

Steady in the storm

A guide to the CBUAE's Financial Resilience Package

On 16 March 2026, the CBUAE Board, chaired by H.H. Sheikh Mansour bin Zayed Al Nahyan, approved a comprehensive **Financial Institution Resilience Package** as a proactive response to extraordinary global and regional circumstances. The package is underpinned by record foreign exchange reserves exceeding **AED 1 trillion** and **a monetary base cover ratio of 119%**, with **system-wide bank liquidity of close to AED 920 billion**.

The package draws a clear parallel with the COVID-era Targeted Economic Support Scheme (TESS), signalling a mature, pre-emptive approach to systemic risk management.

Key highlights of the package:

1

Monetary policy access

Banks can now **access reserve balances of up to 30% of the cash reserve requirement, with term liquidity facilities available in both dirhams and US dollars**. This provides an immediate lifeline to banks facing short-term funding pressures, underpinned by the CBUAE's record-high foreign exchange reserves exceeding AED 1 trillion.

2

Liquidity and funding relief

Temporary relief has been granted on liquidity and stable funding ratios, giving banks greater operational flexibility to continue serving businesses and individuals without breaching regulatory thresholds. The overall stock of liquidity held by UAE banks, combined with eligible assets, is close to AED 920 billion, providing a substantial buffer.

3

Capital buffer release

The package includes **a temporary release of both the Countercyclical Capital Buffer (CCyB) and the Capital Conservation Buffer (CCB)**. This is particularly significant given the CBUAE had only recently implemented a 0.50% CCyB effective 1 January 2026, which is now being released to mobilise capital back into lending.

4

Credit risk flexibility

Flexibility to **postpone loan classification** for affected individual and corporate customers, preventing a cascade of NPL classifications during volatility, mirroring the COVID-era TESS logic.

5

Mandated continued lending

Rather than allowing banks to retrench, the CBUAE explicitly affirms that banks must continue providing financing services to customers and the national economy. This pillar serves as a behavioural directive ensuring that the **regulatory relief translates into real economic support, not just balance sheet protection**.

What does it mean for banks and borrowers

The CBUAE's resilience package reduces near term systemic and funding risk by explicitly backstopping bank liquidity and encouraging countercyclical use of capital and liquidity buffers. Enhanced access to central bank liquidity, alongside temporary regulatory flexibility, reduces the likelihood of procyclical balance sheet contraction during periods of heightened external stress.

Crucially, the framework shifts expectations towards judgement led risk management: banks are expected to deploy buffers responsibly, maintain credible loss recognition, and avoid mechanical responses to short term shocks. The message is supportive but conditional. Regulatory flexibility is provided to stabilise risk profiles, not to defer or obscure underlying vulnerabilities.

Five ways the financial sector can leverage this package:



Expand SME and corporate credit lines: With capital and liquidity buffers released, banks can deploy freed-up capacity towards SME lending and corporate credit facilities, segments that typically face credit rationing during geopolitical stress. This aligns directly with the CBUAE's mandate to sustain economic financing.



Restructure and renegotiate customer portfolios: The loan classification flexibility under Pillar IV enables banks to renegotiate distressed exposures proactively without triggering stage migration under IFRS 9, protecting both the customer relationship and the bank's provisioning requirements.



Optimise liquidity management strategies: With temporary LCR and NSFR relief, treasury functions can reallocate high-quality liquid assets towards higher-yielding placements and customer financing, improving net interest income during the relief window.



Leverage USD liquidity for trade finance: The availability of term facilities in USD is a strategic enabler for trade finance desks, particularly for banks active in commodity financing, letter of credit issuance, and cross-border transactions subject to dollar-denominated pressure.



Build operational resilience frameworks proactively: Institutions should use this window not only for liquidity management but also to stress test internal risk frameworks, update their ICAAP and Recovery Plans to reflect the current extraordinary scenario, thereby positioning themselves to demonstrate regulatory readiness once buffers are required to be rebuilt.

Conclusions

The CBUAE's package signals a proactive, pre-emptive approach to systemic risk management, drawing on the 2020 TESS playbook. The Board has reiterated its readiness to deploy additional policy tools as circumstances evolve. Banks should treat this window as an opportunity not only for near-term liquidity and credit management, but also for strengthening their resilience infrastructure (e.g. stress testing, ICAAP updates, and recovery planning), to demonstrate regulatory readiness once buffers are required to be rebuilt.

This package is therefore timely in providing an additional layer of support, yet it also reflects the broader reality that the UAE's financial system - much like the country's wider economy and leadership - is inherently resilient, progressive, and forward-looking. Banks and financial institutions are already advancing their development priorities, from preparing for the upcoming enhancements to the CBUAE's operational risk regulations and standards among others, to accelerating AI integration and strengthening their compliance frameworks.

Reach out for any discussions or support regarding financial resilience.



Anand Balasubramanian

Partner and Head of Risk & Compliance Advisory
anand.b@ae.gt.com



Mazin Khalil

Partner, Risk & Regulatory Advisory
mazin.khalil@ae.gt.com



Ben Marshall

Director, Risk & Regulatory Advisory
ben.marshall@ae.gt.com

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