29 December 2021

CIRCULAR BM 1184

**To: All Licensed Banks
Operating in the Sultanate of Oman**

After Compliments,

Sub: Financial Consumer Protection Regulatory Framework (FCPRF)

1. Financial Consumer Protection has become increasingly important the world over in recent times. A strong consumer protection regime is key to ensuring that expanded access to financial services benefits consumers, enabling them to make well-informed decisions on how best to use financial services and building trust in the formal financial sector, thus contributing to healthy and competitive financial markets.

2. Central Bank of Oman is dedicated to achieving better outcomes for financial consumers, and hence is glad to issue the Final Financial Consumer Protection Regulatory Framework (FCPRF) for Licensed banks (attached). The FCPRF has been finalised after taking into consideration the feedback/comments received from Licensed Banks (through Oman Banks Association).

3. The requirements contained in the framework are consistent with international approaches to Financial Consumer Protection. CBO is committed to performing its prudential regulatory and financial consumer protection regulatory functions to the highest international standards and in accordance with international best practices. This framework is about giving, financial consumer protection the recognition and emphasis it rightly deserves.

ص.ب : ١١٦١، روي، الرمز البريدي: ١١٢، سلطنة عمان، هاتف : ٢٤٧٧٧٧٧٧ ، فاكس : ٢٤٧٧٧٧٣٣
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4. The key objective of the framework is to not only ensure fairness in the delivery of financial products and services to consumers, but also to curb poor business conduct and ineffective dispute resolution mechanisms. The ultimate goal is to increase and maintain consumer confidence and trust in the financial system, which in turn is necessary for healthy economic growth.

5. All Licensed banks are advised to comply accordingly.

6. Any clarification on the attached FCPRF may be sought from the Manager, Banking Development Department.

Best regards

Tahir Salim Al Amri
Executive President

Encl.: Financial Consumer Protection Regulatory Framework (FCPRF)

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Attachment to BM 1184 dated December 29, 2021

CENTRAL BANK OF OMAN

FINANCIAL CONSUMER PROTECTION REGULATORY FRAMEWORK (FCPRF)

for

Licensed Banks and Finance & Leasing Companies

Codes of Conduct/Standards referred herein are applicable for all Products and Services offered by Licensed Entities to Individual Consumers and Small & Medium Enterprises (including Liability Offerings and Loan, Investment, Bancassurance and Other Products)

December 2021

Contents

1. Introduction

1.1. Financial Consumer Protection (FCP) has become increasingly important the world over in recent times. A strong consumer protection regime is key to ensuring that expanded access to financial services benefits consumers, enabling them to make well-informed decisions on how best to use financial services and building trust in the formal financial sector, thus contributing to healthy and competitive financial markets.

1.2. CBO is glad to issue the Financial Consumer Protection Regulatory Framework (FCPRF) for licensed banks and finance & leasing companies (FLCs). The requirements contained in the Framework are consistent with international approaches to Financial Consumer Protection. CBO is committed to performing its regulatory and consumer protection functions to the highest international standards and in accordance with international best practices. This Framework is about giving financial consumer protection the recognition and emphasis it rightly deserves.

1.3. CBO looks forward to working with licensed banks and FLCs to achieve positive outcomes for consumers, and with a view to continued improvement in consumer protection standards, CBO will issue further guidelines on the basis of context, circumstances, requirements, events and emerging issues.

2. Objective

CBO is dedicated to achieving better outcomes for consumers. The key objective of the Framework is to not only ensure fairness in the delivery of financial products and services to consumers, but also to curb poor business conduct and ineffective dispute resolution mechanisms. The ultimate goal is to increase and maintain consumer confidence and trust in the financial system, which in turn is necessary for healthy economic growth.

3. Scope

3.1. The Framework is applicable to all Licensed banks and Finance & Leasing Companies (FLCs). As FLCs are holding restricted licenses and authorized to conduct certain specific activities only, some requirements stated in the circular may not be applicable to them.

3.2. The phrase 'Licensed Entities' as used in this circular refers only to Licensed banks and FLCs.

4. Coverage

The Framework covers all products and services offered by Licensed banks and FLCs to Individual Consumers and Small & Medium Enterprises (SMEs). The term *consumer* is used generically to refer to both potential and existing customers, whereas the term *customer* is used to refer to an existing customer who has purchased a product or service.

5. Principles

5.1. Licensed Entities are required to fully comply with the requirements of the Framework. The requirements of the Framework are covered under five principles/aspects:

5.1.1. **Principle 1-Disclosure and transparency:** This principle covers requirements for the format and manner of disclosure, advertising and sales materials, disclosure of terms and conditions, disclosure of product risk, disclosure of conflicts of interest, key fact statements, contract notes, statements, and notification of changes in rates, terms, and conditions.

5.1.2. **Principle 2-Fair treatment and business conduct:** This principle covers unfair terms and conditions, unfair practices, sales practices, product suitability and appropriateness, responsible financing, customer mobility, professional competence, agents, compensation of staff and agents, fraud and misuse of customer assets and debt collection.

5.1.3. **Principle 3-Data protection and privacy:** This principle covers lawful collection and usage of customer data, confidentiality and security of customers information and sharing customer information, organisational arrangements and reporting requirements.

5.1.4. **Principle 4-Dispute resolution mechanisms:** This principle covers the internal complaints handling mechanism.

5.1.5. **Principle 5-Financial Education and Financial Capability:** This principle covers requirements for strengthening customer awareness, financial education, and financial capability.

5.2. Detailed requirements for these principles/aspects are covered in the Annex.

6. Compliance

6.1. Licensed Entities are required to put in place necessary organizational structures, policies, procedures, systems and controls, oversight and governance mechanisms to ensure full compliance with the Framework. Overall, the CBO expects Licensed Entities to exhibit a strong commitment to financial consumer protection.

6.2. CBO promotes putting financial consumer protection at the heart of corporate culture within Licensed Entities, with an increasing responsibility on Licensed Entities to demonstrate how their culture, products and services are in the best interests of consumers, at all stages of their relationship with consumers. CBO will continue to challenge Licensed Entities where their focus is not on delivering positive consumer outcomes.

6.3. All other relevant instructions previously issued by the Central Bank of Oman shall still be in force unless they are inconsistent with these instructions.

