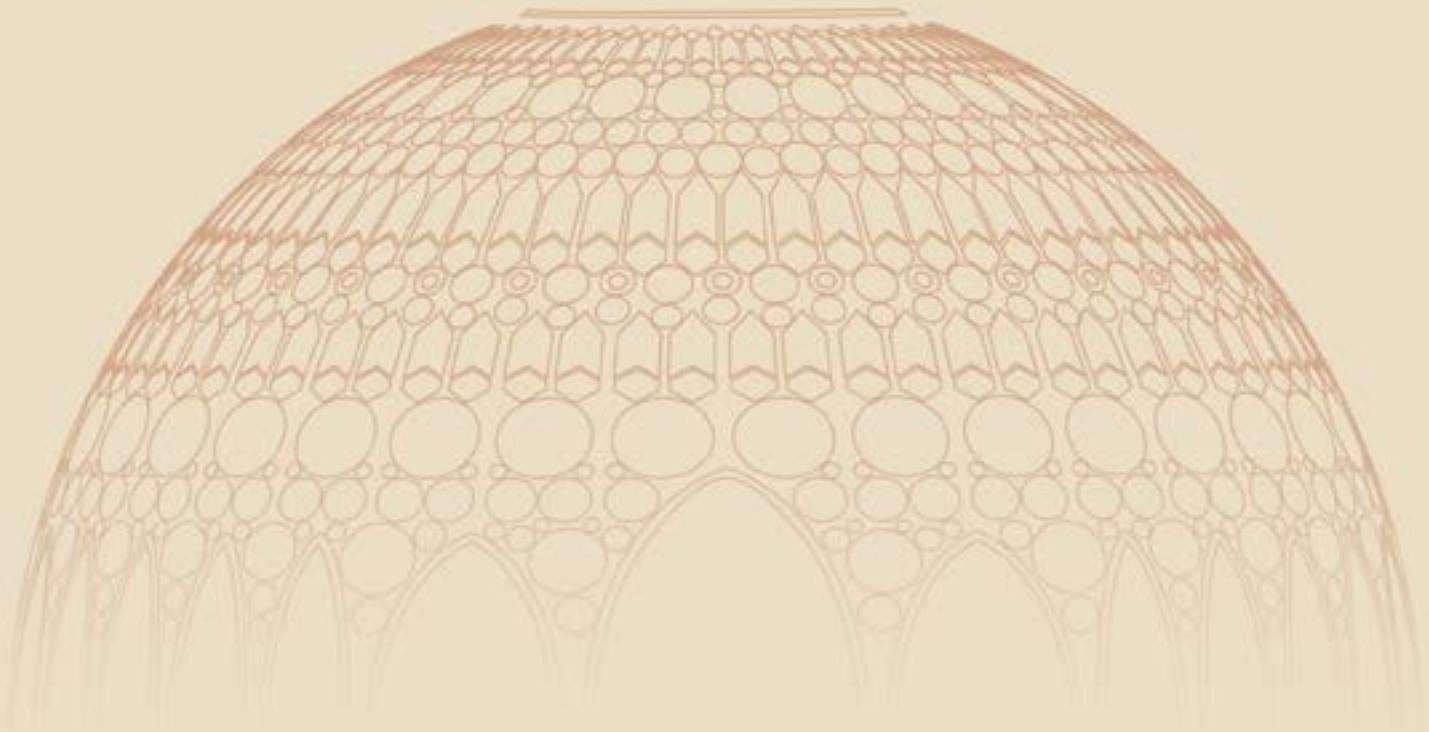
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