

Changes to Module “Business and Market Conduct” (BC) For Islamic Banks to comply with IFSB’s “Guiding Principles on Conduct of Business for Institutions Offering Islamic Financial Services”

Industry Comments and Feedback

Volume 2

August 2015

Industry Comments		
General Comments:	Ref	CBB’s Response
A bank noted that Principles 1-6 (BC-B) deal with many of the same issues as are covered in PB-1.1.1	GR-1	Module PB is a Module which summarises the principles at a very high level. To make Module BC more self contained and in line with IFSB-9, we have opted to maintain the 6 principles.
A bank noted that the term ‘stakeholder’ (used in several places) is potentially confusing (does it include employees, lenders, etc?) and should be defined.	GR-2	“Stakeholders” is a general term that includes any party which has an interest in the bank.
A bank noted that the “Scope” of the Module needs to be refined and synched with the statement of its “Purpose” as defined in BC-A.1.1.If the Purpose of this Module is to define the banks dealings with customers, then any other rules that have nothing to do with “customers” should be removed and added in other relevant modules. BC-A.1.1 This Module contains requirements that have to be met by <u>Islamic bank licensees</u> with regards to their dealings with <u>customers</u> . The Rules contained in this Module aim to ensure that <u>Islamic bank licensees</u> deal with their <u>clients</u> in a fair and open manner, and address their <u>customers’</u> information needs. See examples below:	GR-3	Noted – The paragraph have been expanded to include stakeholders, not only customers.
a. BC-B.1.3: This section has to do with Market Manipulations which are already defined in Volume 6 and has nothing to do with “Customers”. Rather, it is more	GR-3A	Noted: A cross-reference was added to Volume 6 As follows: Where

Changes to Module “Business and Market Conduct” (BC) For Islamic Banks to comply with IFSB’s “Guiding Principles on Conduct of Business for Institutions Offering Islamic Financial Services”

Industry Comments and Feedback

Volume 2

August 2015

<p>related to Insiders Trading and Shareholders.</p> <p>BC-B.1.3 The fundamental requirement with regard to truthfulness, honesty and fairness is that an <u>Islamic bank licensee</u> must not, either deliberately or through negligence, issue information that is potentially misleading to <u>stakeholders</u> or the market, nor must it manipulate prices by using any of the means whereby this may be done. Such means include, but not limited to, making a false market, issuing misleading price-sensitive information and price-fixing in conjunction with other market players.</p>		<p>applicable, banks must also refer to Volume 6 (Capital Markets) – Prohibition of Market Abuse and Manipulation Module “MAM”.</p>
<p>b. BC-B.1.8: Client Charter should be focused on “Customers” only without the “Stakeholders”. This is because the definition of “Stakeholder” is broad and includes regulators, ministries, suppliers, creditors, shareholders ... etc. Accordingly, it would be very difficult to define a single Client Charter document that will establish the service-level commitments for all these “Stakeholders”.</p> <p>BC-B.1.8 A client’s charter is a written commitment made by an <u>Islamic bank licensee</u> in terms of the deliverance of its outputs or services to its customers inclusive of stakeholders. It is an assurance by the <u>Islamic bank licensee</u> that outputs or services rendered will comply with the standards declared as quality standards. Generally, quality standards of outputs or services are standards that will fulfill clients’ needs and tastes.</p>	<p>GR-3B</p>	<p>Disagree - Customers are one of the stakeholders, so no harm to refer to the word “stakeholders”.</p>
<p>c. BC-7: rules defined here are more appropriately to be defined in the LR Module or the HC Module. The rules defined here are too “high-level” and has no direct relationship with dealing with “Customers”.</p> <p>BC 7: Mudaraba contracts – Minimum Terms and Conditions</p> <p>BC-7.1.1 As part of its on-going supervision of Islamic banks, the CBB has set out in Appendix BC-7 details of the type of terms and conditions which it believes Islamic</p>	<p>GR-3C</p>	<p>Disagree – This chapter sets the minimum terms and conditions for banks entering into Mudaraba contracts with its customers, detailed in Appendix BC-7</p>

Changes to Module “Business and Market Conduct” (BC) For Islamic Banks to comply with IFSB’s “Guiding Principles on Conduct of Business for Institutions Offering Islamic Financial Services”

Industry Comments and Feedback

Volume 2

August 2015

banks should include, as a minimum, in such Mudaraba contracts.		
<p>A bank noted with regard to "Retail / Individual Customer", that the term Retail / Individual Customer has been removed from the entire Rulebook without providing any clarification. Does this mean that the same rules will apply to Retail-Commercial, Corporate and SMEs as well? If so, then the banks must conduct a gap analysis of the BC Module comparing the requirements in the BC Module with the current procedures adopted by different business units and discuss the gaps with the CBB.</p>	GR-4	<p>All references to customer classification have been deleted from the entire Module BC, according to the requirements set in the IFSB Paper. Therefore, yes banks are required to do a Gap analysis with Module BC.</p>
<p>A bank noted with regard to “Non Shari'a terms Loan & Lottery”, that since this Rulebook is for Islamic banks, it is preferred that the term "Loan" in the Rulebook is replaced with "Financing". Moreover, it is also recommended that the word "Lottery" is replaced with Raffle.</p>	GR-5	<p>Agree – any reference to the word “loan” in Module BC was replaced with “financing”, and any reference to the word “lottery” was replaced with “raffle”.</p>

