



# **FINANCING COMPANIES BUSINESS AND MARKET CONDUCT MODULE**



<b>MODULE:</b>	<b>BC (Business and Market Conduct)</b>
<b>Table of Contents</b>	

		<b>Date Last Changed</b>
<b>BC-A</b>	<b>Introduction</b>	
	BC-A.1 Purpose	01/2014
	BC-A.2 Module History	01/2022
<b>BC-B</b>	<b>Scope of Application</b>	
	BC-B.1 Scope	01/2014
<b>BC-C</b>	<b>Provision of Financial Services on a Non-discriminatory Basis</b>	
	BC-C.1 Provision of Financial Services on a Non-discriminatory Basis	10/2020
<b>BC -1</b>	<b>Promotion of Financial Products and Services</b>	
	BC-1.1 Promotion of Financial Products and Services Offered in/from Bahrain by Means of Incentives.	01/2014
	BC-1.2 Advertisements for Financial Products and Services	07/2021
<b>BC -2</b>	<b>Client Confidentiality</b>	
	BC-2.1 Disclosure of Information about Individual Accounts	01/2014
<b>BC -3</b>	<b>Customer Account Services and Charges</b>	
	BC-3.1 Disclosure of Charges by Licensees	07/2021
	BC-3.2 Notification to the CBB on Introduction of New or Expanded Customer Products and Facilities	01/2014
	BC-3.3 Dealing with Inheritance Claims	01/2014
	BC-3.4 Compliance with the Code of Best Practice on Consumer Credit and Charging	01/2014
	BC-3.5 Credit Check Reports	10/2015
	BC-3.6 Transaction Advice	07/2016
	BC-3.7 Fees and Charges for Services Provided to Individuals	04/2018
	BC-3.8 Interest on Credit Card Transactions	07/2019
	BC-3.9 Fund Transfers by Customers of Payment Service Providers (PSP)	10/2020
	BC-3.10 Merchant Fees on Payments to Zakat and Charity Fund	04/2021
<b>BC -4</b>	<b>Customer Complaints Procedures</b>	
	BC-4.1 General Requirements	01/2014
	BC-4.2 Documenting Customer Complaints Handling Procedure	01/2014
	BC-4.3 Procedures for Effective Handling of Complaints	04/2020
	BC-4.4 Internal Complaint Handling Procedures	01/2014
	BC-4.5 Response to Complaints	04/2020
	BC-4.6 Records of Complaints	01/2014
	BC-4.7 Reporting of Complaints	01/2022
	BC-4.8 Monitoring and Enforcement	01/2014



<b>MODULE:</b>	<b>BC (Business and Market Conduct)</b>
<b>Table of Contents</b>	

**Date Last  
Changed**

<b>BC -5</b>	<b>Cheques</b>		
BC-5.1	Return Policy – Post-Dated Cheques		01/2017



MODULE	BC:	Business and Market Conduct
CHAPTER	BC-A:	Introduction

## BC-A.1 Purpose

BC-A.1.1 This Module contains requirements that have to be met by financing company licensees with regards to their dealings with customers. The Rules contained in this Module aim to ensure that financing company licensees deal with their clients in a fair and open manner, and address their customers' information needs.

BC-A.1.2 The Rules build upon several of the Principles of Business (see Module PB (Principles of Business)). Principle 1 (Integrity) requires financing company licensees to observe high standards of integrity and fair dealing, and to be honest and straightforward in their dealings with customers. Principle 3 (Due skill, care and diligence) requires financing company licensees to act with due skill, care and diligence when acting on behalf of their customers. Principle 7 (Client Interests) requires financing company licensees to pay due regard to the legitimate interests and information needs of their customers, and to communicate with them in a fair and transparent manner.

### *Legal Basis*

**BC-A.1.3** This Module contains the CBB's Directive (as amended from time to time) on business conduct by financing company licensees, and is issued under the powers available to the CBB under Article 38 of the Central Bank of Bahrain and Financial Institutions Law 2006 (CBB Law). The Directive in this Module is applicable to all financing company licensees.

BC-A.1.4 For an explanation of the CBB's rule-making powers and different regulatory instruments, see Section UG-1.1.



<b>MODULE</b>	<b>BC:</b>	<b>Business and Market Conduct</b>
<b>CHAPTER</b>	<b>BC-A:</b>	<b>Introduction</b>

## BC-A.2 Module History

BC-A.2.1 This Module was first issued in January 2014 by the CBB. Any material changes that have subsequently been made to this Module are annotated with the calendar quarter date in which the change was made: Chapter UG-3 provides further details on Rulebook maintenance and version control.

BC-A.2.2 A list of recent changes made to this Module is provided below:

Module Ref.	Change Date	Description of Changes
BC-3.5	10/2015	Added new Section on credit check reports.
BC-3.6	07/2016	Added new Section on transaction advice.
BC-5	01/2017	Added new Section on Cheques
BC-3.7	04/2018	Added new Section on Fees and Charges for Services Provided to Individuals.
BC-3.1.22	01/2019	Amended Paragraph on initial disclosure of charges by licensees.
BC-3.1.24	01/2019	Amended Paragraph on disclosure to individual customers.
BC-3.1.25A	01/2019	Added a new Paragraph on Rounding off in Transactions.
BC-3.8	07/2019	Added a new Section on Interest on Credit Card Transactions.
BC-4.3.14	04/2020	Amended Paragraph adding reference to CBB consumer protection.
BC-4.5.6	04/2020	Amended Paragraph adding reference to CBB consumer protection.
BC-4.7.1 - BC-4.7.3	04/2020	Amended Paragraphs adding reference to CBB consumer protection.
BC-C	10/2020	Added a new Chapter on Provision of Financial Services on a Non-discriminatory Basis.
BC-3.9	10/2020	Added a new Section on Fund Transfers by Customers of Payment Service Providers (PSP).
BC-3.10	04/2021	Added a new Section on Merchant Fees on Payments to Zakat and Charity Fund.
BC-1.2.1	07/2021	Deleted Paragraph.
BC-1.2.2	07/2021	Deleted Paragraph.
BC-3.1.6	07/2021	Amended Paragraph.
BC-4.7.1	01/2022	Amended Paragraph on submission of quarterly report on complaints.