6.4. Licensed Entities should ensure that they comply with all relevant laws (including the Law on Combating Money Laundering and Terrorism Financing -Royal Decree No. 30/2016) and regulatory requirements at all times.

7. Enforcement

CBO will take regulatory action where compliance standards are not being met. Violations of this Framework may be subject to penalties and other measures as deemed appropriate by CBO under extant regulations and circulars.

8. Role of the Board and Senior Management

8.1. It is the responsibility of the Board of Directors of Licensed Entities to ensure compliance with the Framework. Any reference to the Board of Directors in this document should read as Head Office/Controlling Office for branches of foreign banks operating in the Sultanate.

8.2. Islamic banks and Islamic windows of conventional banks (hereinafter collectively referred as “IBEs”) should ensure that all their products and services are Shari’a compliant in accordance with the Regulation on Islamic Banking Business, the Islamic Banking Regulatory Framework (IBRF) of CBO, and other relevant instructions issued from time to time.

8.3. Local banks are encouraged to form separate Board level committees to oversee matters relating to the Framework. However, at a minimum, all Licensed banks and FLCs should include the Framework in the terms of reference of an existing Board level committee.

8.4. Reviews on financial consumer protection should be submitted to the full Board of Directors on an annual basis.

8.5. Licensed Entities should form separate Management level committees to oversee the implementation of the Framework.

8.6. Both the Internal Audit Department and the Compliance Department have important roles to play in ensuring implementation of the Framework.

8.7. The Risk Management Department is required to ensure that key 'consumer risks'/'conduct risks' are properly identified and prioritized, and that consumer protection actions to deal with these risks are devised.

8.8. Licensed Entities are encouraged to use 'Mystery Shopping' as an element of qualitative monitoring of financial consumer protection, and should ensure that weaknesses revealed/lessons learned are used to refine consumer protection policies, procedures, mechanisms and systems.

8.9. Going forward (from financial year ending 2023), Licensed Entities will be required to disclose the broad status of FCP in their annual reports. Details in this regard will be conveyed in due course.

9. Action Required by Licensed Entities

9.1. Licensed Entities are required to conduct an impact analysis of the FCPRF, and submit to CBO a Board approved plan of action to bring its structures, policies, procedures, practices and systems, in compliance with the Framework, within six months of the issue of the Framework.

9.2. Licensed Entities are also required to formulate a Board approved Charter of Consumer Rights and a Statement of Consumer Responsibilities, which should be publicized widely, including on their websites.

9.3. Licensed Entities should ensure that all rectification actions are completed within 18 months of the issue of the Framework.

9.4. Licensed Entities are requested to comply accordingly, and contact Manager, BDD for clarifications, if any.

Annex

Detailed Requirements of the Financial Consumer Protection Regulatory Framework for Licensed Entities

1. DISCLOSURE AND TRANSPARENCY

Disclosure and transparency is a cornerstone of financial consumer protection. They help consumers to understand and choose appropriate products to fit their circumstances. Disclosure and transparency also increase market competition by allowing for comparison shopping by consumers and competitive pressures across Licensed Entities, which may help to lower prices and improve the quality of products offered.

1.1. Format and Manner of Disclosure

1.1.1. Any advertisement, sales material, or other form of communication or disclosure by a Licensed Entity to a consumer (whether written, oral, or visual) should be in plain and easily understandable terms, not misleading, and should be in both Arabic and English. Understandable language requirements are important for all consumers, but particularly for those who are inexperienced in the financial sector, have low incomes or low literacy, and often face additional challenges in understanding what is being communicated to them. Where the use of technical terms is necessary for complex products, such terms should be explained in a comprehensible manner for the average consumer. However, for products geared towards sophisticated customers, relaxations are permitted in terms of the use of plain and easily understandable terms.

1.1.2. Any written communication (which includes electronic formats) should, to the extent possible, use a font size, spacing, and placement of content that makes the communication easy to read for the average person.

1.1.3. Key documents such as consumer agreements, forms, receipts, and statements should be provided in a written form (which includes electronic formats) that can be kept or saved by the consumer.

1.1.4. Written, oral, and visual communications should contain and highlight key features of a given product or service. Only in those cases where it is not practicable, Licensed Entities are permitted to provide a weblink to the key features.

1.1.5. Key disclosures to the consumer should be provided at the shopping, pre-contractual, and contractual stages. As the timing of disclosure is as critical to achieving transparency as the context of the disclosed information, disclosures should be made at the appropriate time to be of use to the customer, including at the shopping stage as well as right before a consumer agreement is signed.

1.1.6. Price disclosures should reflect the total cost/net return of a product or service to the consumer.

1.1.7. In addition to key product features, communication materials should disclose:

a) The regulatory status of the Licensed Entity;

b) Whenever possible, the contact information for the internal complaints handling mechanism of the Licensed Entity.

1.2. Advertising and Sales Materials

1.2.1. To the extent possible, Licensed Entities are required to ensure that all advertising and sales materials (printed, online, billboards, newspapers, flyers, TV, telemarketing, oral, and others) follow the minimum standards for format and manner of disclosure set out in para 1.1 of the annex. Specifically, easy comparability of total cost/net return should be ensured.

1.2.2. Licensed Entities are also required to ensure that their advertising and sales materials:

a) Do not contain misleading or false information; and

b) Do not omit information that is important to a consumer's decision to purchase any of their products or services.

1.2.3. Advertising and sales materials should not mislead and exploit consumers' biases to influence behavior, such as by deliberately omitting key information, emphasizing only favorable (such as a particular period of high returns) or downplaying unfavorable characteristics.

1.2.4. Specifically, advertising of any interest/profit rate should display both the nominal rate and the effective interest/profit rate.

1.2.5. Specifically, sales materials for loans/financing cannot claim loans are "zero interest" or "no profit" or "free" if there are any applicable charges, even if these charges apply only after a certain interest-free/zero-rate period.