Changes to Module “Business and Market Conduct” (BC) For Islamic Banks to comply with IFSB’s “Guiding Principles on Conduct of Business for Institutions Offering Islamic Financial Services”

Industry Comments and Feedback

Volume 2

August 2015

Specific Comments:			
Reference to the draft Directive:	Comments	REF	CBB’s Response
BC-A.2.2 Locally incorporated Islamic bank licensees must ensure that their branches and subsidiaries operating in foreign jurisdictions comply, at a minimum, with local conduct of business standards and regulatory requirements (where applicable).	A bank suggested that CBB to provide banks with a reasonable timeline to implement these rules at subsidiaries level.	SP-1	Disagree – the rule requires subsidiaries of banks operating in other jurisdictions to apply the local rules of that jurisdiction, at a minimum.
BC-B.1.1 Islamic bank licensees are required to develop a Code of Business Conduct that contractually obliges the bank’s employees and representatives to carry out their duties and responsibilities in a fair and honest manner.	A bank noted that Given the treatment of code of conduct here and in BC-B.1.7 and BC-B.3.5, suitable changes will be required to HC-2.2.3 / 4, HC-2.3.2 and OM-8.2.4	SP-2	Agree – Code of Conduct is already covered in Module HC, and thus, a cross reference was added.
BC-B.1.6 An Islamic bank licensee must have appropriate procedures whereby whistle-blowers are treated honestly and fairly, with no cover-ups or victimisation. See Section BC-B.1.7. With regard to fairness, an Islamic bank licensee must follow best practice in establishing procedures for handling complaints from clients. See Chapter BC-10.	A bank noted that Whistle-blowing is already required under the HC Module and, again, is more related to shareholders and other stakeholders instead of “Customers”. Refer to BC-B.1.12 also.	SP-3	Agree – Whistle blowing is already covered in Module HC, and thus, a cross reference was added.
	A bank noted that given the treatment of whistleblowers here and in BC-B.1.7 and BC-B.1.12, suitable changes will be required to HC-3.3.3	SP-4	Refer to SP-3
BC-B.1.10 Benefits to the public: (a) Enables the public to know specifically the quality of service to expect from the <u>Islamic</u>	A bank noted that if every bank writes its own charter, it’s unlikely this will facilitate comparisons by customers	SP-5	Paragraphs BC-B.1.7 to BC-B.1.10 provides information on what should the “client charter” include. The format of

Changes to Module “Business and Market Conduct” (BC) For Islamic Banks to comply with IFSB’s “Guiding Principles on Conduct of Business for Institutions Offering Islamic Financial Services”

Industry Comments and Feedback

Volume 2

August 2015

<p><u>bank licensee</u>;</p> <p>(b) Enables the public to evaluate the performance of the services rendered;</p> <p>(c) Reduces uncertainties over the delivery of services;</p> <p>(d) Facilitates comparisons between <u>Islamic bank licensee</u> that offer similar services; and</p> <p>(e) Allows the public to be more aware of the conduct commitment of each <u>Islamic bank licensee</u>.</p>	<p>between Islamic banks that offer similar services as each charter is likely to have a different format as well as different content.</p>		<p>the charter is not a concern.</p>
<p>BC-B.1.11 <u>Islamic bank licensees</u> must apply the requirements of Module PD (Public Disclosure).</p>	<p>A bank noted that in order to link this paragraph to section BC-B.1 Principle 1: Truthfulness, Honesty and Fairness, an elaboration will be beneficial, such as; (BC-B.1.11 Islamic bank licensees must apply the requirements of Module PD pertaining to enhancing corporate governance and financial transparency in order to protect customers and facilitate market discipline through better practice in public disclosure)</p>	<p>SP-6</p>	<p>Noted – the paragraph was changed as suggested by the Bank.</p>
<p>BC-B.2.4 <u>An Islamic bank licensee</u> offering Shari’a-compliant financing must exercise due diligence in making such financing available to customers, in the interests of both its fund providers and its customers. It is not acceptable business conduct for an <u>Islamic bank licensee</u> to be lax in applying criteria of creditworthiness, or relying only on collateral to mitigate credit losses, especially in cases where the <u>Islamic bank licensee</u> exercising its rights over the</p>	<p>A bank noted that the phrase (the Bank) has a share of the responsibility for any resultant financial distress" should be further clarified.</p> <p>In the event of default, the banks sell collaterals at the market value and book the loss if the proceeds are below the book value and we believe this is the right practice.</p>	<p>SP-7</p>	<p>Noted - The last sentence in the paragraph was deleted.</p>

Changes to Module “Business and Market Conduct” (BC) For Islamic Banks to comply with IFSB’s “Guiding Principles on Conduct of Business for Institutions Offering Islamic Financial Services”

