

**Market Conduct and
Consumer Protection in
the UAE's Financial
Services Sector**

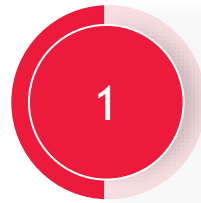
March 2025

CONSUMER PROTECTION (1/2)

Our Understanding of the regulatory landscape

Central Bank of UAE (CBUAE), mandated that all the Licensed Financial Institutions (LFIs) must adhere to Consumer Protection Regulation (CPR) and Consumer Protection Standard (CPS) issued by CBUAE.

This regulation/standards sets out key objective to ensure protection of consumer interest in their use of financial product/service and relationship with Licensed Financial Institution.



Consumer Protection Regulation (CPR)

The Consumer Protection Regulation (CPR), effective from December 25, 2020, was introduced by the Central Bank of the UAE to ensure consumers are treated fairly and transparently by licensed financial institutions.



Consumer Protection Standard (CPS)

Consumer Protection Standards are part of Consumer Protection Regulations. These standards are mandatory and enforceable in the same manner as the regulation.



SME Market Conduct Regulation

The Small to Medium Sized Enterprises (SME) Market Conduct Regulation issued by the CBUAE came into effect in 2021. This regulation aims to enhance access to financial products and services for SMEs by promoting appropriate market conduct by LFIs.



