



# **MONEY CHANGERS BUSINESS CONDUCT MODULE**



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<b>CHAPTER</b>	<b>BC-A:</b>	<b>Introduction</b>

## BC-A.1 Purpose

### *Executive Summary*

- BC-A.1.1 This Module contains requirements that have to be met by licensees with regards to their dealings with customers.
- BC-A.1.2 The Rules contained in this Module aim to ensure that licensees deal with their customers in a fair and open manner, and address their customers' information needs.
- BC-A.1.3 The Rules build upon several of the Principles of Business (see Module PB (Principles of Business)). Principle 1 (Integrity) requires 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 licensees to act with due skill, care and diligence when acting on behalf of their customers. Principle 7 (Customer Interests) requires 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.
- BC-A.1.4 The Rules contained in this Module are largely principles-based and focus on desired outputs rather than on prescribing detailed processes. This gives licensees flexibility in how to implement the basic standards prescribed in this Module.

### *Legal Basis*

**BC-A.1.5** This Module contains the CBB's Directive on business conduct by licensees, and is issued under the powers available to the CBB under Article 38 of the CBB Law. The directive in this Module is applicable to all licensees. Requirements regarding Money Changer Licensees are also included in the Regulation Organising Money Changing Business, issued in 1994 and included in this Module.

- BC-A.1.6 For an explanation of the CBB's rule-making powers and different regulatory instruments, see Section UG-1.1.



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## **BC-A.2 Module History**

### *Evolution of the Module*

BC-A.2.1 This Module was first issued in October 2010 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

### *Superseded Requirements*

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

Document Ref.	Document Subject
EDBC/73/96	Explanatory note on the promotion of banking and financial products offered in/from Bahrain by means of incentives.



<b>MODULE</b>	<b>BR:</b>	<b>Business Conduct</b>
<b>CHAPTER</b>	<b>BR-B:</b>	<b>Scope of Application</b>

## BC-B.1 Scope of Application

### BC-B.1.1

The content of this Module applies to all Money Changer licensees authorised in the Kingdom, thereafter referred to in this Module as licensees.



<b>MODULE</b>	<b>BC:</b>	<b>Business Conduct</b>
<b>CHAPTER</b>	<b>BC-1:</b>	<b>Base Requirements</b>

## BC-1.1 General Rules

**BC-1.1.1** This Module applies to all licensees.

BC-1.1.2 This Module aims to encourage high standards of business conduct, which are broadly applicable to all licensees, all types of regulated money changer services, and all types of customers.

**BC-1.1.3** Licensees must comply with the Money Changers' Business Code of Practice ('the Code'), under Chapter 2 of this Module, throughout the lifetime of their relationship with a customer.

**BC-1.1.4** Licensees must take responsibility for compliance with the Code by all persons carrying out regulated money changer services on their behalf. Licensees must put in place appropriate measures across all their business operations to ensure compliance with the Code.

BC-1.1.5 The Business Code of Practice comprises a number of overarching principles of business conduct, with respect to the conduct of regulated money changer services by licensees; these cover the various stages of the life of a customer relationship.

**BC-1.1.6** Licensees must maintain adequate records to demonstrate compliance with the Code.

BC-1.1.7 The Code focuses on desired outcomes, rather than prescribing detailed measures to achieve those outcomes.

BC-1.1.8 The CBB will monitor compliance with the Code and business conduct standards. If required, the CBB may develop more detailed rules and guidance to supplement the existing Code.



MODULE	BC: Business Conduct
CHAPTER	BC-2: The Business Code of Practice

## BC-2.1 Overarching Principles

### BC-2.1.1

In the course of regulated money changer services, licensees must:

- (a) Act with due skill, care and diligence in all dealings with customers;
- (b) Act fairly and reasonably in all dealings with customers;
- (c) Identify customers' specific requirements in relation to the services about which they are enquiring;
- (d) Provide sufficient information to enable customers to make informed decisions when purchasing services offered to them, as listed under Paragraph BC-2.5.2 of the Appendix;
- (e) Provide sufficient and timely documentation to customers to confirm that their transaction arrangements are in place and provide all necessary information about their rights and responsibilities, as listed under Paragraph BC-2.5.3 of the Appendix;
- (f) Maintain fair treatment of customers through the lifetime of the customer relationships, and ensure that customers are kept informed of important events;
- (g) Ensure complaints from customers are dealt with fairly and promptly, in accordance with the Rules under Section BC-2.3;
- (h) Ensure that all information provided to customers is clear, fair and not misleading, and appropriate to customers' information needs; and
- (i) Take appropriate measures to safeguard any money and precious metals handled on behalf of customers and maintain confidentiality of customer information.



MODULE	BC:	Business Conduct
CHAPTER	BC-2:	The Business Code of Practice

## BC-2.2 Marketing and Promotion

### BC-2.2.1

Licensees must ensure that all advertising and promotional material is fair, clear and not misleading.

### BC-2.2.2

In ensuring that the description of the service in the promotional material is fair, clear and not misleading, the licensee should send copies of the documentation relating to promotional schemes to the CBB at least 2 weeks prior to their launch and should, among other precautionary measures, ensure that:

- a) The purpose, and to the extent practicable, the content, of the information or communication are likely to be understood by the average member of the group to whom the communication is addressed;
- b) Key items contained in the information are given due prominence;
- c) The method of presentation in the information does not disguise, diminish, or obscure important risks, warnings or information; and
- d) The communication does not omit information that is material to ensure it is fair, clear and not misleading.