Industry Comments and Feedback

Volume 2

August 2015

<p>collateral would inflict hardship on the debtor. Where an <u>Islamic bank licensee</u> has not exercised due diligence in extending a financing facility, it has a share of the responsibility for any resultant financial distress.</p>			
<p>BC-B.2.5 An <u>Islamic bank licensee</u> must endeavour to avoid taking steps to recover an amount owed to it that would inflict hardship on a debtor whose financial distress is not due to the debtor’s misconduct, but instead must take all reasonable steps to assist the debtor – for example, to restructure the financing, prior to exercising its rights over the collateral.</p>	<p>A bank inquires about what ‘misconduct’ encompasses. It may be rather dangerous for Islamic banks to be bound in this way.</p>	<p>SP-8</p>	<p>Noted – The paragraph was split as follows:</p> <p>BC-B.2.5 An <u>Islamic Bank Licensee</u> must take all reasonable steps to assist the debtor.</p> <p>BC-B.2.5.A An example of assisting debtors is by restructuring the financing, prior to exercising the <u>Islamic Bank Licensee’s</u> rights over the collateral.</p>
	<p>A bank noted that This section needs to be rephrased or removed because it may be misused by customers (borrowers) especially that it may be very difficult to prove what is meant by “misconduct”.</p> <p>To some extents, this section may be unfavorable to banks especially in light of the following:</p> <p>a.CBB recently issued proposed changes to the CM Module which includes rules</p>	<p>SP-9</p>	<p>Refer to SP-8</p>

Changes to Module “Business and Market Conduct” (BC) For Islamic Banks to comply with IFSB’s “Guiding Principles on Conduct of Business for Institutions Offering Islamic Financial Services”

Industry Comments and Feedback

Volume 2

August 2015

	<p>for rescheduling, classifications, and provisioning. These changes to the CM Module do not allow banks to take any advantages from a rescheduled exposure such as writing back provisions and/or reclassifying an exposure.</p> <p>b.CBB, during its examinations of banks, requests banks to define parameters and policies for rescheduling to avoid “ever greening” an exposure.</p> <p>c.CBB monitors rescheduled-exposures and in case of repeated rescheduling requests for justifications and explanations.</p> <p>Therefore, this section (BC-B.2.5) gives an impression that while CBB, in the BC Module, wants banks to be considerate of obligors situations, on the other hand (i.e. in the CM Module) CBB puts restrictions on the banks when rescheduling.</p> <p>The above comment also applies to BC-B.2.4, SP-7.</p>		
	<p>A bank suggests this paragraph to be read as follows: “An Islamic bank licensee ... must take... all reasonable steps to restructure the financing, prior to exercising its</p>	SP-10	Refer to SP-8

Changes to Module “Business and Market Conduct” (BC) For Islamic Banks to comply with IFSB’s “Guiding Principles on Conduct of Business for Institutions Offering Islamic Financial Services”

Industry Comments and Feedback

Volume 2

August 2015

	<p>rights over the collateral”. The sentence highlighted is given as example which is in fact the main issue. The word helping the client is vague or an open statement. By putting the rule in this way you safeguard the interest of both parties.</p>		
	<p>A bank noted that this Rule is important however, it must be further clarified to avoid misrepresentations. For instance, it should allow banks to adopt a policy to deal with such incidents on a case by case basis. Further, a clear segregation between restructuring and rescheduling of facilities is needed to avoid any misreporting to the CBB.</p>	SP-11	Refer to SP-8
<p>BC-B.2.7 An <u>Islamic bank licensee</u> must exercise due diligence in the placement of funds from investors, in extending financing facilities and in any other activities where a proper evaluation of risks, with the collection and analysis of the information necessary for this purpose, is called for.</p>	<p>A bank noted that exercising diligence is applicable when using IAH’s monies to fund financing as well as when using their monies to fund investment transactions. The section may need to be rephrased for clarity and completeness.</p>	SP-12	<p>Noted. The paragraph was modified as follows: BC-B.2.7 An <u>Islamic bank licensee</u> must exercise due diligence in the placement of IAH’s money to fund financing facilities or investments, and in any other activities where a proper evaluation of risks, with the collection and analysis of the information necessary for this purpose, is called for.</p>
	<p>A bank noted that in order to assure consistency across the Rulebook Modules, it will be better to use the terminology of the above highlighted two activities as per</p>	SP-13	Refer to SP-12

Changes to Module “Business and Market Conduct” (BC) For Islamic Banks to comply with IFSB’s “Guiding Principles on Conduct of Business for Institutions Offering Islamic Financial Services”

Industry Comments and Feedback

Volume 2

August 2015

	paragraph LR-1.3.1 (i.e. (a) Accepting Shari’a money placements/deposits & (b) Offering Shari’a Financing Contracts;)		
BC-B.4 Principle 4: Information about Clients	A bank noted that most of this section/principle should be limited to retail clients.	SP-14	Any reference to customer classification has been deleted from Module BC, according to the requirements set in the IFSB Paper.
	A bank suggested to consider renaming this section to “Suitability” pursuant to section BC-9.7. The proposed chapter name “Information about Clients” gives an impression that the Chapter is related to client confidentiality which is covered under chapter BC-3.	SP-15	Agree - however we are trying to be consistent with the IFSB principles.
BC-B.4.4 An <u>Islamic bank licensee</u> must gauge the exact needs of its clients to ensure that the products or services rendered will reasonably meet those needs, and must ensure that any advice to <u>customers</u> is aimed at the <u>customers’</u> interests and based on adequate standards of research and analysis.	A bank noted that <u>BC-B.4.4 and BC-B.4.5</u> should be applicable in complicated products and services only. It would be very impractical to apply it for normal simple products such as consumer finance, savings accounts ... etc.	SP-16	Noted- The Paragraph was modified to be read as follows: <u>BC-B.4.4 An Islamic bank licensee</u> must gauge the exact needs of its clients to ensure that the products or services rendered will reasonably meet those needs, and must ensure that any advice to <u>customers</u> is aimed at the <u>customers’</u> interests and based on adequate standards of research and analysis. This principle would apply even in