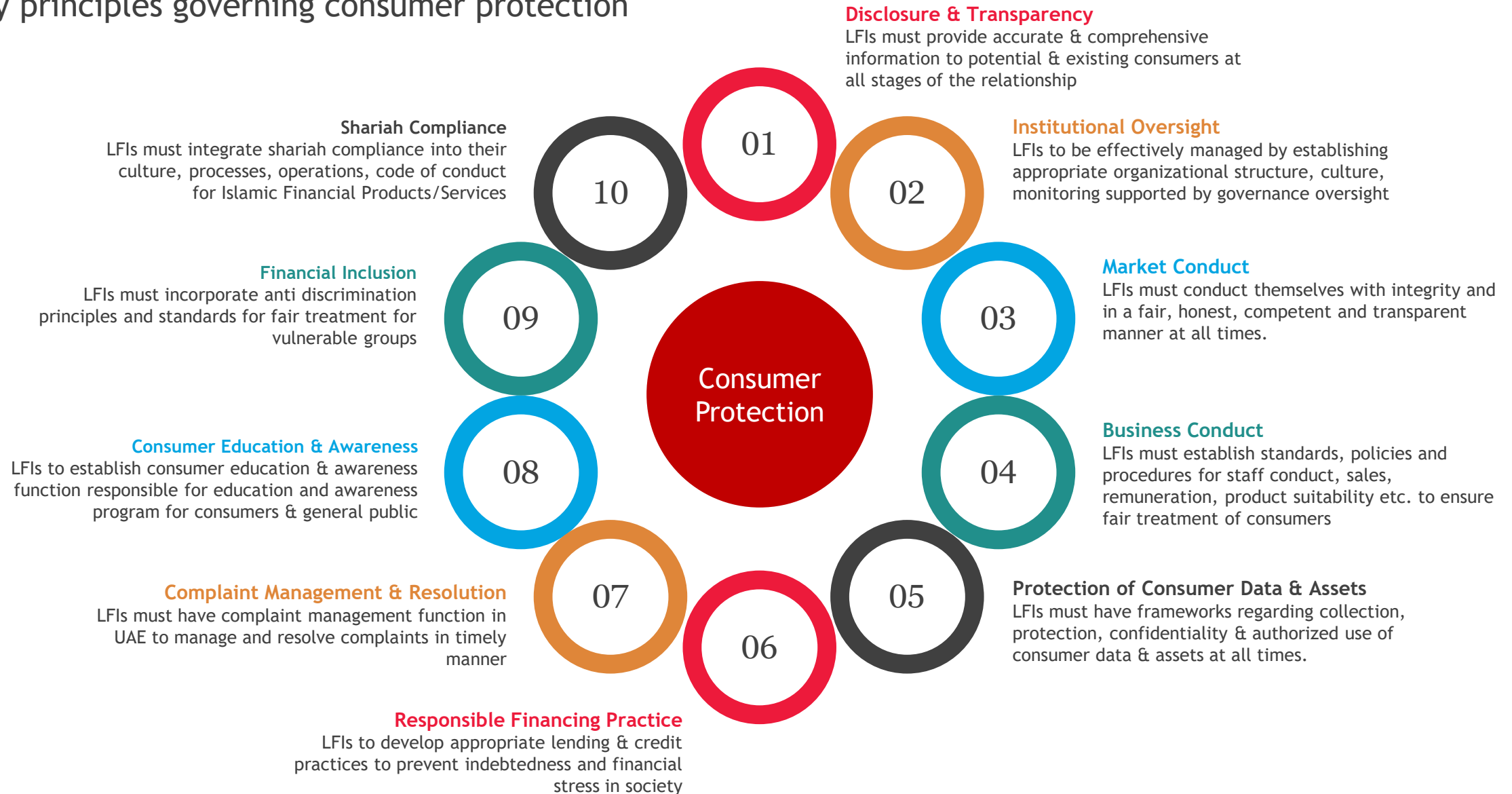
Other Regulations

Following are the other select standards/regulations designed for protection of consumers:

- Outsourcing Regulations for Banks
- Retail Payment Services and Card Schemes Regulation
- Stored Value Facilities Regulations
- Regulations for Re-licensing and Monitoring of Exchange Business

CONSUMER PROTECTION (2/2)

Key principles governing consumer protection



CONDUCT RISK (1/3)

What is Market Conduct

Market Conduct is the focus on Licensed Financial Institutions' Market place actions, behavior and practices that are applied in providing Financial Products and/or Services to the market.

LFIs must uphold the integrity of the financial Market through responsible Market activities which contributes to the **overall stability of and confidence in the financial system.**

To encourage Consumers' trust in the safety and the integrity of the financial marketplace, Licensed Financial Institutions must conduct themselves with **integrity and in a fair, honest, competent and transparent manner** at all times.

Conduct risk spans the customer lifecycle from pre-onboarding to ending the relationship

Qualified Retail Staff



- The staff must be appropriately qualified to fulfill their duties, with their qualifications verified to ensure they meet the necessary standards. The staff should have no past criminal records, ensuring a trustworthy and reliable workforce.

Sales, Pricing and Financial Promotional Activities



- The designing, marketing, sales and distribution of Financial Products and/or Services are appropriate for the targeted Consumer segments and in best interest of consumers.

Promoting Competition



- Aims to promote competitive market and not to collude to limit competition including fixing of prices, fees, or limiting contract terms or financial product features which are not in the best interest of the Consumers.

Regular Monitoring by Management



- To monitor LFIs marketplace behavior of sales, marketing, financing. This includes monthly call back on sample of consumers, regular mystery shopping, site visits of locations, analysis of consumer complaints.

Staff Trainings and Competence



- To establish policies, procedures, controls and trainings that will assist staff with consistent approach for assessing consumers needs & objectives. Additionally, LFIs to monitor staff performance & competence including remuneration arrangement.

CONDUCT RISK (2/3)

Key conduct risk in relation to consumer protection

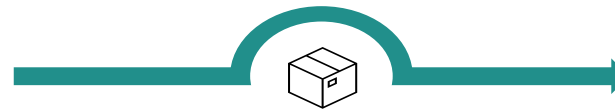
Identifying and managing the key risks in consumer protection can be challenging, even for the most experienced institutions. LFI must demonstrate their ability to effectively address potential risks that may arise for customers, products, services, and other processes. Key risks includes:



Customer

Protection & fair treatment of customers is a key element of conduct risk

- **Inappropriate Employee Conduct**
Selling financial products or services that are unsuitable for the consumer's needs or providing misleading information
- **Data & Privacy Breaches**
Failure to protect consumer data from unauthorized access and ensuring privacy
- **Inadequate Complaint Handling & Resolution**
Failure to deliver fair and transparent outcomes to customers when handling their complaints.



