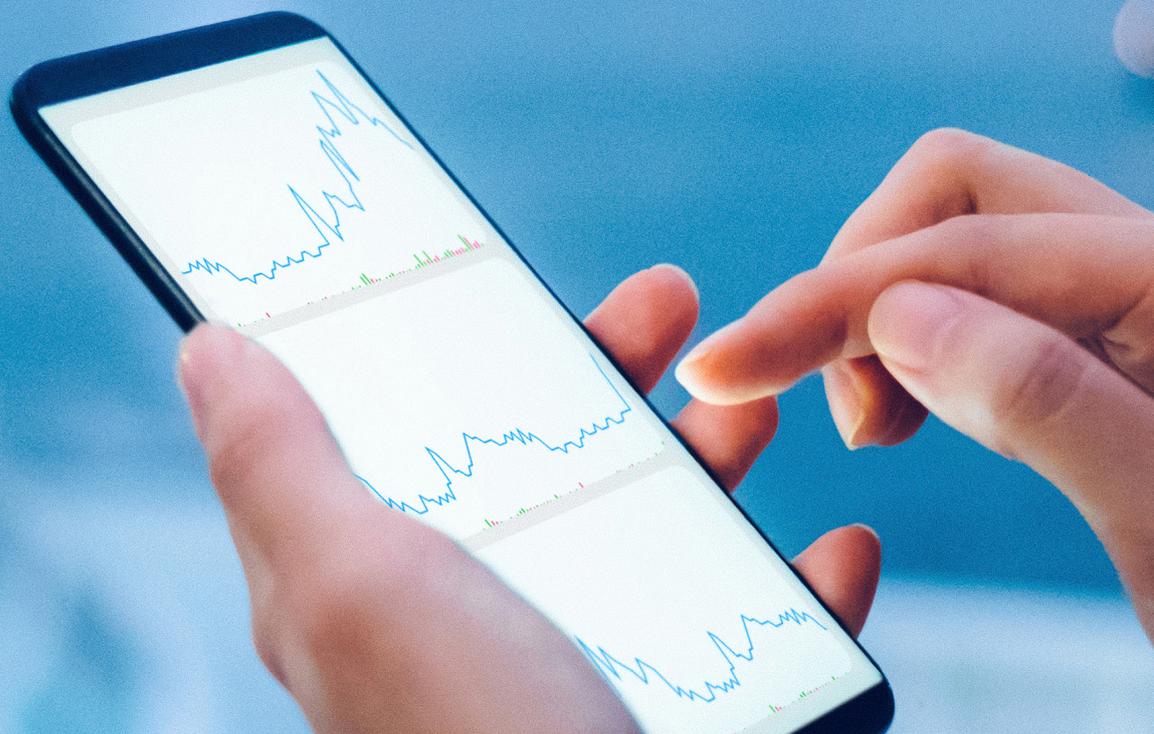




# Consumer protection in the UAE's financial services sector



April 2021



[kpmg.ae](http://kpmg.ae)



# Foreword

## Consumer protection

Consumer protection has far-reaching implications for many activities in the financial services sector—from product development and terms of service, to the customer experience throughout the sales and product life cycle. Consumer protection concerns may also affect markets in which organizations operate—their geographical distribution, customer base and the products offered.

Regulations designed to protect consumers could encourage (or force) organizations to fundamentally reorganize processes and structures.

In some countries, where regulation may be less of a driver for change, organizations are recognizing that consumer protection is important from a business perspective. It can, in fact, help improve customer experience and satisfaction and potentially create a point of differentiation when compared with competitors.

Whatever the impetus, consumer protection is now considered among financial institutions' top strategic and cultural drivers—a business issue to be considered at the board level, as well as across operations and functions. An organization's success may depend on how effectively it can enhance consumer protection processes.

## A challenging framework

Assessing a business line's or entity's consumer risks profile can be a challenge for even the most experienced of institutions. Organizations may demonstrate that they effectively identify and manage the potential risks that may arise throughout the life cycle of products, services and supporting infrastructure.

The following pages include:



An overview of the Central Bank of the UAE's (CBUAE) Consumer Protection Regulation (circular no: 8/2020, dated 25/11/2020)



Questions organizations should be asking themselves to assess and manage consumer protection risks



KPMG's methodologies and approaches to support entities as they align with the CBUAE's Consumer Protection Regulation and international leading practices



### Maryam Zaman

Partner  
Head of Corporate  
Governance Services  
KPMG Lower Gulf



# Consumer protection regulation highlights

The CBUAE issued a regulation for the protection of consumers of licensed financial institutions (LFI), effective from 31 January 2021. The regulation is intended to ensure that consumers' interests are protected with respect to financial products and/or

services and in their relationships with service providers. LFIs are required to conduct a gap assessment against the regulation and submit a remediation roadmap to the CBUAE by 31 May 2021.