Changes to Module “Business and Market Conduct” (BC) For Islamic Banks to comply with IFSB’s “Guiding Principles on Conduct of Business for Institutions Offering Islamic Financial Services”

Industry Comments and Feedback

Volume 2

August 2015

			simple cases like working out whether a customer needs a current account or a savings type account. As stated in the paragraph, “adequate standards”, can apply to simple transactions as well as complicated transactions. In all cases, the bank “ <i>must ensure that any advice to customers is aimed at the customers’ interests</i> ” whether simple or complex.
BC-B.4.5 Among the methods that are commonly used to gauge clients’ needs are questionnaires and interviews with the clients, a written record being required. Questionnaires must be either completed or signed by the client, and where appropriate a summary of any interview must be signed by the client.	A bank noted that such methods might be implemented with investment products that are associated with high risks, but how can the same methods be applied with “risk averse” investments like normal deposits i.e. savings accounts and term Mudharabas?	SP-17	Refer to SP-16.
BC-B.5.7 All commission and similar arrangements must be fully disclosed to clients. In selecting a product for recommendation to a client, the overriding criterion must be the benefits to the client and not the attractiveness of the commission to the <u>Islamic bank licensee</u> or its representative. Refer to Sections BC-4.2 and BC-9.8.	A bank noted that Commission distribution amounts are confidential business agreements between the Bank and its partners. It is not advisable to force the bank to disclose the commission amount, however, if necessary, it can inform the client that the Bank will receive a commission.	SP-18	These arrangements should be disclosed so the subject customer to enable him/her to know if the bank is truly acting in his interest as an honest broker rather than acting in its own interests of maximizing commission. To make the requirement more clear, the paragraph was modified and read as follows: BC-B.5.7 All commission and similar arrangements must be fully disclosed to the subject clients. In selecting a product for

Changes to Module “Business and Market Conduct” (BC) For Islamic Banks to comply with IFSB’s “Guiding Principles on Conduct of Business for Institutions Offering Islamic Financial Services”

Industry Comments and Feedback

Volume 2

August 2015

			<p>recommendation to a client, the overriding criterion must be the benefits to the client and not the attractiveness of the commission to the <u>Islamic bank licensee</u> or its representative. Refer to Sections BC-4.2 and BC-9.8.</p>
<p>BC-B.5.8 When introducing new, enhanced, supplementary or replacement services and/or products with cost or potential liability in the future, <u>Islamic bank licensees</u> must provide customers with full particulars of the change at least thirty calendar days prior to the date the change takes effect, and must obtain prior-written consent from each customer. Such notice is to enable the customer to decide whether to accept the new terms or terminate the agreement.</p>	<p>A bank noted that when imposing any changes, it should be at the bank’s sole discretion with only a notification to the customer.</p>	SP-19	<p>Disagree - The rule is protective for both. Banks can do the required through several means.</p>
	<p>A bank noted that although the prior written consent from each customer may minimize misunderstanding and complaints, it is not practical for banks to obtain written consent from thousands of retail customers for any change in the existing products and services. New products are anyways subject to the CBB approval and hence, CBB may ask banks on specific issues to seek consent. Legal clearance is always obtained in such cases to minimize the legal risk. The facility agreements signed by the customers also allow banks to change the product parameters, as it sees appropriate.</p> <p>Further clarification is appreciated.</p>	SP-20	<p>Refer to SP-19</p>

Changes to Module “Business and Market Conduct” (BC) For Islamic Banks to comply with IFSB’s “Guiding Principles on Conduct of Business for Institutions Offering Islamic Financial Services”

Industry Comments and Feedback

Volume 2

August 2015

<p>BC-B.5.12 Given the complexity of many financial products, Islamic bank licensees should give their customers a “cooling off period” so as to have ample time to evaluate the benefits and costs of a product before finally committing themselves. This guidance applies to long term commitments, such as investments and mortgage financing, provided that it is not sensitive to daily fluctuations.</p>	<p>A bank noted that cooling off periods are not appropriate outside the retail sector. BC-9.6.1 has been deleted, potentially making BC-9.6.7 universally applicable.</p>	SP-21	Any reference to customer classification has been deleted from the entire Module BC, according to the requirements set in the IFSB Paper.
	<p>A bank noted that the concept itself will cause delays in executing transactions. Hence, it is very essential to provide detailed guidelines for this concept prior to its implementations. For example, the following should be considered:</p>	SP-22	In this guidance paragraph, the CBB is not intending to provide detailed guidelines with regard to the “Cooling-off period” as it depends on the nature of business, products and services of each licensee.
	<p>a. The rule should be applicable only when selling a product for the first time to a client. When a customer is repurchasing the same product, the Cooling Off Period should be waived;</p>	SP-22A	Refer to SP-22
	<p>b. It should be applicable for complicated products only (mainly RIA and CIU Funds). All other products and services are simple and really does not require Cooling Off Period;</p>	SP-22B	Refer to SP-22. No need to specify products, the paragraph states “This guidance applies to long term commitments, such as investments and mortgage financing, provided that it is not sensitive to daily fluctuations.” Investments’ covers RIAs and CIUs.
	<p>c. It should be applicable to a certain category of customers. For examples, banks and investments houses have the knowledge of complicated products and do their own assessment prior to commitments.</p>	SP-22C	Any reference to customer classification has been deleted from the entire Module BC, according to the requirements set in the IFSB Paper.