1.2.6. Licensed Entities will be held responsible for all statements made in advertising and sales materials.

1.3. Disclosure of Terms and Conditions

1.3.1. Licensed Entities are required to ensure that consumer agreements contain key terms and conditions, including at a minimum the following items:

a) The regulatory status of the Licensed Entity;

b) The rights and responsibilities of the consumer, including the conditions that may lead to termination of the agreement;

c) The rights and responsibilities of the Licensed Entity.

d) All interest/profit rates, costs, fees, and charges (including from third parties) that arise or may arise from the agreement, when they can be applied, and how they are calculated;

e) How and when the terms and conditions may be altered unilaterally by the Licensed Entity, subject to extant regulatory instructions;

f) When, and how the consumer will be notified about changes to the agreement;

g) The penalties and any other remedies the Licensed Entity may seek to impose in the event of a perceived breach of the agreement by the consumer;

h) The contact information of the Licensed Entity's customer service.

i) How disputes with the Licensed Entity can be resolved and the contact information of the internal complaints handling mechanisms;

1.3.2. A printed or electronic copy of the final agreement containing at least the information listed in para 1.3.1 of the annex should be provided by the Licensed Entity to the consumer at the time of signing the agreement.

1.3.3. To facilitate communication of key terms and conditions to the consumer in the most commonly offered retail products, Licensed Entities are required to use Key Fact Statements (KFSs) in addition to the product or service agreement.

1.3.4. Prior to signing of the agreement, Licensed Entities are required to explain the key terms and conditions orally to the consumer on request or where deemed necessary based on a customer's circumstances.

1.3.5. The regulatory requirements laid down in clauses 1.3.1 to 1.3.3 and 1.3.7 of the annex are also applicable to consumer agreements signed electronically, if any.

1.3.6. The relevant terms and conditions of a guarantee should be disclosed to guarantors prior to the guarantee being entered into.

1.3.7. Detailed disclosures for specific products are given in Table 1 below:

Table 1.

Disclosure and Transparency: Disclosure of Terms/Conditions

I. ***Deposit Accounts:*** *Before the signing of a deposit account agreement, in addition to the general information listed in para 1.3.1, the Licensed Entity should inform the consumer of key terms and conditions such as:*

a. *Charges or fees for account opening or minimum balances*
b. *Account maintenance fees*
c. *Applicable interest yield*
d. *Ability to check the account balance*
e. *Responsibility of the consumer to keep his personal information confidential, including PINs and passwords linked to the account*
f. *Type and amount of transactions allowed free of charge, if any*
g. *If an overdraft facility is included and the fees and costs in case this facility is used*
h. *Applicable charges for issuing and clearing a check and whether charges vary according to the value of the check*
i. *Consequences and costs to the consumer of drawing a check with insufficient funds*
j. *Procedures to countermand or stop payment on a check by the consumer*
k. *Liabilities of the parties in the event of check fraud*
l. *Liabilities of the parties in the event of an unauthorized transaction on the account and the applicable procedures that should be followed by the consumer in such an event.*
m. *Fees and other costs, if any, applicable to each type of transaction or service allowed to be charged against the account and how each one will appear in the account statement*
n. *Any limitation on account functionality, such as on the number of withdrawals per month*
o. *Procedures and costs, if any, for the consumer to close the account*
p. *What constitutes an inactive/dormant account and the consequences to the consumer if the account becomes inactive/dormant, including applicable charges, if any*
q. *Existence of any depositor protection schemes*

Disclosure and Transparency: Disclosure of Terms/Conditions

II. ***Loan Accounts:*** *Before the signing of a loan/financing agreement (including for digital credit), in addition to the general information listed in Para 1.3.1, the Licensed Entity should inform the consumer of key terms and conditions such as:*

a. *Total and frequency (for example, monthly) of installment payments, or minimum monthly repayment in the case of revolving credit*
b. *Total cost of credit, with a breakdown of all costs of each installment as well as the total cost (or minimum monthly repayment in the case of revolving credit), including the annual percentage rate (APR), total interest/profit payment, total principal, and third-party charges and fees, such as broker charges or mortgage insurance/takaful*
c. *Applicable initial rate of interest/profit and, in the event a variable rate of interest/profit is being offered, when and the basis on which the initial rate may vary, how and when the consumer is informed of the new rate, the basis upon which the new rate is calculated, and the maximum possible rate*
d. *Guarantees that need to be provided by the consumer*
e. *What additional product(s), if any, such as a current account, a guarantee, or an insurance policy, the provider either requires the consumer to acquire or else bundles as part of the loan package*
f. *The terms and conditions of all linked or bundled products sold together with the loan, including the providers of such products and their costs to the consumer*
g. *Policies regarding late payment and prepayment, including related procedures and costs*
h. *Policies regarding transfer of service*
i. *In the case of revolving credit lines, including credit cards, the applicable credit limit, and the charges applicable when the consumer pays less than the total amount due*
j. *Any cooling-off period*
k. *Procedures in the event that the consumer requests that the loan be transferred to another financial service provider, and the costs involved*
l. *In the case of mortgage loans, disclaimer to distinguish preliminary estimates of terms and conditions from official loan estimates, if applicable; closing costs; and whether there is a homeowner insurance/takaful requirement.*

Disclosure and Transparency: Disclosure of Terms/Conditions

III. ***Investments:*** *Licensed Entities should provide consumers with information about the choice of accounts, products, and services, including characteristics of each type of account, product, and service being offered or recommended. The terms and conditions for Investment products should, at a minimum, disclose the following:*

a. Details of all commissions, charges, transaction taxes, and costs, of any nature, related to the accounts, products, and services offered and how they are determined.
b. The effect of all such commissions, charges, transaction taxes, and costs on the profitability of the accounts, products, and services.
c. The complaints procedures, and contact information for internal dispute resolution mechanisms.
d. The details of the terms of any leverage or margin (if permitted) being offered to the client and how the leverage functions.
e. Any restrictions on account transfers.
f. The procedures for closing an account and transfer of funds.

IV. ***Bancassurance products and services:*** *Licensed Entities should comply with the extant regulatory instructions in this regard.*

1.4. Disclosure of Product Risk

1.4.1. Licensed Entities should disclose to consumers the risks and consequences of investing in different investment products.

1.4.2. The risks and consequences of any services, investment strategies, trading strategies, trading systems, etc. should also be disclosed.

1.4.3. For IBEs, due to the contractual nature of profit-sharing investment accounts (PSIA), investment account holders are expected to bear the risk of loss on their funds. Therefore, in line with relevant provisions of the IBRF, IBEs should disclose information on investment strategies, asset allocation policies and, most importantly, policy and data on smoothing practices and reserves maintained for this purpose.