### BC-2.2.3

Licensees must ensure that the accuracy of all material statements of fact in promotional materials is supported by adequate evidence.

### BC-2.2.4

Licensees must not, in any form of communication with an individual customer, attempt to limit or avoid any duty or liability it may have towards the individual customer in relation to regulated money changing services.

#### *Content of Promotions*

### BC-2.2.5

Before a licensee communicates any promotional material to a customer or a potential customer it must ensure the promotional material at the very least contains the information laid out in Paragraph BC-2.5.1 of the Appendix.

### BC-2.2.6

Licensees must not make use of the name of the CBB in any promotion in such a way that would indicate endorsement or approval of its services.





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## BC-2.2 Marketing and Promotion (Continued)

### BC-2.2.7

All documentation 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, need to be clear, concise, truthful, unambiguous and complete so as to enable customers to make a fully informed decision.

### BC-2.2.8

Customers to whom promotional schemes are directed should enjoy equal opportunity in terms of access to, and treatment within, such schemes.

### BC-2.2.9

No costs (including funding costs), charges or levies associated with promotional schemes should be concealed from prospective customers.

### BC-2.2.10

Any raffles/lotteries etc. held as part of promotional schemes should be independently monitored (e.g. by the institution's external auditor) and adequate systems put in place to ensure fair play and impartiality.

### BC-2.2.11

An appropriate system should also exist for informing participants of the results of a raffle/lottery without delay.

### BC-2.2.12

Institutions should note that raffles/lotteries etc. may be subject to rules and requirements (including prior authorisation/approval) laid down by the Ministry of Industry and Commerce.

### *Records*

### BC-2.2.13

Licensees must maintain a record of all promotional materials issued by them or on their behalf, particularly where raffles/lotteries etc. are concerned.



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## BC-2.3 Complaints

### BC-2.3.1

Licensees must disclose, maintain and operate effective procedures for handling complaints in a reasonable and timely manner. These procedures include:

- (a) Informing customers in writing of any out of court complaint and redress mechanism and methods for having access to it;
- (b) Paying compensation or other forms of redress to customers where the licensee decides this is appropriate; and
- (c) Regularly verifying if complaints are effectively processed.

### BC-2.3.2

Upon receiving complaints from customers (either orally or in writing), licensees must:

- (a) Acknowledge complaints promptly, within 5 business days, and provide customers with an explanation about how the complaint will be handled and any actions required of the customer;
- (b) Consider and handle complaints fairly and promptly, keeping customers informed of progress; and
- (c) Provide final responses to customers' complaints without undue delay and within 20 business days.

### BC-2.3.3

In their final responses to customers' complaints, licensees must:

- (a) Accept (or partially accept) the complaint and where appropriate offer compensation or other forms of redress; or
- (b) Reject (or partially reject) the complaint, informing customers with a full explanation of the licensee's position.

### *Records*

### BC-2.3.4

Licensees must maintain adequate records of all complaints received, and how they were dealt with, to a level of detail sufficient to demonstrate compliance with this Section and in accordance with the Rules under Section GR-1.

### BC-2.3.5

In recording complaints activity, licensees should consider the types of data and reports that will enable them to demonstrate compliance with the above Rules for handling complaints, together with the overarching principles requiring fair dealings with customers.



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## BC-2.4 Confidentiality

### BC-2.4.1

Licensees must ensure that any information obtained from their customers is not used or disclosed unless:

- (a) They have the customer's consent;
- (b) Disclosure is made in accordance with the licensee's regulatory obligations; or
- (c) The licensee is legally obliged to disclose the information in accordance with Article 117 of the CBB Law.

### BC-2.4.2

Licensees must take appropriate steps to ensure the security of any information handled or held on behalf of their customers.



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## BC-2.5 Appendix

- BC-2.5.1 The minimum information that should be contained in promotional material includes:
- (a) The name of the licensee communicating the promotional material;
  - (b) The licensee's address;
  - (c) A description of the main characteristics of the service offered;
  - (d) Suitable warning regarding the risks of the service offered; and
  - (e) A clear statement indicating that, if a customer is in any doubt about the suitability of the agreement which is the subject of the promotion, he should consult the licensee.
- BC-2.5.2 The minimum information that should be provided to customers when purchasing regulated money changer services include:
- (a) The regulatory status of the licensee;
  - (b) A statement that the licensee is bound by the CBB's regulation and licensing conditions;
  - (c) The licensee's name, address, e-mail and telephone number;
  - (d) A statement of the services provided by the licensee, as permitted by the CBB;
  - (e) The total price to be paid by the customer to the licensee for its services, or, where an exact price cannot be indicated, the basis for the calculation of the price enabling the customer to verify it;
  - (f) A statement that clearly indicates the following:
    - (i) The customer's right to obtain copies of records relating to his business with the licensee;
    - (ii) The customer's record will be kept for 10 years or as otherwise required by Bahrain Law; and
  - (g) The name and job title, address and telephone number of the person in the licensee to whom any complaint should be addressed (in writing) by the customer.
- BC-2.5.3 The minimum information that should be included in a transaction confirmation includes:
- (a) The licensee's name and address;
  - (b) The customer's name or other identifier;
  - (c) Whether the transaction was a sale or purchase;
  - (d) The date and time of the transaction; and
  - (e) The amount the licensee charges in connection with the transaction, including commission charges.