Changes to Module “Business and Market Conduct” (BC) For Islamic Banks to comply with IFSB’s “Guiding Principles on Conduct of Business for Institutions Offering Islamic Financial Services”

Industry Comments and Feedback

Volume 2

August 2015

	d.Further, at minimum, customers should be given the right to waive this requirement.	SP-22D	Noted – A paragraph was added as follows: BC-B.5.12.A The only instance where a ‘cooling off period’ may be waived is when the <u>Islamic bank licensee</u> has received written confirmation from the <u>customer</u> that he/she wishes to waive his/her right to the ‘cooling off period’.
BC-B.6.3 In <u>Islamic bank licensee</u> , conflicts of duty may occur since its management is required to act in the best interests of two categories of stakeholders who may have differing interests, such as shareholders and IAH. Hence, conflicts of interest between two categories of stakeholders are translated into conflicts of duty for the board of directors and management of the <u>Islamic bank licensee</u> . In this connection, the fiduciary duties of an <u>Islamic bank licensee</u> to stakeholders, including IAH, are crucial.	A bank noted that it is difficult to understand the ramifications of the conclusion that “conflicts of interest between two categories of stakeholders are translated into conflicts of duty for the board of directors and management of the Islamic bank licensee”.	SP-23	The Board is meant to act in the interests of the company, but there may be an investment where shareholders may want a quick exit to avoid putting in extra funds whilst the interest of IAHs may be better served by staying in an investment and working it out. In this case, board members representing shareholders may have a conflict between the wishes of the shareholders and those of the IAHs. There is also the case where IAHs are sometimes bought out of certain loss-making investments and this payment comes out of shareholders’ funds. Again there is a potential conflict for board members who may be IAHs and those who may represent shareholders.
BC-B.7.1 An <u>Islamic bank licensee</u> must be able to demonstrate that its	A bank noted that the requirement for the “charitable activities” sounds as if it is	SP-24	Noted - The paragraph is general and is not obliging banks to undertake certain

Changes to Module “Business and Market Conduct” (BC) For Islamic Banks to comply with IFSB’s “Guiding Principles on Conduct of Business for Institutions Offering Islamic Financial Services”

Industry Comments and Feedback

Volume 2

August 2015

<p>operations are governed by an effective system of Shari’a governance and that it conducts its business in a socially responsible manner.,including appropriate charitable activities.</p>	<p>compulsory in this section. It would be more prudent to make this as optional.</p>		<p>activities, thus last sentence in the paragraph was deleted.</p>
<p>BC-B.7.2 An Islamic bank licensee must comply with all applicable legal and regulatory requirements and Shari’a requirements. In the case of an Islamic bank licensee, Shari’a compliance is paramount.</p>	<p>A bank noted that since this paragraph is actually addressing Islamic Banks as part of the CBB Rulebook Volume 2 (Islamic Bank), the highlighted part should be removed.</p>	<p>SP-25</p>	<p>Noted - The paragraph was modified. deleted the second paragraph “In the case of an Islamic bank licensee,”</p>
<p>BC-B.7.3 An Islamic bank licensee must employ highly competent Head of Shari’a Review (Refer to Principle 3, BC-B.3: Capabilities) having a sufficient level of authority to make compliance with all applicable legal, regulatory and Shari’a requirements a key management policy that is applied effectively in practice.</p>	<p>A bank noted that indeed, for an Islamic bank the Sharia Compliance is paramount however, we need a clear rule that deals with any regulatory requirements which contradicts with Shari’a requirements.</p> <p>A bank noted that the appointment of Head of Shari’a Review is subject to the CBB prior approval, therefore, as a matter of clarification a cross reference will be beneficial to Chapter LR-1A: Approved Persons.</p>	<p>SP-26 SP-27</p>	<p>Noted - To get Islamic banks’ Shari’a Supervisory Board opinion for all upcoming consultations related to Shari’a.</p> <p>The updated LR-1A.1.2 (October 2013) includes Head of Shari’s review as a controlled function. Therefore, a cross –reference added as the bank suggested. LR-1A.1.2 Controlled functions are those of: (a)Board Member; (b)Chief Executive or General Manager and their Deputies; (c)Chief Financial Officer and/or Financial Controller (d)Head of Risk Management; (e)Head of Internal Audit; (f)Head of Shari’a Review; (g)Compliance Officer; (h)Money Laundering Reporting</p>

Changes to Module “Business and Market Conduct” (BC) For Islamic Banks to comply with IFSB’s “Guiding Principles on Conduct of Business for Institutions Offering Islamic Financial Services”

Industry Comments and Feedback

Volume 2

August 2015

			Officer; (i)Deputy Money Laundering Reporting Officer; and (j)Heads of other Functions.
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Changes to Module “Business and Market Conduct” (BC) For Islamic Banks to comply with IFSB’s “Guiding Principles on Conduct of Business for Institutions Offering Islamic Financial Services”