### *Superseded Requirements*

BC-A.2.3 This Module supersedes the following provisions contained in circulars or other regulatory requirements:

Document Ref.	Document Subject
Volumes 1 and 2	Module BC
EDBS/KH/C/73/2018	Rounding off in Transactions



<b>MODULE</b>	<b>BC:</b>	<b>Business and Market Conduct</b>
<b>CHAPTER</b>	<b>BC-B:</b>	<b>Scope of Application</b>

## BC-B.1 Scope

### BC-B.1.1

This Module applies to all financing company licensees authorised in the Kingdom, thereafter referred to in this Module as licensees.



MODULE	BC:	Business and Market Conduct
CHAPTER	BC-C:	Provision of Financial Services on a Non-discriminatory Basis

## BC-C.1 Provision of Financial Services on a Non-discriminatory Basis

**BC-C.1.1** Financing company licensees must ensure that all regulated financial services are provided without any discrimination based on gender, nationality, origin, language, faith, religion, physical ability or social standing.



MODULE	BC:	Business and Market Conduct
CHAPTER	BC-1:	Promotion of Financial Products and Services

## BC-1.1 Promotion of Financial Products and Services Offered in/from Bahrain by Means of Incentives

### *Introduction*

BC-1.1.1 The purpose of this Section is to set out requirements pertaining to the promotion of financial products offered in/from Bahrain by licensees by means of incentives (herein referred to as ‘promotional schemes’).

**BC-1.1.2** The CBB has no objection to the use of promotional schemes in general and, unless it otherwise specifically directs in any particular case, the CBB does not expect to be actively consulted/have its approval sought about the idea and/or substance of any promotional schemes. Any advertising of promotional schemes are subject to the requirements of Section BC-1.2. The CBB should, however, be sent copies of documentation relating to promotional schemes at least ten calendar days prior to their launch for information purposes.

BC-1.1.3 The CBB will monitor promotional schemes and, if thought appropriate in the interests of a licensee and its customers in particular and/or the financial sector in general, may issue specific guidance in certain cases. Licensees should feel free to consult the CBB at any time regarding any matters referred to in this Section.

### *General Requirements*

**BC-1.1.4** Licensees must take care to ensure that promotional schemes do not involve a breach of Bahrain law or any other relevant applicable law and regulation. In addition, promotional schemes should not in any way be detrimental to the public good or public morals.

**BC-1.1.5** While there is to be no formal restriction on the types of incentive which may be used by institutions, care must be taken to ensure that promotional schemes do not negatively affect the integrity, reputation, good image and standing of Bahrain and/or its financial sector, and do not detrimentally affect Bahrain's economy.





<b>MODULE</b>	<b>BC:</b>	<b>Business and Market Conduct</b>
<b>CHAPTER</b>	<b>BC-1:</b>	<b>Promotion of Financial Products and Services</b>

## BC-1.1 Promotion of Financial Products and Services Offered in/from Bahrain by Means of Incentives (continued)

BC-1.1.6 Bearing in mind the reputation of, and the requirement to develop, the financial sector in Bahrain, as well as the need to act at all times in the best interests of the customer, licensees need to take adequate care to ensure that promotional schemes do not unreasonably divert the attention of the public from other important considerations in choosing a financing company or a financial product.

**BC-1.1.7** All documentation and other media communication (including websites, voice messaging, SMS, etc.) concerning promotional schemes must be in Arabic and English and, if relevant, any other language necessary for customers to fully understand and appreciate their terms and conditions. Such terms and conditions, including any related advertising, are required to be clear, concise, truthful, unambiguous and complete so as to enable customers to make a fully informed decision.

**BC-1.1.8** Customers to whom promotional schemes are directed must enjoy equal opportunity in terms of access to, and treatment within, such schemes.

**BC-1.1.9** All costs (including funding costs), charges or levies associated with promotional schemes must be disclosed to prospective customers.

**BC-1.1.10** All material related to promotional schemes, particularly where raffles are concerned, must be maintained for a minimum period of 5 years (see Paragraph GR-1.3.4).

**BC-1.1.11** Any raffles held as part of promotional schemes must be independently monitored (e.g. by the licensee's external auditor) and adequate systems put in place to ensure fair play and impartiality.

**BC-1.1.12** An appropriate system must also exist for informing participants of the results of a raffle without delay. Licensees must note that raffles may be subject to rules and requirements (including prior authorisation/approval) laid down by the Ministry of Industry and Commerce.



<b>MODULE</b>	<b>BC:</b>	<b>Business and Market Conduct</b>
<b>CHAPTER</b>	<b>BC-1:</b>	<b>Promotion of Financial Products and Services</b>

**BC-1.1      Promotion of Financial Products and Services Offered  
in/from Bahrain by Means of Incentives (continued)**

- BC-1.1.13      Licensees may use small ‘gifts’ as an inducement to members of the public to use its services, provided such gifts are offered on a general basis and have a low monetary value.
- BC-1.1.14      Due note must be taken of the overriding provisions of Bahrain (and any other relevant) law in relation to licensees' duties to customers to the extent (if any) that promotional schemes might impact on such duties.