1.5. Disclosure of Conflicts of Interest

1.5.1. For investment products, a Licensed Entity should disclose to a customer all material conflicts of interest that it has with a customer.

1.5.2. A Licensed Entity should actively manage any conflict it has with a customer, and should disclose the manner in which the conflict is being managed.

1.6. Key Facts Statements

1.6.1. For common retail and SME products, including products delivered through electronic channels, Licensed Entities are required to produce Key Fact Statements (KFSs) that summarize the main characteristics of the product.

1.6.2. KFSs should be brief, preferably one to two pages, and limited to critical information, which should include key product features and risks; all-inclusive price/return disclosures; and potential consequences if the consumer fails to comply with the terms of the contract.

1.6.3. Ideally, the most important information should be presented in the top half of the first page. KFSs should utilize boxes and tables, bold font, plain language, legible font sizes, and graphics to convey the most important information to consumers clearly, in a format that attracts attention and is easy to understand.

1.6.4. The information contained in a KFS must necessarily be limited, so as to not overwhelm consumers.

1.6.5. Where feasible, key elements of the KFS should also be communicated orally to the consumer, particularly regarding material concepts and terms that require more detailed explanation. However, oral communication is required for low-income, unsophisticated, or illiterate consumers.

1.6.6. When a KFS is provided is critical. Key information should be provided early in the shopping and pre-transactional stages in order to ensure that consumers can utilize such information to comparison shop and sufficiently evaluate a product before deciding which product to purchase.

1.6.7. Licensed Entities are required to produce a customized KFS with the particular terms and conditions for a specific individual, on request as well as before and at signing.

1.6.8. KFSs should be signed by the consumer and given prominent placement when attached to the agreement.

1.6.9. Licensed Entities are required to provide KFSs through convenient channels, including at least the channel through which the particular product is provided.

1.6.10. Consumer testing of KFSs is required.

1.6.11. Publicity should be given to ensure that consumers are aware of their rights to obtain a KFS and understand its content and format.

1.6.12. Licensed Entities are required to retain copies of KFSs signed by the consumer.

1.6.13. However, KFSs are not a substitute for a full, written agreement, which should always be provided to the consumer as noted elsewhere.

1.7. Statements

1.7.1. In general, statements need to be self-explanatory, comprehensive, objective, and clear. This is particularly important in the case of transactional accounts such as credit card, current, call and savings accounts and loan/financing accounts that can carry finance charges, penal interest/profit, fees & other service charges, and other consequences in case of default, delayed payment, overdraft, level of transactions (including inactivity), etc.

1.7.2. Licensed Entities are required to provide the consumer with periodic written (which includes electronic format) statements of every account it operates for the consumer, free of charge, subject to extant regulatory requirements.

1.7.3. Licensed Entities are required to provide the consumer with a closing statement when an agreement is terminated or concluded.

1.7.4. Licensed Entities should preferably make statements available using at least the channel through which the product was sold (i.e., aligning to the manner in which the agreement was initially signed), at least for those customers with low literacy levels.

1.7.5. Statements should list all types of transactions, values, and dates concerning the account during the time period of the statement; state opening and closing balances, interest/provisional or expected profit rate (for IBEs, based on the rate used for daily accrual), fees and penalties charged; and highlight any impending risk for the consumer or changes in account rules or product terms and conditions. For IBEs, the statements shall also have a note stating that the provisional or expected profit rate used for accruals can be adjusted at the end, based on actual financial results. Alternatively, it can be stated that this provisional or expected profit shall be acceptable as final settlement by both parties (giving reference of the related term of the deposit agreement).

1.7.6. Licensed Entities are also required to provide information on account balances upon request by the customer. Charges, in any, should be in accordance with extant CBO directives.

1.7.7. Generally, statements should also inform the consumer regarding the regulatory status of the Licensed Entity and the contact number for its customer service and complaints handling mechanism.

1.7.8. In general, statements for deposit products such as savings accounts and current accounts should, with regard to the period covered and depending on the type of product, do the following:

a) List the opening and closing balances and any repayment made in the period
b) List all transactions in the period
c) Indicate the counterpart for each transaction, such as a retail establishment where a credit/debit card purchase was made
d) Provide details on the interest rate applied to the account. For IBEs, provide details of the provisional or expected profit rate on the account.
e) Provide details on the fees, exchange rate, and other charges incurred by the customer in each transaction

f) Indicate any changes applied to the interest/profit rates or fees.

1.7.9. In addition to the items noted above, credit card (and any revolving credit line) statements should set out the credit limit, total amount due, due date, minimum payment required, and to the extent possible, total interest/profit cost that will accrue if the cardholder pays less than the total amount due.

1.7.10. Loan/Financing account statements, including for mortgages/house financing, should indicate the amount paid during the period; total amount paid to date; total outstanding amount due; allocation of payment to principal, interest/profit or rentals, or other costs; amount in arrears; and, if applicable, up-to-date accrual of taxes paid. It should also include information on all applicable fees, penalties, and interest/profit rate.

1.8. Notification of Changes in Rates, Terms and Conditions

1.8.1. Licensed Entities are required to notify their consumers, at least in writing (including in electronic form), and also orally or through other channels or means if deemed necessary, prior to changes in:

a) The interest/expected profit rate to be paid on any account (for example, savings, term, investment accounts) of the consumer;
b) The interest/profit rate to be charged on loan/financing facility of the consumer;
c) Any non-interest/fee charge on any account of the consumer (transaction fees, overdraft fee); and
d) Any other key product feature or previously agreed term or condition (procedures for cancellation, prepayment of loan/financing activity, transfer of loan/financing servicing etc).

1.8.2. Licensed Entities should also be required to notify their consumers in case their transactional accounts have become inactive or dormant, and the related consequences, including applicable charges, if applicable.

1.8.3. The nature and extent of the change, particularly its potential impact on the consumer, should dictate the required format and whether personalized, individual notification to the customer is required.

1.8.4. If the revised terms are not acceptable to the customer and were not foreseen in the original agreement, the customer will have the right to exit the agreement without penalty, provided such right is exercised within a reasonable period (subject to extant regulatory requirements), as established in the original agreement.