## The regulation covers the following for LFIs:



Setting standards of business and market conduct



Improving consumers' knowledge, awareness and ability to assess financial products and/or services



Ensuring the quality and timing of effective disclosure to customers regarding matters and/or risks that may affect a consumer's decision to purchase a financial product and/or service



Promoting responsible financing practices to protect consumers from becoming over indebted



Implementing clear and reasonable mechanisms to address consumer complaints



Addressing unreasonable barriers and limits to fair competition and consumer choice



Providing consumers with access to the right information at the right time, enabling them to make informed decisions



Promoting inclusion for all segments of society by eliminating unreasonable barriers or practices that limit access to financial products and/or services



Strengthening governance and oversight with respect to the design, promotion and sale of financial products and/or services



Protecting consumers' personal data and information against misuse, unauthorized access and undue processing and analysis

# From compliance to business transformation

When considering consumer protection risk, organizations strive to identify areas in need of improvement, as well as drivers for change:



## Anticipate intensified regulatory pressure and risks

- How have we assessed consumer risks?
- Have we mitigated those risks to an acceptable level?



## Impact on fee revenue from core and ancillary products and services

- Do we need to exit certain markets or products because of inherent consumer risk?
- Are there new markets or products we should be considering?



## Guide your product innovation and marketing tactics

- How can we demonstrate that our services are designed and marketed based on the financial needs of consumers?
- How do we incorporate the voice of our consumers into potential products and business improvements?



## Optimize the use of your consumer data

- What data do we have that flags potential consumer protection issues?
- What actions do we take based on that data?



## Reduce the cost of customer remediation

- How quickly and decisively do we identify and address consumer issues?



## Control inherent risks across the business, including those posed by affiliates and third parties

- Do we monitor potential risk to consumers throughout the life cycle of our financial products or services?
- What standards do we use to monitor consumer risks across our business lines, including processes outsourced to third parties?



### **Prioritize across operations and technology**

- Have we considered the consumer protection impact of changes to our core processes or technology?