<b>MODULE</b>	<b>BC:</b>	<b>Business and Market Conduct</b>
<b>CHAPTER</b>	<b>BC-1:</b>	<b>Promotion of Financial Products and Services</b>

## **BC-1.2      Advertisements for Financial Products and Services**

### **BC-1.2.1**

[This Paragraph was deleted in July 2021].

### BC-1.2.2

[This Paragraph was deleted in July 2021].



MODULE	BC:	Business and Market Conduct
CHAPTER	BC-2:	Client Confidentiality

## BC-2.1 Disclosure of Information about Individual Accounts

### BC-2.1.1

In accordance with Article 117 of the CBB Law, licensees must not publish or release information to third parties concerning the accounts or activities of their individual customers, unless:

- (a) Such information is requested by an authorised official from the CBB or by an order from the Courts;
- (b) The release of such information is approved by the customer concerned; or
- (c) It is in compliance with the provision of the law or any international agreements to which the Kingdom is a signatory.



MODULE	BC:	Business and Market Conduct
CHAPTER	BC-3:	Customer Account Services and Charges

## BC-3.1 Disclosure of Charges by Licensees

### BC-3.1.1

In order to improve customer awareness and enhance transparency of licensees' charging structures, all licensees must display in a prominent position, in Arabic and in English, by notice in their banking halls (both head offices and branches), a list of all applicable charges.

### BC-3.1.2

Licensees must also ensure that each customer is in receipt of their current list of charges, by enclosing such a list with statements and displaying such charges on their websites. The list must specify standard charges and commissions that will be applied by the licensee to individual services and transactions and to specific areas of business.

#### *Credit Agreements*

### BC-3.1.3

A licensee must make available, at their premises, information leaflets containing information on the key products and services in respect of all credit agreements including:

- (a) The Annual Percentage Rate (APR) as defined in BC-3.1.10, for instalment financing facilities only; and
- (b) The annual profit/interest rate on credit facilities (as referred to in paragraph BC-3.1.14), commission, fees, one-off charges, expenses on behalf of third parties, exchange rates applied and any other charges.

### BC-3.1.4

For the purpose of this Section, the following definitions apply:

- (a) Credit agreement – Means all instalment financing agreements and lease agreements, as well as credit cards, revolving and other types of credit offered to customers;
- (b) Customer – Means both the debtor and the guarantor (if any) and/or any potential debtor or guarantor;
- (c) Conspicuous notice – Means a written statement in both Arabic and English languages which is easily visible and legible and displayed in all licensees' premises open to the public (head offices and branches), and via means such as websites, newspapers and other press notices;



MODULE	BC:	Business and Market Conduct
CHAPTER	BC-3:	Customer Account Services and Charges

### BC-3.1 Disclosure of Charges by Licensees (continued)

- (d) Nominal annual rate – Means the interest rate charged to the customer, calculated by dividing the amount of the total interest by the amount of the funds provided to the customer and excluding any other charges, the results of which is divided by the number of years of the term of the credit agreement;
- (e) Outstanding credit amount – Means the amount outstanding under a credit agreement representing the amount of funds provided to the customer and any other charges that are included as part of the principal amount to be repaid by the customer over the duration of the agreement less any repayment made related to the principal amount at a specified date; and
- (f) Principal – Means the amount of credit received plus any other charges, the total of which is subject to interest.

#### *General Rules*

##### BC-3.1.5

Where a customer has a credit agreement with a licensee, licensees must:

- (a) Duly inform their customers in accordance with this Module about the nature and the characteristics (including relevant risks) of the credit agreements and services offered by them, and about the terms and conditions governing such agreements;
- (b) Periodically inform, in writing, their customers on the evolution and the terms of any credit agreement signed, throughout the duration of the contract (refer to Paragraphs BC-3.1.24 and BC-3.1.25);
- (c) Respond in due time, to customers' requests for the provision of information and clarifications regarding the application of contractual terms (refer to Paragraphs BC-3.1.29 and BC-3.1.30);
- (d) Appoint a customer complaints officer and publicise his/ her contact details (refer to Chapter BC-4 on Customer Complaints Procedures);
- (e) Ensure the proper training of employees involved in interfacing and providing specific information to customers;



MODULE	BC:	Business and Market Conduct
CHAPTER	BC-3:	Customer Account Services and Charges

### BC-3.1 Disclosure of Charges by Licensees (continued)

- (f) Disclose information required in this Module in the credit agreement in both Arabic & English languages;
- (g) Show clearly the APR for instalment facilities and the annual rate of interest for other credit facilities on the credit agreement application and 'key terms disclosure' document; and
- (h) Disclose all information in a clear and readable form (refer to Paragraph BC-3.1.6).

#### BC -3.1.6

Marketing of customer credit agreements, advertising and sales promoting credit agreements, irrespective of the media used (SMS, Internet, printed material, telephone solicitation) must be clear and understandable, must be true and not misleading and meet the basic customer information requirements as defined in this Module. Licensees are also asked to take special care to ensure that the content of any advertising material does not mislead or deceive the public in any way.

BC-3.1.7 The use of "small print" to make potentially important information less visible is not compatible with good business conduct, and should be avoided.

#### *Minimum Disclosure Requirements*

#### BC-3.1.8

Licensees must make:

- (a) Public disclosure regarding credit agreements; and
- (b) Disclosures to individual customer(s), whether these be during the course of the initial negotiation of the credit agreement or during the term of the facility being offered.