1.8.5. Along with the notice of the change, Licensed Entities should inform customers of their foregoing rights and how they can be exercised.

2. FAIR TREATMENT AND BUSINESS CONDUCT

Licensed Entities need to ensure that their relationships with consumers are fair, just, and honest. Treating consumers fairly should be an affirmative obligation for Licensed Entities and an integral part of their corporate and risk culture. Licensed Entities will need to demonstrate how the concept of "treating customers fairly" is embedded in their business model and practices, from the product research to the post-sales stage.

2.1. Unfair Terms and Conditions

2.1.1. Licensed Entities should abstain from using any term or condition in a consumer agreement that is unfair.

2.1.2. Except where expressly permitted by law, in any agreement with a consumer, a term is deemed to be unfair if it excludes or restricts any requirement on the part of a Licensed Entity to act with skill, care, diligence, or professionalism toward the consumer in connection with the provision of any product or service and/or any liability for failing to do so.

2.1.3. Ambiguities in contractual terms and conditions should be construed in favor of the consumer.

2.2. **Unfair Practices**

2.2.1. At all stages of the relationship with consumers, Licensed Entities are required to treat consumers fairly.

2.2.2. Licensed Entities are required to consider the outcome for consumers of their products, services, procedures, strategies, and practices, so as to ensure compliance with para 2.2.1 of the annex.

2.2.3. Subject to extant laws and regulatory requirements, Licensed Entities should abstain from employing any practice that could be considered unfair.

2.2.4. Subject to extant laws and regulatory requirements, Licensed Entities should not discriminate against consumers on any grounds (ethnicity, religion, faith, social background, gender, etc.).

2.2.5. Bundling and tying practices are not permitted when such practices unduly limit consumer choice or hinder competition.

2.2.6. When consumers are required to purchase a product such as an insurance policy/takaful cover as a precondition for receiving a loan/financing, they should be free to choose the provider of the secondary product (Islamic Banking customers should be free to choose any Takaful provider). Information regarding the tied product and the right of choice should be made known to borrowers during the shopping and precontractual phases, and Licensed Entities should not sway or pressure consumers toward a particular provider on the basis of its own commercial agreement with that provider.

2.3. **Sales Practices**

2.3.1. Licensed Entities are required to have and comply with adequate, formal sales policies and procedures.

2.3.2. Licensed Entities are required to ensure that mis-selling, misrepresentations, aggressive high-pressure sales, and discrimination are not used during the sales process.

2.3.3. Licensed Entities will be held accountable for downplaying or dismissing warnings or cautionary statements in written sales materials.

2.3.4. Licensed Entities and their sales representatives are required to disclose to a consumer any actual and potential conflicts of interest, particularly when the consumer receives advice before entering into a consumer agreement.

2.3.5. For investment products and advisory services, Licensed Entities should:

a) Not use sales tactics that create undue pressure on a consumer to invest; such as creating a false sense of urgency by claiming that the supply or time to make the transaction is limited or creating the false illusion that other members of one's community are also investing ('affinity fraud').

b) Not engage in misrepresentations and half-truths regarding products being sold or purchased; they should not promise unrealistic or exaggerated returns and guaranteed results.

c) Fully disclose the risks of investing in a security or following investment advice being sold;

d) Not downplay or dismiss warnings or cautionary statements in written sales literature; and

e) Not recommend the purchase and sale of securities solely to obtain fees and without a sound basis for the recommendation.

2.3.6. For investment products and advisory services, Licensed Entities should exhibit due care, skill and diligence when dealing with customers.

2.3.7. For insurance/bancassurance or equivalent Shari'a compliant products, Licensed Entities should disclose any potential conflicts of interest where they cannot be avoided, particularly when customers receive advice before concluding an insurance/takaful contract.

2.4. **Product Suitability and Appropriateness**

2.4.1. Where appropriate, before providing advice or concluding an agreement regarding a product or service, Licensed Entities are required to gather sufficient information about the consumer to enable it to provide a product or service suitable for the consumer's needs and financial capacity.

2.4.2. Licensed Entities are required to take reasonable steps to ensure that any product or service it recommends is suitable for that consumer, taking into account the facts disclosed by the consumer and other relevant facts about the consumer of which the Licensed Entity is aware. Licensed Entities should ensure that there is compatibility between what is being offered to a consumer and the consumer's specific needs and profile.

2.4.3. Licensed Entities must put in place sound product oversight and governance processes.

2.4.4. Licensed Entities should ensure that products are specifically designed to be suitable for their identified target markets.

2.4.5. Before providing an investment product or service to a consumer, a Licensed Entity should obtain, record, and retain sufficient information to enable it to form a professional view of the consumer's background, financial condition, investment experience, and attitude toward risk in order to provide a recommendation, product, or service appropriate to that consumer.

2.4.6. A Licensed Entity, taking into account the facts disclosed by a consumer and other relevant facts about that consumer of which it is aware, should ensure that any investment product, or service recommended to the client is suitable for the consumer. It should avoid recommending investment products and services that do not meet the consumer's financial sophistication, investment objectives, or risk tolerance.

2.4.7. Licensed Entities should take into account the needs and interests of different types of customers when marketing insurance/takaful products, to ensure that products are not mis-sold.

2.4.8. Before concluding a contract or giving advice regarding an insurance/takaful product, Licensed Entities should obtain, record, and retain sufficient information from their customers to assess the customer's insurance/takaful needs—for example, the customer's financial knowledge and experience, needs, priorities, circumstances, ability to afford the product, and risk profile.

2.4.9. Licensed Entities should ensure that, where consumers receive advice before concluding an insurance contract, such advice is appropriate to the consumer's disclosed needs and circumstances. They should also retain a record of the advice provided.

2.5. Responsible Financing

2.5.1. With respect to credit products, Licensed Entities should ensure adherence to the concept of responsible financing/lending, which is centered on balancing affordability with the financing needs of the consumer.

2.5.2. Licensed Entities should assess a potential borrower's repayment capacity sufficiently. Reassessments are also required when the product being offered increases the consumer's debt substantially.

2.5.3. As over-indebtedness has many negative social and economic consequences, Licensed Entities should also ensure meticulous adherence to extant regulatory requirements (maximum DBR, tenure, etc.) in this regard.

