

Qatar Central Bank Assesses Resilience of the Financial Sector and Announces Pre-emptive Support Measures

Qatar Central Bank (QCB) has reviewed the recent geopolitical developments and their implications for the domestic financial system. The review confirmed that the financial system continues to operate from a position of strength. Liquidity continues to be strong, capital levels significantly exceed regulatory requirements, and provisioning provides strong coverage against credit risk. The review noted that banks continue to hold substantial liquidity in both domestic and foreign currency and that resources are sufficient to meet customer demand, support normal market activity, and meet any short-term funding pressures under stressed conditions.

The financial sector's position reflects the structural strengths that the financial sector has developed over time. The review noted that during prior periods of global market stress, the banking system demonstrated resilience and that current conditions do not change that underlying strength. The external environment, however, remains uncertain, and the QCB recognizes that conditions can change. In this context, the QCB has decided that it is prudent to implement the following precautionary measures:

Monetary Policy Measures: QCB will offer an unlimited amount of Qatari riyal (QAR) repurchase (repo) facilities against eligible securities held by banks, in order to continue to ensure deep QAR liquidity in the local market. In addition to the existing overnight repo facility offered by the QCB, the QCB will introduce a term repo facility with maturities of up to three months. This new term repo facility will enable banks to manage cash flow with greater certainty during the current period. QCB will reduce the reserve requirement on deposits from 4.5% to 3.5%, which will release additional liquidity.

Borrower Support Measures: QCB will permit banks to offer borrowers affected by the current circumstances the option to defer loan principal and interest payments for a period of up to three months. Any such payment deferrals will be applied in accordance with banks' internal policies and supervisory guidance.

QCB will continue to monitor global, regional, and domestic developments closely and will continue to act in a timely and prudent manner to support financial stability and orderly market functioning.