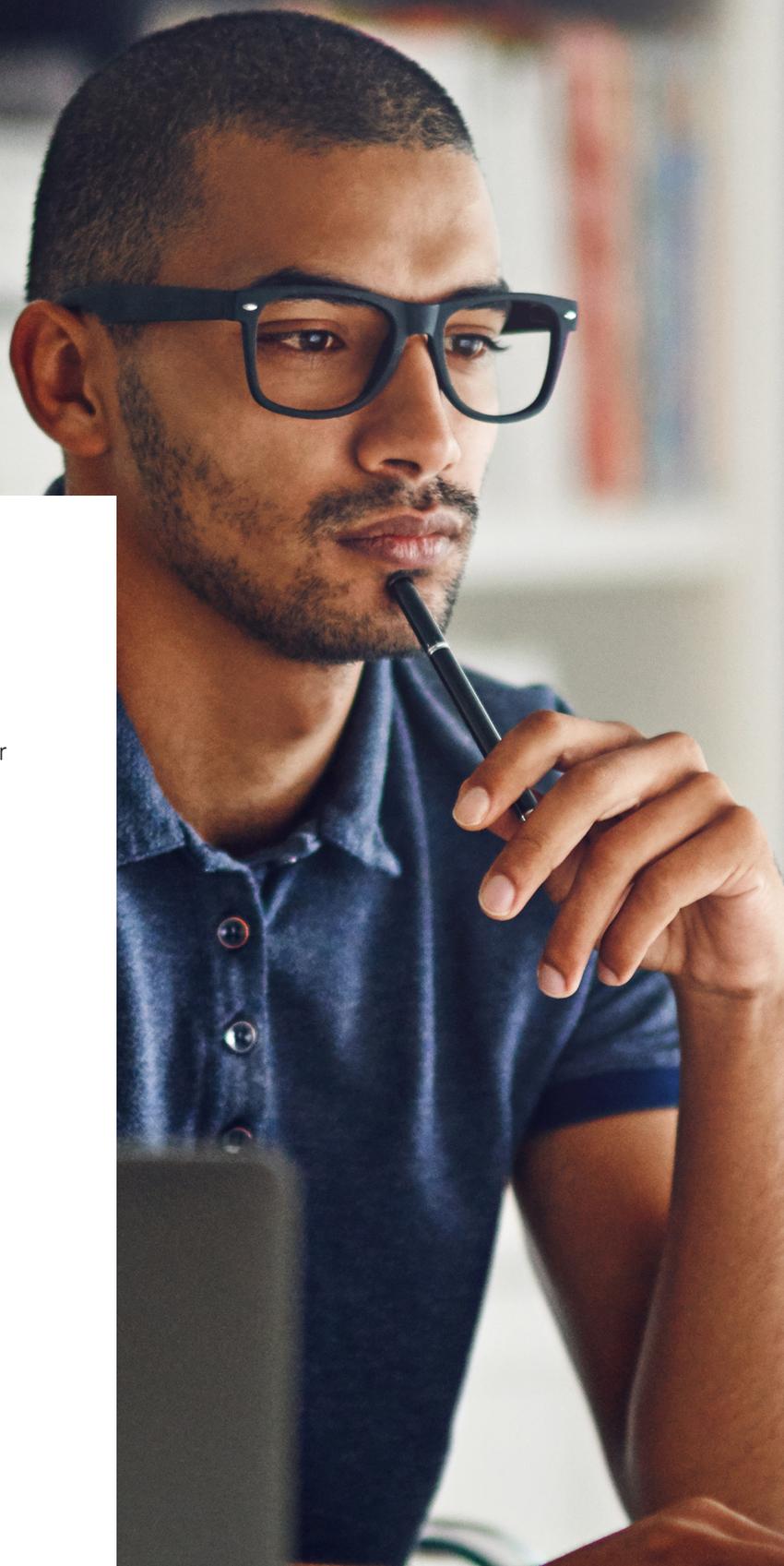
### **Protect your reputation**

- How do we unequivocally demonstrate that consumer protection is a top priority?
- Are our employees and third-party agents appropriately trained?



### **Build brand loyalty**

- Is customer satisfaction alone enough to build loyalty?
- How can we improve customer experience?



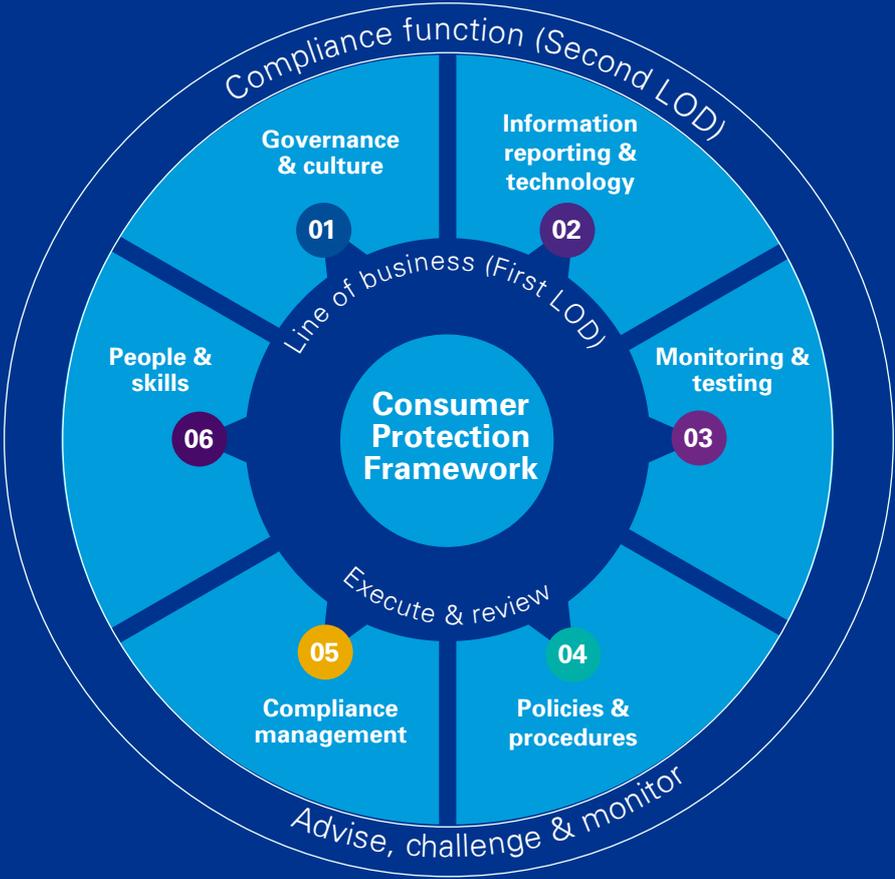
# KPMG Global Consumer Protection Framework

## KPMG’s approach to consumer protection

Our framework incorporates KPMG’s Consumer Protection Risk Diagnostic Tool, which can be tailored to the requirements of particular regulators (such as the CBUAE). The approach can be applied at various levels—enterprise, line of business, functional and/or product level—and tailored to current or forthcoming regulatory requirements and expectations.