#### *Public Disclosure Requirements for all Credit agreements*

#### BC-3.1.9

The following public disclosures must be made by conspicuous notice for all types of credit agreements:

- (a) Any late payment charges;
- (b) The level of fees for any special services rendered, or one-off expenses, as well as any amount collected by licensees on behalf of third parties;



MODULE	BC:	Business and Market Conduct
CHAPTER	BC-3:	Customer Account Services and Charges

### BC-3.1 Disclosure of Charges by Licensees (continued)

- (c) Any fees or charges payable under any linked or mandatory contract entered into as a condition for the granting of the credit agreement, such as payment protection insurance; and
- (d) Any other charges not included above.

#### *Additional Public Disclosure for Instalment Financing Facilities*

##### BC-3.1.10

In addition to the requirements under Paragraph BC-3.1.9, licensees must publicly disclose by conspicuous notice for instalment financing facilities:

- (a) The current Annual Percentage Rate (APR) as calculated using the APR methodology in BC-3.1.31. The APR displayed must be calculated based on the following scenarios. In case of consumer finance, amount borrowed is BD10,000 for a 7-year term and for housing facilities, BD100,000 for 25 years;
- (b) The Annual Percentage Rate (APR), must be broken down as follows:
  - (i) The annual nominal interest/profit rate payable on the instalment financing;
  - (ii) Administration/handling fees;
  - (iii) In the case of finance lease contracts/ijara or deferred purchase contracts, any fees for purchasing the asset; and
  - (iv) Any other mandatory charges (contingent costs are excluded); and
- (c) The terms and conditions for early repayment, partial or full, of the credit agreement, or for any change in the terms and covenants of the credit agreement, as well as any relevant charges (where permitted) and the way in which these are calculated.





<b>MODULE</b>	<b>BC:</b>	<b>Business and Market Conduct</b>
<b>CHAPTER</b>	<b>BC-3:</b>	<b>Customer Account Services and Charges</b>

## BC-3.1 Disclosure of Charges by Licensees (continued)

BC-3.1.11 The APR is a standard measure that allows customers to compare total charges for instalment financing facilities on a like-for-like basis. The APR allows the customer to compare the total charge for credit over differing periods (e.g. – two versus three years) or offered by different licensees with differing payment profiles and taking into account the payment of any other fees payable as a condition of the contract, such as administration fees or insurance premiums.

**BC-3.1.12** Any advertising through any media means of instalment financing facilities, offered by the licensees must specify only the APR (including all fees and charges) and no other rates, i.e. nominal, base, flat or rates by any other names.

BC-3.1.13 For the purposes of Paragraph BC-3.1.10, the disclosures can be provided as one APR or a range of APRs for licensees that provide instalment financing to different segments and products. A licensee may have different customer segments with different risk profiles, for whom the APR offered on the same product may vary. However, the disclosures must comply with the scenarios outlined in Subparagraph BC-3.1.10 (a).

### *Additional Public Disclosure for Credit Agreements other than Instalment Financing Facilities*

**BC-3.1.14** In addition to the requirements under paragraph BC-3.1.9, licensees must publicly disclose by conspicuous notice for Credit Agreements other than instalment financing facilities:

- (a) For credit cards, the monthly and the annual rate of profit/interest plus other fees and charges;
- (b) For floating-rate credit agreements, the profit/interest rate clearly defined on the basis of the relevant base rate, the periods during which this rate would apply, as well as information on key factors that could affect the total cost of the credit agreement; and
- (c) For instances where the customer exceeds contractual credit lines, the terms and any relevant charges.

**BC-3.1.15** For credit agreements other than instalment financing facilities, any advertising through any media means must specify only the annual profit/interest rate and other fees and charges.

**BC-3.1.16** For credit agreements other than instalment financing facilities, licensees are prohibited from using the term APR in any advertising.



MODULE	BC:	Business and Market Conduct
CHAPTER	BC-3:	Customer Account Services and Charges

## BC-3.1 Disclosure of Charges by Licensees (continued)

### *Disclosure to Individual Customers: Initial Disclosure Requirements of Key Terms*

- BC-3.1.17** Licensees must make clear to potential customers, prior to entering into a credit agreement, all relevant key terms of the agreement in the credit application and ‘key terms disclosure’ document, in order for them to clearly understand the characteristics of the services and products on offer. Licensees must also comply with the disclosure requirements under the “Code of Best Practice on Consumer Credit and Charging” (see Appendix CM-1).
- BC-3.1.18** The above “key terms disclosure” document must be summarised in plain English and Arabic. This document must be signed and dated by the customer(s) in duplicate as having been read and understood, prior to signing a credit agreement. One copy should be retained by the customer and the other must be retained by the licensee in their customer file.
- BC-3.1.19** For credit agreements where a retailer extends credit to purchase goods or services by operating in agreement with licensees, all conditions of the credit agreement must be disclosed in the credit agreement application and ‘key terms disclosure’ document, including when interest will begin to accrue, along with information on any indirect charges.
- BC-3.1.20** Credit agreements, referred to in Paragraph BC-3.1.19, must be finalised with an employee of the licensee, whether located at the premises of the retailer or at the premises of the licensee providing the credit. Profit/interest must in no event be charged before the disbursement of funds.
- BC-3.1.21** Licensees must inform the customers on the nature of their contractual relationship with the retail outlet and the customers’ rights arising as a result of this relationship.