Industry Comments and Feedback

Volume 2

August 2015

<p>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 also be sent copies of documentation relating to promotional schemes at least ten days prior to their launch for information purposes.</p>	<p>A bank noted that this section may be contradicting <u>with BC-4.6</u>. While BC-1.1.2 states that no CBB approvals are required for “promotions”, section BC-4.6 requires banks to notify CBB and seek its response before the launch of a new / expanded product.</p>	<p>SP-28</p>	<p>BC-1.1.2 deals with advertisements and promotions for products/services whereas BC-4.6 deals with introducing new or expanded products/services, and thus, requires CBB’s prior approval.</p>
<p>BC-4.6Notification to the CBB on Introduction of New or Expanded Customer Products and Facilities</p>			
<p>BC-4.6.1 The content of this Section is applicable only to retail banks licensed by the CBB.</p>			
<p>BC-4.6.2 All institutions referred to under Paragraph BC-4.6.1 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 bank within one week of receipt of the notification if it has any observations on the new product.</p>			

Changes to Module “Business and Market Conduct” (BC) For Islamic Banks to comply with IFSB’s “Guiding Principles on Conduct of Business for Institutions Offering Islamic Financial Services”

Industry Comments and Feedback

Volume 2

August 2015

<p>BC-1.1.5 Retail Islamic bank licensees should 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.</p>	<p>A bank suggested to add “and sharia principles” to the first sentence to read as “Retail Islamic bank licensees should take care to ensure that promotional schemes do not involve a breach of Bahrain law or any other relevant applicable law and regulations or Sharia principles”.</p>	<p>SP-29</p>	<p>Agree- the rule was amended as follows:</p> <p>BC-1.1.5 Retail Islamic bank licensees should take care to ensure that promotional schemes do not involve a breach of Bahrain law or any other relevant applicable law and regulation or Shari’a principles. In addition, promotional schemes should not in any way be detrimental to the public good or public morals.</p>
<p>BC-1.1.7 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, retail Islamic bank 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 an institution or a banking/financial product.</p>	<p>A bank noted that this section defies the whole purpose of “promotions”. Banks opt for “promotions” in order to gain market shares and hence directing customers from one bank to another and/or from one product to another. For example, at Ithmaar the Ithmaar Account was introduced to attract new depositors and/or divert existing depositors from high cost deposits to lower cost deposits.</p>	<p>SP-30</p>	<p>The paragraph is relevant and means that bank promotions should not be misleading or divert the customer’s attention from important terms and conditions.</p>
<p>BC-4.2.1 In order to improve retail customer awareness and enhance transparency of retail banks charging structures, all retail banks 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.</p>	<p>A bank suggested considering the definition of “conspicuous notice” and the amount of information that needs to be publicly disclosed “ ... in a prominent place, in Arabic and English ...” means that banks will require a sign-board not smaller than 5 meters by 5 meters just to display the information. This is completely not practical. The definition</p>	<p>SP-31</p>	<p>Conspicuous notice is defined in BC-4.2.4 as “a written statement in both Arabic and English languages which is easily visible and legible and displayed in all retail banks’ premises open to the public (head offices and <u>branches</u>), and via means such as <u>websites, newspapers and other press notices;</u>” as a mean to fulfill this</p>

Changes to Module “Business and Market Conduct” (BC) For Islamic Banks to comply with IFSB’s “Guiding Principles on Conduct of Business for Institutions Offering Islamic Financial Services”

Industry Comments and Feedback

Volume 2

August 2015

	<p>of “conspicuous notice” or “prominent place” or the materials subject to publicly disclosed need to be reconsidered. We believe that directing customers to a “leaflet” in the branch to be sufficient.</p>		<p>requirement, banks must make a “list of all charges” available, without customer request, in bank premises and in its website, that is readable, in clear font and printable.</p> <p>Note: BC-4.2.1 still includes the word “Retail Customer”, it was deleted.</p>
<p>BC-4.2.2 Retail banks must also ensure that each customer is in receipt of their current list of charges, by enclosing such a list with account statements and displaying such charges on their websites. The list must specify standard charges and commissions that will be applied by the retail bank to individual services and transactions and to specific areas of business. Such notification must be made in instances where there are changes in the fees or when new fees are introduced.</p>	<p>A bank noted that rather than enclosing the list of charges to the statements, banks may also notify their customers in the statement or through other means of communications informing clients of changes in the charges and asking them to download the list of charges from the bank’s websites. To note that many banks now opt for eStatements. Hence, this section should be rephrased.</p>	<p>SP-32</p>	<p>The bank must note that not all customers are using electronic statements.</p>
<p>BC-4.2.5 Where a retail customer has a credit agreement with a retail bank, retail banks must: <u>List of a to h</u></p>	<p>A bank noted that if the “disclosure of charges” rules are now applicable to all customers, then the expression “retail customers” should be deleted from this section.</p>	<p>SP-33</p>	<p>Agree – the word “retail” was deleted.</p>
<p><i>Minimum Disclosure Requirements</i> BC-4.2.8 Retail banks must make: (a) Public disclosure regarding credit agreements; and</p>	<p>A bank noted that these should be made part of “Private Disclosures” rather than “Public Disclosures”. One of the main reasons for this is that in some cases</p>	<p>SP-34</p>	<p>The paragraph distinguishes between (a) public disclosure and (b) disclosure to customers, where the bank wants to call it “private disclosure”.</p>