The results of the diagnostic can then be incorporated into a program, used to prioritize and implement required changes.

In order to address consumer protection practices across your client base and financial products and services, KPMG’s approach considers organizational activities in the following areas:



# KPMG Global Consumer Protection Framework

01



## Governance and culture

- Board and board committee oversight
- Management committee oversight
- Tone from the top
- Compliance culture
- Code of conduct

02



## Information reporting and technology

- Dashboards and reports to senior management
- Set key performance/risk indicators and monitor process
- Process automation
- Data privacy and cyber security
- Code of conduct

03



## Monitoring and testing

- Transactional and process-level testing
- Compliance-focused, third-party risk management
- Detection and reporting of misconduct

04



## Policies and procedures

- Disclosure process
- Conflict of interest
- Design, advertising and promotion
- Complaint management and resolution
- Data privacy and retention

05



## Compliance management

- Consumer protection compliance risk assessment
- Issues management
- Internal controls around design, promotion and sales of products

06



## People and skills

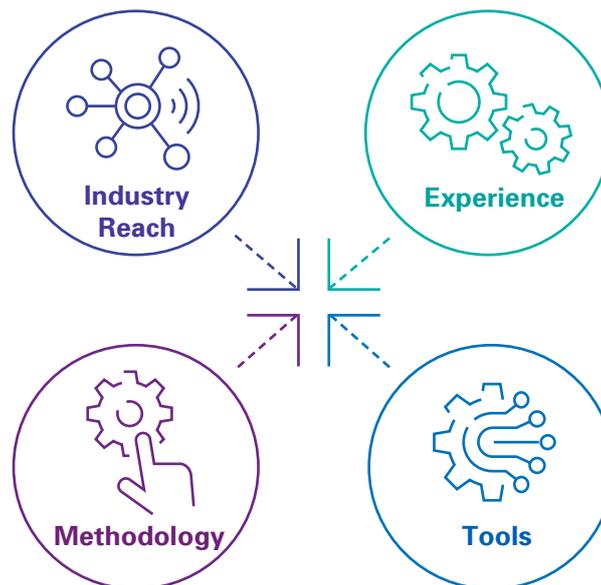
- Skills and training
- Roles and responsibilities
- Performance management and incentives

# Why KPMG Lower Gulf?

We understand the challenges LFIs face when implementing processes to comply with consumer protection regulations. Our emphasis on collaboration and knowledge transfer aims to ensure that our methodologies meet clients' needs today and that they are empowered for the future.

Our team leverages their understanding of the CBUAE's regulatory requirements, as well as leading practices (e.g. World Bank and G20/OECD guidelines) when developing or reviewing customer protection frameworks and practices.

KPMG's Consumer Protection Risk Diagnostic is a practical and holistic methodology for assessing consumer risk. The approach can be applied at various levels—enterprise, line of business, functional and/or product level—and tailored to the organization's needs, based on the client base, product type and/or infrastructure capabilities.



KPMG Lower Gulf's team comprises members with more than 30 years of experience, with extensive knowledge of both local and international regulatory frameworks and standards in the financial services sector.

Our framework uses the Consumer Protection Risk Diagnostic Tool, which can be tailored to the requirements established in the CBUAE's Consumer Protection Regulation. The results of the diagnostic can be incorporated into a plan of action which will assist companies in complying with regulatory requirements and add value across the entire customer lifecycle.



# Contact us



## Abbas Basrai

Partner  
Head of Financial Services

KPMG Lower Gulf  
**e:** abasari1@kpmg.com  
**t:** +971 4403 0484



## Maryam Zaman

Partner and Head of Corporate  
Governance Services

KPMG in the UAE and Oman  
**e:** mzaman@kpmg.com  
**t:** +971 56 683 3050



## Goncalo Traquina

Partner  
Digital & Innovation –  
Experience Design

KPMG Lower Gulf  
**e:** gtraquina@kpmg.com  
**t:** +971 4403 0300



## Aroon Kumar

Associate Director  
Internal Audit, Risk and  
Compliance Services

KPMG in the UAE and Oman  
**e:** akumar30@kpmg.com  
**t:** +971 55 795 0475

[kpmg.com/ae](https://kpmg.com/ae)  
Follow us on:



The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

© 2021 KPMG Lower Gulf Limited, licensed in the United Arab Emirates, and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

The KPMG name and logo are registered trademarks or trademarks of KPMG International.  
Designed by KPMG Lower Gulf Creative team.

Publication number: 3359

Publication date: April 2021