Product/Service

Product and service design should prioritize consumer interests to effectively manage risk

- **Product/Service Unsuitability**
Offering financial products or services that are unsuitable for the consumer's needs, leading to potential financial harm or dissatisfaction
- **Inadequate Price Disclosure**
The risk of not clearly disclosing fees, charges, and pricing structures, which can lead to consumer confusion and potential disputes
- **Risk of Unfair Treatment**
Consumers not fairly treated throughout the product/service lifecycle



Process

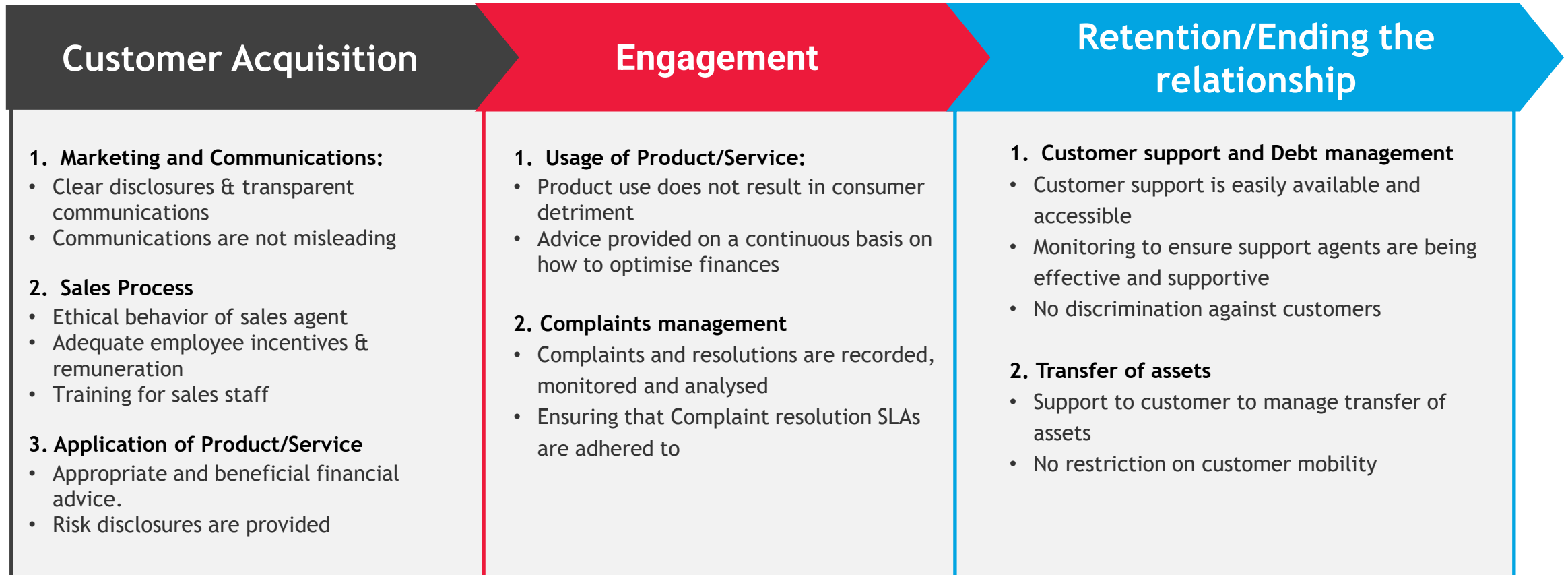
LFI's internal processes must be effectively designed and incorporated to manage conduct risk

- **Inadequate Governance Framework**
The risk that internal processes are not properly designed, implemented or integrated across the organization.
- **Insufficient Monitoring & Review**
LFI's exposure to risk and whether there are system such as whistleblower mechanism in place
- **Inadequate Staff training/Awareness**
Employees not adequately trained or aware of conduct risk management practices.

CONDUCT RISK (3/3)

Considerations to enable LFI build trust for consumers



Conduct risk can be considered throughout the customer lifecycle from the initial onboarding of customers, through the provision of products and services, to the ongoing support and resolution of any issues that may arise. By ensuring effective communications, providing clear disclosures, and offering proactive and beneficial support enables LFIs to build genuine trust with customers.



How can BDO help?

BDO's Experts have extensive experience in conduct risk and regulatory support across financial services. BDO tailors its approach to the unique need of each company. We have developed comprehensive range of services, including:

Market Conduct and Consumer Protection Services

-  Consumer Protection/Market Conduct Risk Assessments
-  Gap Analysis & Recommendations
-  Trainings/Culture Enhancements



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