Changes to Module “Business and Market Conduct” (BC) For Islamic Banks to comply with IFSB’s “Guiding Principles on Conduct of Business for Institutions Offering Islamic Financial Services”

Industry Comments and Feedback

Volume 2

August 2015

<p>(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.</p> <p><i>Public Disclosure Requirements for all Credit agreements</i></p> <p>BC-4.2.9 The following public disclosures must be made by <u>conspicuous notice</u> for all types of credit agreements:</p> <p>(a) Any obligation on the part of the customer to open a deposit account with the retail bank as a condition of granting the credit agreement;</p> <p>(b) Any late payment charges;</p> <p>(c) The level of fees for any special services rendered, or one-off expenses, as well as any amount collected by retail banks on behalf of third parties;</p> <p>(d) 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</p> <p>(e) Any other charges not included above.</p>	<p>(especially in commercial financing), the terms will actually depend on the customer’s risks and negotiations on the terms.</p>		
<p>BC-4.2.10 In addition to the requirements under Paragraph BC-4.2.9,</p>	<p>A bank noted that this section in conjunction with BC-4.2.13 makes the amount of information to be publicly</p>	<p>SP-35</p>	<p>The required information is intended to help customers make proper decisions.</p>

Changes to Module “Business and Market Conduct” (BC) For Islamic Banks to comply with IFSB’s “Guiding Principles on Conduct of Business for Institutions Offering Islamic Financial Services”

Industry Comments and Feedback

Volume 2

August 2015

<p>retail banks must publicly disclose by <u>conspicuous notice</u> for instalment financing facilities:</p> <p>(a)The current Annual Percentage Rate (APR) as calculated using the APR methodology in Paragraph BC-4.2.31. 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 facilitiesmortgages, BD100,000 for 25 years.</p> <p>(b)The Annual Percentage Rate (APR), must be broken down as follows:</p> <p>(i)The annual nominal profit rate payable on the instalment financing;</p> <p>(ii)Administration/handling fees;</p> <p>(iii)In the case of finance lease contracts/ijara or deferred purchase contracts, any fees for purchasing the asset; and</p> <p>(iv)Any other mandatory charges (contingent costs are excluded); and</p> <p>(c)The terms and conditions for early repayment, partial or full, of the credit agreement, or for any change in the terms</p>	<p>disclosed too much.</p> <p>Refer to our point above related to BC-4.2.1 for more information. (Refer to SP-36)</p> <p>A bank noted with regard to BC-4.2.10 (c) that these disclosures will result in violating Sharia Standard Number 8 relating to “Murabaha to the Purchase Orderer”, Section 5 (Guarantees and treatment of Murabaha receivables), clause no 5/9 which states the following:</p> <p><i>"It is permissible for the institution to give up part of the selling price if the customer pays early, provided this was not part of the contractual agreement"</i></p> <p>KFH updated written reply 7th Sep, 2014: Kindly note that the early repayment charges are included in the Bank’s fees and services booklet which is available in all branches as well as the bank’s website (http://www.kfh.bh/en/media/downloads/) . Additionally the credit agreements include a statement saying that the early settlement will be calculated in accordance with the CBB regulations.</p> <p>Under Shari’a, the bank can choose to give-up part of the selling price (not</p>	<p>SP-36</p>	<p>As confirmed by the bank in its updated response, this paragraph does not contain any violation to Shari’a.</p>
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Changes to Module “Business and Market Conduct” (BC) For Islamic Banks to comply with IFSB’s “Guiding Principles on Conduct of Business for Institutions Offering Islamic Financial Services”

Industry Comments and Feedback

Volume 2

August 2015

<p>and covenants of the credit agreement, as well as any relevant charges (where permitted) and the way in which these are calculated.</p> <p>BC-4.2.13 For the purposes of Paragraph BC-4.2.10, the disclosures can be provided as one APR or a range of APRs for retail banks that provide instalment financing to different segments and products. A retail bank 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-4.2.10 (a).</p>	<p>obliged to do so), however, since the CBB issued rules in this regard, the bank have amended their contracts by adding “as per CBB regulations”.</p>		
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Changes to Module “Business and Market Conduct” (BC) For Islamic Banks to comply with IFSB’s “Guiding Principles on Conduct of Business for Institutions Offering Islamic Financial Services”

