

By email

23 May 2025

To: Senior Executive Officers (SEO) of FSRA Firms in prudential categories 1, 2 and 5
Cc: Compliance Officers (COs), Money Laundering Reporting Officers (MLROs) and
Finance Officers (FO)

Re: Countercyclical Capital Buffer for Relevant Credit Risk Exposures in the UAE (Confidential)

Dear SEO,

The FSRA has in place the Countercyclical Capital Buffer (“CCyB”) for Domestic Firms in prudential categories 1, 2 and 5 having relevant credit risk exposures in the UAE (“relevant firms”). The CCyB was introduced by the FSRA into the Prudential – Investment, Insurance Intermediation and Banking Rulebook (“PRU Rulebook”) in January 2018 as part its response to the Basel III reforms. The CCyB is a mechanism to ensure that the capital requirements for relevant firms take account of the macro-financial environment in which they operate.

In introducing the CCyB, the FSRA also indicated that the Central Bank of the UAE (“CBUAE”) would be the authority responsible for setting the CCyB rate for relevant firms with relevant credit risk exposures in the UAE. The CBUAE has communicated to the banks it regulates an increase in the CCyB rate from the current level of 0% to one of **0.50%**, to take effect a year from that communication. This decision reflects the belief of the CBUAE that the revised level is appropriate to reflect the current level of cyclical credit risk in the UAE economy which they have assessed as a neutral risk environment, where systemic risks are neither particularly high nor low.

In accordance with the relevant requirements in the PRU Rulebook, contained in PRU 3.18, the FSRA is now communicating a corresponding increase in the CCyB rate from 0% to 0.50% that will apply to its relevant firms with relevant credit risk exposures in the UAE as a whole.

Actions required**FSRA Domestic Firms**

In line with the requirements in PRU 3.18, relevant firms should prepare for this additional capital requirement which will take effect from **1 January 2026** and ensure they have adequate systems and controls to ensure compliance with those requirements.

Where a firm has relevant credit risk exposures in a third country, i.e. outside the UAE as a whole, it should ensure that it is in compliance with all CCyB requirements that may be set by the CCyB rate-setting authority in that jurisdiction.

FSRA Branches

Branches are not required to calculate capital requirements for the purpose of holding capital resources, which equal or exceed the amount of its capital requirement in accordance with PRU 3.2.2, so the CCyB does not directly affect Branches in the ADGM.

However, the parent entities of ADGM Branches outside of the UAE, and subject to the parent's regulatory requirements in that jurisdiction, may need to implement the CCyB, if so, at the same rate and timescale as stated above, for their private sector exposures located in the UAE.

For reference please see the attached link for the CBUAE announcement [Countercyclical Capital Buffer on Credit Exposures in the UAE | CBUAE Rulebook](#)

Next steps

We request confirmation:

- a) that your firm has considered and reviewed the requirements outlined in this letter, specifically those in the PRU Rulebook; and
- b) of the actions you will take, where required, to ensure compliance with the CCyB rate requirement of **0.50%** that will be implemented on **1 January 2026**.

Please submit the requested confirmation no later than the close of business on **4 June 2025**, and you may provide this electronically via fsra@adgm.com. Should you require clarification on this request please feel free to contact the FSRA Supervision team.

Yours sincerely,



Mary Anne Scicluna
Senior Executive Director - Supervision
Financial Services Regulatory Authority

Note:

This letter is confidential and has been prepared for the sole use of the FSRA, the relevant Authorised Person and where applicable, its Group, and must not be released to any other party without the express written consent of the FSRA.

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- (a) *that this letter and any information contained herein will be used only for the purpose of assisting such persons with the provision of legal, compliance or auditing services to the Authorised Person; and*
- (b) *that this letter and any information contained herein will not be disclosed by the legal representative, compliance consultant or auditor of the Authorised Person to any other person without the express consent of the FSRA*