2.6. **Customer Mobility**

2.6.1. Licensed Entities are prohibited from unduly limiting a customer's ability to cancel or transfer a product or service to another provider.

2.6.2. Licensed Entities are required to provide comprehensive information about cancellation and portability procedures to consumers, including when products and services are delivered through agents or digital channels.

2.6.3. Licensed Entities are allowed to charge a reasonable cancellation fee or prepayment penalty only if it is set out in the consumer agreement (which should also contain its method of calculation), and is permitted by extant regulatory requirements.

2.7. **Professional Competence**

2.7.1. Licensed Entities are required to ensure that all relevant staff members and third parties acting on its behalf are familiar with the products and services sold to consumers and financial consumer protection principles and rules.

2.7.2. IBEs should also ensure that competent and knowledgeable frontline staff are appointed, which not only have in-depth knowledge of features and operational matters of Shari'a compliant products and services being offered to customers, they should also have an adequate understanding of equivalent products and services of conventional banks, including differences from Shari'a perspective.

2.7.3. Licensed Entities should ensure accountability; staff and third parties working on their behalf should be held accountable for their actions that deviate from internal policies, laws, and CBO requirements with respect to financial consumer protection and fair treatment of consumers.

2.7.4. The Licensed Entity's Board of Directors should bear ultimate responsibility for ensuring effective implementation of training and competency requirements, and there should be an established system to ensure that the Board of Directors is adequately informed and able to take corrective action when needed.

2.8. **Agents**

2.8.1. Licensed Entities are legally liable for the actions and omissions of their agents.

2.8.2. Licensed Entities are required to perform appropriate due diligence before contracting with any agent.

2.8.3. Licensed Entities are required to continuously monitor the performance of their agents, including adherence to regulatory requirements and internal policies and procedures.

2.8.4. Licensed Entities should ensure that the financial or other incentives offered to agents do not encourage behavior that goes against the principles of product suitability and fair treatment.

2.8.5. The agency relationship should be governed by a formal agency agreement between the agent and the Licensed Entity.

2.8.6. The CBO will have the authority to assess the activities of Licensed Entities' agents and to take appropriate action upon regulatory non-compliance by any agent.

2.9. **Compensation of Staff**

2.9.1. Licensed Entities are required to have compensation policies that ensure that their staff—including senior executives—are compensated in such a way as to minimize conflicts of interest.

2.9.2. Licensed Entities are required to have established policies and procedures to manage and resolve actual conflicts of interest with respect to compensation policies that arise in the interaction between their staff and their customers and potential customers.

2.9.3. Licensed Entities should ensure that compensation is not solely on the basis of sales volume. Remuneration should be based, at least in part, on elements such as consumer well-being and satisfaction, compliance with regulatory requirements/internal policies, fair treatment of consumers, satisfactory audit and compliance review results, and the results of complaint investigations. Compensation should have elements reflective of long-term performance, and not merely short-term sales targets. The objective is to ensure an effective alignment of compensation with prudent risk taking, while encouraging trustworthy, responsible, professional behavior and a corporate culture that works toward regulatory compliance and fair treatment of consumers.

2.9.4. The Licensed Entity's Board of Directors and Senior Management will be held responsible for the policies referenced in clauses 2.9.1 and 2.9.2 of the annex and their effective implementation.

2.10. **Compensation of Agents**

2.10.1. Licensed Entities are required to have compensation policies that ensure that their agents are compensated in such a way as to minimize conflicts of interest.

2.10.2. Licensed Entities are required to have established policies and procedures to manage and resolve actual conflicts of interest with respect to compensation policies that arise in the interaction between their agents and their customers and potential customers.

2.10.3. Licensed Entities should ensure that compensation is not solely on the basis of sales volume. Remuneration should be based, at least in part, on elements such as consumer well-being and satisfaction, compliance with regulatory requirements/internal policies, fair treatment of consumers, satisfactory audit and compliance review results, and the results of complaint investigations. Compensation should have elements reflective of long-term performance, and not merely short-term sales targets. The objective is to ensure an effective alignment of compensation with prudent risk taking, while encouraging trustworthy, responsible, professional behavior and a corporate culture that works toward regulatory compliance and fair treatment of consumers.

2.10.4. The Licensed Entity's Board of Directors will be held responsible for the policies referenced in clauses 2.10.1 and 2.10.2 of the annex and their effective implementation.

2.11. **Fraud and Misuse of Customer Assets**

2.11.1. Licensed Entities are liable to customers for losses due to fraud or misuse involving customer assets held, administered, or controlled by the provider, except in cases of frauds by consumers or those caused by consumers own gross negligence.

2.11.2. Licensed Entities are required to have and implement adequate policies and procedures that aim to protect customers' deposits and other assets against internal or external fraud or misuse.

2.11.3. Licensed Entities should have and implement clear policies and procedures to resolve cases of suspected fraud or misuse regarding customers' accounts.

2.11.4. Licensed Entities should ensure that their procedures to deal with actual cases (which need to be formalized in internal policies) are fair to consumers.

2.12. **Debt Collection**

2.12.1. Licensed Entities and any third parties acting on their behalf are prohibited from employing abusive debt-collection practices, including the use of false statements, practices akin to or constituting harassment, or the giving of false or unauthorized credit information to third parties.

2.12.2. Abusive practices include, but are not limited to, daily phone calls, threatening, offensive, obscene, discriminatory or aggressive language, harassing relatives and coworkers, publicly embarrassing or shaming borrowers, knocking at borrowers' doors, or making calls during late-night or early morning hours, adopting an intimidating manner, using or threatening to use violence or physical force against the borrower, misleading the borrower about the extent of debt or consequences of nonpayment.

2.12.3. The type of debt that can be collected on behalf of a financial service provider, the person who can collect any such debt, and the manner in which such debt can be collected should be clearly stated in the credit agreement.

2.12.4. Licensed Entities are required to formulate detailed guidelines and rules governing the activity of debt collection; these should include what constitutes both appropriate and inappropriate debt collection practices.

2.12.5. In the event a debt collector has a right to contact any third party about a borrower's debt, the debt collector should exercise such right provided he informs both the third party and the debtor:

a) Of the debt collector's right to do so; and
b) The type of information that the debt collector is seeking.