<b>MODULE</b>	<b>BC:</b>	<b>Business and Market Conduct</b>
<b>CHAPTER</b>	<b>BC-3:</b>	<b>Customer Account Services and Charges</b>

## BC-3.1 Disclosure of Charges by Licensees (continued)

### BC-3.1.22

In addition to the initial disclosure of key terms noted in Paragraphs BC-3.1.17 to BC-3.1.21, the “key terms disclosure” document must, at the time of signing the credit agreement, amongst other things, make clear:

- (a) The detailed breakdown of the payments:
  - (i) The principal amount being borrowed, the profit/interest per month and the maturity of the credit agreement;
  - (ii) The net amount provided to the customer after deducting or applying any upfront or other charges;
  - (iii) The total profit/interest payments and principal repayment for the term of the credit agreement; and
  - (iv) The total administration/handling fees and all details of any other fees and charges spread over the term of the credit agreement;
- (b) The APR and annual nominal rate as defined in Paragraphs BC-3.1.10 and BC-3.1.4(d) respectively;
- (c) Whether the rate of profit/interest is fixed or can be varied, and under what circumstances;
- (d) The basis on which profit/interest is charged (e.g. actual reducing balance) and applied to the account (e.g. monthly or quarterly compounding) and whether principal repayments are taken into account in the calculation, together with an illustration of the calculation method;
- (e) The detailed costs associated with “top-ups” of credit agreements or other alternative arrangements for extending additional credit or early repayments, whether partial or full, of amounts due including the treatment of remaining profit/interest and the payment of premium for insurance;
- (f) Any late payment charges;
- (g) The annual profit/interest rate and credit limit being offered for credit agreements such as credit cards; and
- (h) Any other charges related to the credit agreement not included above all details of which must be provided to the customer.

BC-3.1.23 Licensees are free to design the layout and wording to be used in their ‘key terms disclosure’ document, as they see fit, providing they contain the information specified in Paragraph BC-3.1.22. The CBB will monitor compliance with the spirit as well as the letter of the requirements in this Chapter.



MODULE	BC:	Business and Market Conduct
CHAPTER	BC-3:	Customer Account Services and Charges

### BC-3.1 Disclosure of Charges by Licensees (continued)

#### *Disclosure to Individual Customers: During the Term of the Credit Agreement*

**BC-3.1.24** Licensees must, at the time of signing the credit agreement, give the clients information on the payment schedule of the credit agreement, including the breakdown of principal, profit/interest and other charges per month for the whole life of the facility. Information must be given, free of charge, at least on a semi-annual basis, unless the period of debt servicing is shorter or where there exists a prior agreement on a more frequent basis.

**BC-3.1.25** In addition to the requirements under Paragraph BC-3.1.24, when credit is granted through credit cards, monthly statements must be provided and include information on minimum payment.

**BC-3.1.25A** Licensees must, when billing their customers, reflect the card transactions without rounding off the amounts in Fils. Licensees must collaborate with acquirers and Visa/MasterCard network schemes to ensure that there is no rounding off in any transaction irrespective of the currency of the transaction.

#### *Variation Disclosures Requirements*

**BC-3.1.26** Licensees must disclose to the customer in advance, either collectively or individually, all relevant changes or variations to a credit agreement. The circumstances in which a customer must be provided with variation disclosures are:

- (a) If both the licensee and customer agree to change the credit agreement; in this case, the customer must be provided in writing with full particulars of the change, at least seven calendar days before it takes effect; and
- (b) If the credit agreement gives the licensee power to vary fees or charges, the amount or timing of payments, the profit/interest rate or the way profit/interest is calculated, and the licensee decides to exercise that power, the customer must be provided with full particulars of the change, including an updated schedule of the total interest payments and principal repayment for the remaining term of the credit agreement, at least thirty calendar days prior to the date the change takes effect. Such notice is to enable the customer to decide whether to accept the new terms or terminate the agreement by settling the outstanding credit amount, in accordance with relevant provisions therein, which must have been stated in a clear and understandable manner.



<b>MODULE</b>	<b>BC:</b>	<b>Business and Market Conduct</b>
<b>CHAPTER</b>	<b>BC-3:</b>	<b>Customer Account Services and Charges</b>

## BC-3.1 Disclosure of Charges by Licensees (continued)

### BC-3.1.27

Any increase of the profit/interest rate or the amount of any fee or charge payable under a credit agreement, must be disclosed publicly, by conspicuous notice, at least thirty calendar days prior to the date the change takes effect by:

- (a) Displaying the information prominently at the licensee's place of business; and
- (b) Posting the information on the licensee's website.

### BC-3.1.28

Any deferral of profit/interest or principal announced by the licensee must also take account of the APR methodology as shown in Paragraphs BC-3.1.31 to BC-3.1.33, and the new APR must be given to the client or made public in advertisements.

### *Request Disclosure*

### BC-3.1.29

The licensee must provide a reply to any request for disclosure within fifteen business days of receiving the request.

### BC-3.1.30

Disclosures requested by the customer may include but are not limited to any or all of the following information about a credit agreement:

- (a) The effect of part prepayment on the customer's obligations;
- (b) Full particulars of any changes to the agreement since it was made;
- (c) The amount of any fee payable on part prepayment and how the fee will be calculated;
- (d) The amount required for full prepayment on a specified date and how the amount will be calculated;
- (e) The outstanding credit amount, including any outstanding profit/interest charge (calculated at the date the disclosure statement is prepared);
- (f) The amount of payments made or to be made or the method of calculating the amount of those payments;
- (g) The number of payments made or to be made (if ascertainable);
- (h) How often payments are to be made;
- (i) The total amount of payments to be made under the agreement, if ascertainable; and
- (j) A copy of any disclosure statement that was or should have been provided before the request was made.