2.12.6. Where the sale or transfer of a debt without the borrower's consent is permitted by law, the borrower should be:

a) Notified of any such sale or transfer within a reasonable number of days thereafter;
b) Informed that the borrower remains obligated on the debt;
c) Provided with information as to where to make payment; and
d) Provided with the purchaser's or transferee's contact information.

3. DATA PROTECTION AND PRIVACY

Consumers' financial and personal information should be protected through appropriate control and protection mechanisms. These mechanisms should define the purposes for which the data may be collected, processed, held, used and disclosed. The mechanisms should also acknowledge the rights of consumers to be informed about data-sharing, to access data and to obtain the prompt correction of data.

3.1. Lawful Collection and Usage of Customer Data

3.1.1. Licensed Entities are allowed to collect customers' data within the limits established by law or regulatory requirements and, where applicable, with the customer's consent.

3.1.2. Subject to extant laws and regulatory requirements, and, where applicable, with the customer's consent, Licensed Entities are required to comply with the following principles relating to the processing of personal data:

a) Lawfulness, Fairness and Transparency: data should be processed lawfully, fairly and in a transparent manner in relation to the customer.

b) Purpose Limitation: data should be collected for specific, explicit and legitimate purposes, and should not be further processed in a manner that is incompatible with those purposes.

c) Data Minimization: data should be adequate, relevant and limited to whatever is necessary in relation to the purposes for which it is processed.

d) Accuracy: data which is inaccurate should be erased or rectified without delay.

e) Storage/Retention Limit: data must not be kept in a form which permits identification of customers for longer than is necessary for the purposes for which the personal data is being processed (It is reiterated that Licensed Entities are required to comply with extant laws and regulatory requirements in this regard including, but not limited to, tenure for retention).

f) Integrity and Confidentiality: data should be processed in a manner that ensures appropriate data security.

3.1.3. Licensed Entities are required to formulate and implement policies, procedures and mechanisms to ensure compliance with the above data protection principles in an effective manner. Licensed Entities should integrate necessary safeguards into their processing in order to protect the rights of their consumers.

3.1.4. Data protection safeguards should be embedded in the design specification of services, products, systems or processes from the earliest stage of development rather than be addressed as an afterthought. Licensed Entities are required to take the protection of data into consideration during the full life cycle of any potentially new service, business process or supporting IT system that may use personal data.

3.1.5. Licensed Entities should comply with extant law and regulatory requirements pertaining to the minimum period for retaining all customer records, and throughout this period, the customer should be provided access to such records free of cost or at costs not exceeding permissible limits.

3.2. Confidentiality and Security of Customers' Information

3.2.1. Information collected by Licensed Entities should be kept safe, unaltered and confidential. Licensed Entities are required to have and implement policies, procedures and mechanisms to ensure confidentiality, security, and integrity of all data stored in their databases that relate to their customers' personal information, accounts, deposits, deposited properties, transactions, etc. This will cover both electronic and paper-based data.

3.2.2. The Board of Directors and Senior Management will be held responsible for the effective implementation of such policies, procedures and mechanisms.

3.2.3. Staff and agents should be continually and adequately trained in such policies, procedures and mechanisms.

3.2.4. In order to ensure confidentiality, when establishing policies and procedures, Licensed Entities should also establish different levels of permissible access to customers' data for employees, depending on the role they play within the organization and the different needs they may have to access such data.

3.2.5. In order to maintain the security of customers' data, Licensed Entities are required to have and implement policies and procedures to ensure security related to networks and databases.

3.2.6. Licensed Entities will be held legally liable for misuse of consumer data.

3.2.7. Licensed Entities will be held legally liable for any breaches in data security that result in loss or other harm to the customer and should put in place clear procedures to deal with security breaches, including mechanisms to reimburse or compensate consumers.

3.3. **Sharing of Customer Information**

3.3.1. Licensed Entities should follow extant laws and regulatory requirements for the release to and use of customer information by certain third parties such as government authorities, credit registries/credit bureaus, etc.

3.3.2. Subject to the exceptions noted in clauses 3.3.1 of the annex, above, without a consumer's prior written consent as to the form and purpose for which their data will be shared, the Licensed Entity should not engage in selling or sharing any of a consumer's information with any third party for any purpose, including telemarketing or direct mailing, unless such third party is acting on its behalf and the information is being used for a purpose that is consistent with the purpose for which that information was originally obtained.

3.3.3. Licensed Entities will be liable for protecting consumer data regardless of the number and types of third parties involved in the design, sale, and delivery of products and services.

3.3.4. Consumer waivers on privacy rights should be designed so that they do not take advantage of consumer behavior biases; they should effectively give consumers the choice to share or not share their data, and ensure that consumers understand the consequences of their actions.

3.3.5. Waivers should not be marked by default; rather, active consent by the consumer should be obtained.

3.3.6. Waivers should be for specific and limited purposes.

3.3.7. Before any such sharing for the first time, the Licensed Entity is required to inform the consumer in writing of his data privacy rights in this respect.

3.3.8. Subject to extant laws and regulatory requirements, Licensed Entities are required to allow consumers to stop or opt out of any sharing by it of information regarding the consumers that they previously authorized.

3.3.9. In the case of tied products, the consumer should be informed if a third party will have access to the consumer's information.

3.3.10. Unless it is a credit bureau or a credit registry, the third party is prohibited from disclosing the shared information regarding a consumer, unless specifically permitted under extant laws and regulatory requirements.

3.4. Organisational Arrangements

3.4.1. Local banks are required to form a separate unit (within an existing function) that is responsible for data protection and privacy.

3.4.2. Other Licensed Entities are encouraged to form a separate unit (within an existing function) that is responsible for data protection and privacy; however, at a minimum other Licensed Entities should designate an officer to be responsible for data protection and privacy.

3.5. Reporting Requirements

3.5.1. Licensed Entities are required to notify CBO of all significant breaches of consumer data without undue delay.

3.5.2. Subject to extant law and regulatory requirements, Licensed Entities are also required to inform consumers of significant breaches of their personal data, and what risk it may pose to them, without undue delay.

3.5.3. Details of what constitutes a significant breach will be conveyed in due course.

4. DISPUTE RESOLUTION MECHANISMS

Core to an effective financial consumer protection Framework is an accessible and efficient recourse mechanism that allows consumers both to know and to assert their rights to have their complaints addressed and resolved in a transparent and just way within a reasonable timeframe. The timely resolution of complaints, including provision of redress where warranted, is the primary responsibility of Licensed Entities.