<b>MODULE</b>	<b>BC:</b>	<b>Business and Market Conduct</b>
<b>CHAPTER</b>	<b>BC-3:</b>	<b>Customer Account Services and Charges</b>

### BC-3.1 Disclosure of Charges by Licensees (continued)

**BC-3.1.31** The APR must be calculated using the following methodology:

$$\sum_{K=1}^{K=m} \frac{A_k}{(1+i)^{t_k}} = \sum_{K'=1}^{K'=m'} \frac{A'_{k'}}{(1+i)^{t_{k'}}}$$

**BC-3.1.32** The meaning of letters and symbols used in the above formula are:

- K** is the number identifying a particular advance of credit;
- K'** is the number identifying a particular instalment;
- A<sub>k</sub>** is the amount of advance K;
- A'<sub>k'</sub>** is the amount of instalment K;
- $\sum$  represents the sum of all the terms indicated;
- m** is the number of advances of credit;
- m'** is the total number of instalments;
- t<sub>k</sub>** is the interval, expressed in years between the relevant date and the date of advance K;
- t'<sub>k'</sub>** is the interval expressed in years between the relevant date and the date of instalment K';
- i** is the APR, expressed as a decimal.

**BC-3.1.33** For the purpose of this Chapter, the 'relevant date' is the earliest identifiable date on which the borrower is able to acquire anything which is the subject of the agreement (e.g. delivery of goods), or otherwise the 'relevant date' is the date on which the credit agreement is made.



MODULE	BC:	Business and Market Conduct
CHAPTER	BC-3:	Customer Account Services and Charges

## BC-3.2 Notification to the CBB on Introduction of New or Expanded Customer Products and Facilities

### BC-3.2.1

All licensees are required to notify the CBB before the introduction of any new or expanded customer products and facilities. The CBB will respond to the concerned licensee within one week of receipt of the notification if it has any observations on the new product.



<b>MODULE</b>	<b>BC:</b>	<b>Business and Market Conduct</b>
<b>CHAPTER</b>	<b>BC-3:</b>	<b>Customer Account Services and Charges</b>

### **BC-3.3 Dealing with Inheritance Claims**

#### **BC-3.3.1**

Licensees must ensure that no transfer of legal ownership of financial assets is made until they have sight of documentation (which must be duly copied for their records) from the Ministry of Justice and Islamic Affairs confirming the entitlement of a person or persons to inherit from the deceased. Such documentation must be complied with precisely. Particular care must be taken where minors (children) or other people lacking full legal capacity are named as inheritors.

#### **BC-3.3.2**

Without prejudice to Paragraph BC-3.3.1, financial assets may be distributed to the order of an individual provided that individual is named in a mandate, duly certified by the Ministry of Justice and Islamic Affairs, as having the permission to act on behalf of all of the inheritors.





MODULE	BC:	Business and Market Conduct
CHAPTER	BC-3:	Customer Account Services and Charges

#### BC-3.4 Compliance with the Code of Best Practice on Consumer Credit and Charging

**BC-3.4.1** Licensees must comply with the Code of Best Practice on Consumer Credit and Charging as included in Appendix CM-1 throughout the lifetime of their relationship with a customer.

**BC-3.4.2** Licensees must take responsibility for compliance with the above requirements by all persons carrying out regulated financing company services on their behalf. Licensees must put in place appropriate measures across all their business operations and distribution channels to ensure compliance with the requirements of the Code of Best Practice on Consumer Credit and Charging where relevant.



MODULE	BC:	Business and Market Conduct
CHAPTER	BC-3:	Customer Account Services and Charges

## BC-3.5 Credit Check Reports

### BC-3.5.1

Where a pensioner has been requested to produce a credit report by the Social Insurance Organization (SIO) to establish his/her credit standing, licensees must not levy any administrative charges.



MODULE	BC:	Business and Market Conduct
CHAPTER	BC-3:	Customer Account Services and Charges

## BC-3.6 Transaction Advice

### BC-3.6.1

All licensees must provide at no charge, a transaction advice service for its customers. This service information must be communicated on all credit card transactions through short message service (SMS) for all types of local and international financial transactions, including POS, ATM and internet.



MODULE	BC:	Business and Market Conduct
CHAPTER	BC-3:	Customer Account Services and Charges

## BC-3.7 Fees and Charges for Services Provided to Individuals

### BC-3.7.1

Financing company licensees must comply with the caps on fees and charges for standard services provided to individuals effective from 1<sup>st</sup> May 2018 as per the table in Appendix BC-2 in Part B of the CBB Rulebook Volume 5 for Financing Companies.



MODULE	BC:	Business and Market Conduct
CHAPTER	BC-3:	Customer Account Services and Charges

## BC-3.8 Interest on Credit Card Transactions

### BC-3.8.1

Financing company licensees must comply with the following requirements with regards to charging interest on credit card statement dues:

- (a) Interest must not be charged if the customer pays the full amount billed and due before or on the due date specified in the monthly credit card statement except for cash withdrawal transactions;
- (b) Interest must not be charged on partial payments made by the customer on or before the due date specified in the monthly credit card statement against credit card amount billed and due;
- (c) Interest on cash withdrawal transactions must be computed from the date of the transaction (“transaction date”);
- (d) Interest on credit card amounts billed but unpaid on or before the due date must be computed from the posting date of the transaction; and
- (e) Interest must not be charged on outstanding interest amounts, fees and charges due from the customer.

### BC-3.8.2

For the purpose of charging interest on credit card dues, financing company licensees must only calculate interest charges using 365-days a year basis.



MODULE	BC:	Business and Market Conduct
CHAPTER	BC-3:	Customer Account Services and Charges

### BC-3.9 Fund Transfers by Customers of Payment Service Providers (PSP)

#### BC-3.9.1

Financing company licensees that act as acquirers or payment gateways for PSPs, must not charge more than 100 fils in line with the Electronic Fund Transfer System (EFTS) requirements to the customers of PSPs for normal fund transfers made electronically.



MODULE	BC:	Business and Market Conduct
CHAPTER	BC-3:	Customer Account Services and Charges

## BC-3.10 Merchant Fees on Payments to Zakat and Charity Fund

### BC-3.10.1

Financing company licensees that act as acquirers must exempt the Zakat and Charity Fund (“the Fund”) of the Ministry of Justice, Islamic Affairs and Awqaf from merchant fees for payments made to the Fund.



MODULE	BC: Business and Market Conduct
CHAPTER	BC-4: Customer Complaints Procedures

## BC-4.1 General Requirements

**BC-4.1.1** All licensees must have appropriate customer complaints handling procedures and systems for effective handling of complaints.

**BC-4.1.2** Customer complaints procedures must be documented appropriately and their customers must be informed of their availability.

**BC-4.1.3** All licensees must appoint a customer complaints officer and publicise his/ her contact details at all departments and branches and on the licensee's website. The customer complaints officer must be of a senior level at the licensee and must be independent of the parties to the complaint to minimise any potential conflict of interest.

BC-4.1.4 The position of customer complaints officer may be combined with that of compliance officer.





MODULE	BC: Business and Market Conduct
CHAPTER	BC-4: Customer Complaints Procedures

## BC-4.2 Documenting Customer Complaints Handling Procedures

### BC-4.2.1

In order to make customer complaints handling procedures as transparent and accessible as possible, all licensees must document their customer complaints handling procedures. These include setting out in writing:

- (a) The procedures and policies for:
  - (i) Receiving and acknowledging complaints;
  - (ii) Investigating complaints;
  - (iii) Responding to complaints within appropriate time limits;
  - (iv) Recording information about complaints;
  - (v) Identifying recurring system failure issues;
- (b) The types of remedies available for resolving complaints; and
- (c) The organisational reporting structure for the complaints handling function.

### BC-4.2.2

Licensees must provide a copy of the procedures to all relevant staff, so that they may be able to inform customers. A simple and easy-to-use guide to the procedures must also be made available to all customers, on request, and when they want to make a complaint.

### BC-4.2.3

Licensees are required to ensure that all financial services related documentation (such as credit facility documentation) provided to the customer includes a statement informing the customer of the availability of a simple and easy-to-use guide on customer complaints procedures in the event the customer is not satisfied with the services provided.



MODULE	BC: Business and Market Conduct
CHAPTER	BC-4: Customer Complaints Procedures

### BC-4.3 Principles for Effective Handling of Complaints

**BC-4.3.1** Adherence to the following principles is required for effective handling of complaints:

#### *Visibility*

**BC-4.3.2** “How and where to complain” must be well publicised to customers and other interested parties, in both English and Arabic languages.

#### *Accessibility*

**BC-4.3.3** A complaints handling process must be easily accessible to all customers and must be free of charge.

BC-4.3.4 While a licensee’s website is considered an acceptable mean for dealing with customer complaints, it should not be the only means available to customers as not all customers have access to the internet.

**BC-4.3.5** Process information must be readily accessible and must include flexibility in the method of making complaints.

**BC-4.3.6** Support for customers in interpreting the complaints procedures must be provided, upon request.

**BC-4.3.7** Information and assistance must be available on details of making and resolving a complaint.

**BC-4.3.8** Supporting information must be easy to understand and use.

#### *Responsiveness*

**BC-4.3.9** Receipt of complaints must be acknowledged in accordance with Section BC-4.5 “Response to Complaints”.



MODULE	BC: Business and Market Conduct
CHAPTER	BC-4: Customer Complaints Procedures

### BC-4.3 Principles for Effective Handling of Complaints (continued)

**BC-4.3.10** Complaints must be addressed promptly in accordance with their urgency.

**BC-4.3.11** Customers must be treated with courtesy.

**BC-4.3.12** Customers must be kept informed of the progress of their complaint, in accordance with Section BC-4.5.

**BC-4.3.13** If a customer is not satisfied with a licensee's response, the licensee must advise the customer on how to take the complaint further within the organisation.

**BC-4.3.14** In the event that they are unable to resolve a complaint, licensees must outline the options that are open to that customer to pursue the matter further, including, where appropriate, referring the matter to the Consumer Protection Unit at the CBB.

#### *Objectivity and Efficiency*

**BC-4.3.15** Complaints must be addressed in an equitable, objective, unbiased and efficient manner.

**BC-4.3.16** General principles for objectivity in the complaints handling process include:

- (a) Openness:  
The process must be clear and well publicised so that both staff and customers can understand;
- (b) Impartiality:
  - (i) Measures must be taken to protect the person the complaint is made against from bias;
  - (ii) Emphasis must be placed on resolution of the complaint not blame; and
  - (iii) The investigation must be carried out by a person independent of the person complained about;



MODULE	BC: Business and Market Conduct
CHAPTER	BC-4: Customer Complaints Procedures

### BC-4.3 Principles for Effective Handling of Complaints (Continued)

- (c) Accessibility:
  - (i) The bank must allow customer access to the process at any reasonable point in time; and
  - (ii) A joint response must be made when the complaint affects different participants;
- (d) Completeness:

The complaints officer must find relevant facts, talk to both sides, establish common ground and verify explanations wherever possible;
- (e) Equitability:

Give equal treatment to all parties;
- (f) Sensitivity:

Each complaint must be treated on its merits and paying due care to individual circumstances;
- (g) Objectivity for personnel – complaints handling procedures must ensure those complained about are treated fairly which implies:
  - (i) Informing them immediately and completely on complaints about performance;
  - (ii) Giving them an opportunity to explain and providing appropriate support;
  - (iii) Keeping them informed of the progress and result of the complaint investigation;
  - (iv) Full details of the complaint are given to those the complaint is made against prior to interview; and
  - (v) Personnel must be assured they are supported by the process and should be encouraged to learn from the experience and develop a better understanding of the complaints process;
- (h) Confidentiality:
  - (i) In addition to customer confidentiality, the process must ensure confidentiality for staff who have a complaint made against them and the details must only be known to those directly concerned;
  - (ii) Customer information must be protected and not disclosed, unless the customer consents otherwise; and
  - (iii) Protect the customer and customer's identity as far as is reasonable to avoid deterring complaints due to fear of inconvenience or discrimination;