INTERNAL COMPLAINTS HANDLING

4.1. CBO has issued detailed regulatory directives whereby Licensed Entities are required to have an adequate structure in place as well as written policies regarding their complaints handling procedures and systems to resolve complaints registered by consumers against them effectively, promptly, and justly.

4.2. While Licensed Entities are advised to tone up their policies, procedures and systems to comply with all extant directives, the CBO would like to emphasize that Licensed Entities are required to:

a) Widely publicize clear information (including on their websites, marketing and sales materials, KFSs, standard agreements, and locations where their products and services are sold, such as branches, agents, and alternative distribution channels, where applicable) on how a consumer may submit a complaint and the channels made available for that purpose, as CBO has been receiving many complaints directly from consumers, who claim to be unaware of the existing internal complaints handling mechanisms and procedures at Licensed Entities.

b) Expedite resolution of complaints, as CBO has been receiving many complaints of delayed resolution of cases.

c) Make available a range of channels—telephone, email, web, mobile—for submitting consumer complaints appropriate to the type of consumers served and their physical location, including offering a toll-free telephone number to the extent possible, depending on the size and complexity of their operations. Specially tailored channels may also be needed for consumers with low or no literacy, and the speech or hearing impaired.

d) Adequately train staff who handle consumer complaints. Analysis of complaint outcomes should be used to inform staff training across the Licensed Entities.

e) Within a short period following the date they receive a complaint, acknowledge receipt of the complaint in a durable medium—that is, in writing or in another form or manner that the consumer can store—and inform the consumer about the maximum period within which the they will give a final response and by what means.

f) Within the maximum number of days, inform the consumer in a durable medium of their decision with respect to the complaint and, where applicable, explain the terms of any settlement being offered to the consumer.

g) Keep written records of all complaints, while not requiring that the complaint itself be submitted in writing—that is, allow for oral submission.

4.3. Complaints-related data analysis and reporting should be undertaken by Licensed Entities as part of their internal control and management information processes to identify not only issues in their business conduct but also emerging risks and root causes. This information should be used in review of processes, procedures and product design, terms, and conditions, and as a mechanism to prevent potential litigation and reputational risks.

4.4. Part of this analysis should include assessment of whether products are designed with a consumer-centric approach—that is, whether consumers are being offered products that are suited to their needs and profiles—in addition to ensuring that consumers are treated fairly.

4.5. A complaints database can be used as an important tool for ensuring consistency in complaints handling and decisions throughout the Licensed Entity. As the database should record classification of complaints and their resultant resolutions, a regular assessment of uniformity should be performed.

4.6. Complaints should be distinguished from enquiries or request for information or other types of assistance. A complaint is a statement of consumers' dissatisfaction with the action, service, or product of a Licensed Entity or an authorized agent. A request for information or clarification or query or a request for an opinion, which does not also contain an expression of dissatisfaction or deficiency in service, is not considered to be a complaint.

4.7. CBO will require quarterly regulatory reporting on complaints for all Licensed Entities from 2023; further details in this regard will be conveyed in due course. Licensed Entities are advised to ensure that their complaints handling and database systems are fully equipped to accurately report complaints related statistics.

4.8. Going forward, CBO will also require Licensed Entities to publish annually certain data on complaints, including the number of complaints, the average length of time for resolution, and the number of complaints satisfactorily resolved. Further details in this regard will be conveyed in due course.

5. FINANCIAL EDUCATION AND FINANCIAL CAPABILITY

Strengthening the financial capability of consumers benefits not only consumers, but also financial service providers and the nation at large. It helps consumers protecting themselves against financial risks, exercise their rights as financial consumers, and be less vulnerable to mis-selling and financial frauds and scams.

Consumers who have confidence in their ability to manage their personal finances are likely to be more active in acquiring financial products and services, and are also less likely to acquire unsuitable products or services, or products or services that they do not understand, reducing the likelihood of dissatisfaction and consumer complaints. Improving the population's financial capability can help to improve financial stability, stimulate savings, promote financial inclusion, and reduce over-indebtedness.

Financial consumer protection works best when supported by consumer awareness and financial education interventions. Strengthening the financial capability of consumers is a priority and the CBO views Licensed Entities as important stakeholders to strengthen the financial capacity of consumers.

5.1. All Licensed Entities are required to undertake consumer awareness and financial education activities, and develop and implement specific financial capability programs.

5.2. Licensed Entities are required to formulate a Board approved consumer awareness, financial education and financial capability strategy, and formulate annual plans in this regard.

5.3. Licensed Entities should take steps to improve consumer awareness of risks and rewards of its financial products, including possible scams.

5.4. As different people learn in different ways, a variety of channels and delivery mechanisms should be used for consumer awareness and financial education programs, including both face-to-face training programs and non-traditional channels that leverage technology, mass media, or behavioral interventions, such as nudges and reminders.

5.5. The delivery channels for, and content of, financial education programs should be client-focused and reflect the demographics, cultural and financial context, and learning needs and preferences of the target population, so as to sustain their interest.

5.6. Financial education programs should be designed not only to increase recipients' knowledge, but also to enable them to develop and practice their skills, to instill responsible attitudes, and, most important, to promote financially capable behaviors.

5.7. So far as practicable, financial education initiatives should be fun, entertaining, and interactive and use simple messages that will resonate with the target audience. Where practical, they should involve "learning by doing."

5.8. Financial education programs should be delivered at "teachable moments.", that is those times in consumers lives when they are facing important financial decisions, including when taking loans/financing for housing, for buying a car, etc.

5.9. Financial education messages should provide objective advice and should not be used as marketing initiatives for financial products or services.

5.10. Financial education messages should be repeated and reinforced over time, as one-off interventions are unlikely to be successful.

5.11. An effective system of monitoring and evaluation of both the overall strategy and individual programs should be put in place. While monitoring should be carried out at least on a half yearly basis, evaluations should be done at least on a yearly basis. The use of external evaluators is encouraged.

5.12. Licensed Entities are required to send yearly reports (January to December) on financial education and financial capability activities and programs to CBO, by 31st January of each following year.

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