MODULE	BC: Business and Market Conduct
CHAPTER	BC-4: Customer Complaints Procedures

### BC-4.3 Principles for Effective Handling of Complaints (continued)

- (i) Objectivity monitoring:  
Licensees must monitor responses to customers to ensure objectivity which could include random monitoring of resolved complaints;
- (j) Charges:  
The process must be free of charge to customers;
- (k) Customer Focused Approach:
  - (i) Licensees must have a customer focused approach;
  - (ii) Licensees must be open to feedback; and
  - (iii) Licensees must show commitment to resolving problems;
- (l) Accountability:  
Licensees must ensure accountability for reporting actions and decisions with respect to complaints handling;
- (m) Continual improvement:  
Continual improvement of the complaints handling process and the quality of products and services must be a permanent objective of the licensee.



MODULE	BC: Business and Market Conduct
CHAPTER	BC-4: Customer Complaints Procedures

## BC-4.4 Internal Complaint Handling Procedures

### BC-4.4.1

A licensee's internal complaint handling procedures must provide for:

- (a) The receipt of written complaints;
- (b) The appropriate investigation of complaints;
- (c) An appropriate decision-making process in relation to the response to a customer complaint;
- (d) Notification of the decision to the customer;
- (e) The recording of complaints; and
- (f) How to deal with complaints when a business continuity plan (BCP) is operative.

### BC-4.4.2

A licensee's internal complaint handling procedures must be designed to ensure that:

- (a) All complaints are handled fairly, effectively and promptly;
- (b) Recurring systems failures are identified, investigated and remedied;
- (c) The number of unresolved complaints referred to the CBB is minimised;
- (d) The employee responsible for the resolution of complaints has the necessary authority to resolve complaints or has ready access to an employee who has the necessary authority; and
- (e) Relevant employees are aware of the licensee's internal complaint handling procedures and comply with them and receive training periodically to be kept abreast of changes in procedures.



MODULE	BC:	Business and Market Conduct
CHAPTER	BC-4:	Customer Complaints Procedures

## BC-4.5 Response to Complaints

### BC-4.5.1

A licensee must acknowledge in writing customer written complaints within 5 working days of receipt.

### BC-4.5.2

A licensee must respond in writing to a customer complaint within 4 weeks of receiving the complaint, explaining their position and how they propose to deal with the complaint.

#### *Redress*

### BC-4.5.3

A licensee should decide and communicate how it proposes (if at all) to provide the customer with redress. Where appropriate, the licensee must explain the options open to the customer and the procedures necessary to obtain the redress.

### BC-4.5.4

Where a licensee decides that redress in the form of compensation is appropriate, the licensee must provide the complainant with fair compensation and must comply with any offer of compensation made by it which the complainant accepts.

### BC-4.5.5

Where a licensee decides that redress in a form other than compensation is appropriate, it must provide the redress as soon as practicable.

### BC-4.5.6

Should the customer that filed a complaint not be satisfied with the response received as per Paragraph BC-4.5.2, he can forward the complaint to the Consumer Protection Unit at the CBB within 30 calendar days from the date of receiving the letter.



MODULE	BC: Business and Market Conduct
CHAPTER	BC-4: Customer Complaints Procedures

## BC-4.6 Records of Complaints

### BC-4.6.1

A licensee must maintain a record of all customers' complaints. The record of each complaint must include:

- (a) The identity of the complainant;
- (b) The substance of the complaint;
- (c) The status of the complaint, including whether resolved or not, and whether redress was provided; and
- (d) All correspondence in relation to the complaint. Such records must be retained by the licensees for a period of 5 years from the date of receipt of the complaint.





MODULE	BC:	Business and Market Conduct
CHAPTER	BC-4:	Customer Complaints Procedures

## BC-4.7 Reporting of Complaints

### BC-4.7.1

A licensee must submit to the CBB's Consumer Protection Unit, **30** days after the end of the quarter, a quarterly report summarising the following:

- (a) The number of complaints received;
- (b) The substance of the complaints;
- (c) The number of days it took the licensee to acknowledge and to respond to the complaints; and
- (d) The status of the complaint, including whether resolved or not, and whether redress was provided.

### BC-4.7.2

The report referred to in Paragraph BC-4.7.1 must be sent electronically to [complaint@cbb.gov.bh](mailto:complaint@cbb.gov.bh).

### BC-4.7.3

Where no complaints have been received by the licensee within the quarter, a 'nil' report should be submitted to the CBB's Consumer Protection Unit.



<b>MODULE</b>	<b>BC: Business and Market Conduct</b>
<b>CHAPTER</b>	<b>BC-4: Customer Complaints Procedures</b>

## **BC-4.8 Monitoring and Enforcement**

BC-4.8.1 Compliance with these requirements is subject to the ongoing supervision of the CBB as well as being part of any CBB inspection of a licensee. Failure to comply with these requirements is subject to enforcement measures as outlined in Module EN (Enforcement).



MODULE	BC:	Business and Market Conduct
CHAPTER	BC-5:	Cheques

## BC-5.1 Return Policy – Post-Dated Cheques

### BC-5.1.1

When a customer fully repays his/her credit outstanding amount in full or settles in part pursuant to a settlement agreement, the subject financing company licensee must immediately return all holding of the customer's post-dated cheques taken as collateral or destroy such cheques and inform the customer in writing.