Industry Comments and Feedback

Volume 2

August 2015

<p>BC-4.2.14 In addition to the requirements under Paragraph BC-4.2.9, retail banks must publicly disclose by conspicuous notice for Credit Agreements other than instalment financing facilities listed below:</p>	<p>A bank noted with regard to BC-4.2.14 (a) that their Ijarah Card is not a credit card in the conventional sense and with tenors of up to 30 months it is more of a cash management installment financing agreement. It follows that APR would not be an appropriate reflection of the financing cost and we prepare the disclosure on flat rates.</p>	<p>SP-37</p>	<p>If the bank’s Ijara Card is an installment based financing type, then it should disclose APR and follow BC-4.2.10.</p>
<p>(a)For credit cards, the monthly and the annual rate of profit plus other fees and charges;</p> <p>(b)For overdrafts, the annual rate of profit plus other fees and charges;</p> <p>(c)For floating-rate credit agreements, the profit rate clearly defined on the basis of the relevant <u>base rate</u>, 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</p> <p>(d)For instances where the customer exceeds contractual credit lines, the terms and any relevant charges.</p>	<p>A bank noted with regard to BC-4.2.14 (b) that the Shari’a Standard No (16) Commercial Papers, clause 2/3 (b) states the following:</p> <p><i>2/3 It is permitted to use a cheque in the following types of transactions and situations:</i></p> <p><i>(b) “A cheque, where the owner has no balance, when drawn by the client against a bank or is drawn by the bank against another bank or against itself or against one of its branches provided that the withdrawal does not lead to riba by way of what is called an overdraft”.</i></p> <p>According to the above, the overdrafts cannot be based on a profit rate. Further clarification is appreciated.</p> <p>KFH updated reply 7th Sep 2014:</p>	<p>SP-38</p>	<p>This Paragraph was deleted in April 2014.</p>

Changes to Module “Business and Market Conduct” (BC) For Islamic Banks to comply with IFSB’s “Guiding Principles on Conduct of Business for Institutions Offering Islamic Financial Services”

Industry Comments and Feedback

Volume 2

August 2015

	Currently, the accounts are managed under Qard Hassan concept and hence no profits are charged.		
BC-4.2.18 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 retail bank in their customer file.	A bank noted that this section requires providing customers with a summarized Terms & Conditions. This requirement needs to be reconsidered since customers are receiving the full version of the Terms & Conditions. Adding one more document will make things more complicated.	SP-39	Agree, BC-4.2.18 was deleted.
BC-4.2.22 In addition to the initial disclosure of key terms noted in Paragraphs BC-4.2.17 to BC-4.2.21, the “key terms disclosure” document must, amongst other things, make clear: (a)The detailed breakdown of the payments: (i)The <u>principal</u> amount being borrowed and the maturity of the credit agreement; (ii)The net amount provided to the customer after deducting or applying any upfront or other charges;	A bank noted that these disclosures will result in violating Sharia Standard relating to the Purchase Orderer (no.8) clause no 5/9 which states the following: <i>"It is permissible for the institution to give up part of the selling price if the customer pays early, provided this was not part of the contractual agreement"</i> Refer to SP-36 KFH updated written reply 7 th Sep, 2014: Kindly note that the early repayment	SP-40	As confirmed by the bank in its updated response, this paragraph does not contain any violation to Shari’a.

Changes to Module “Business and Market Conduct” (BC) For Islamic Banks to comply with IFSB’s “Guiding Principles on Conduct of Business for Institutions Offering Islamic Financial Services”

Industry Comments and Feedback

Volume 2

August 2015

<p>(iii)The total profit payments and <u>principal</u> repayment for the term of the credit agreement; and</p> <p>(iv)The total administration /handling fees and any other fees and charges spread over the term of the credit agreement.</p> <p>(b)The APR and annual nominal rate as defined in Paragraph BC-4.2.31 and BC-4.2.4(d) respectively;</p> <p>(c)Whether the rate of profit is fixed or can be varied, and under what circumstances;</p> <p>(d)The basis on which profit is charged (e.g. actual reducing balance) and applied to the account (e.g. monthly or quarterly compounding) and whether <u>principal</u> repayments are taken into account in the calculation, together with an illustration of the calculation method;</p> <p>(e)The detailed costs associated with “top-ups” of credit agreements or other alternative arrangements for extending additional credit or early repayments,</p>	<p>charges are included in the Bank’s fees and services booklet which is available in all branches as well as the bank’s website(http://www.kfh.bh/en/media/downloads/) . Additionally the credit agreements include a statement saying that the early settlement will be calculated in accordance with the CBB regulations.</p>		
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Changes to Module “Business and Market Conduct” (BC) For Islamic Banks to comply with IFSB’s “Guiding Principles on Conduct of Business for Institutions Offering Islamic Financial Services”

Industry Comments and Feedback

Volume 2

August 2015

<p>whether partial or full, of amounts due including the treatment of remaining profit and the payment of premium for insurance;</p> <p>(f)Any late payment charges;</p> <p>(g)The annual profit rate and credit limit being offered for credit agreements such as credit cards and overdrafts; and</p> <p>(h)Any other charges related to the credit agreement not included above.</p>			
<p>BC-4.2.24 Retail banks must give information on the payment schedule of the credit agreement, including profit and other charges. 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.</p>	<p>A bank noted that section BC-4.2.25 discusses credit cards and is linked to BC-4.2.24 which requires banks to provide clients with payment-schedules. It is to be noted that given payment-scheduled for revolving facilities is not practical and not possible.</p>	<p>SP-41</p>	<p>The CBB understands that the nature of credit cards is different than Credit facilities; however, a monthly statement is required to be provided to customers including information on minimum payment (which would be part of a payment schedule).</p>
<p>BC-4.2.25 In addition to the requirements under Paragraph BC-4.2.24, when credit is granted through credit cards or overdraft facilities, monthly statements must be provided and include information on minimum payment.</p>	<p>A bank raised a question: Does BC-4.2.24 require the banks to send semi-annual statements to the customers or provide them such information free of charge upon request only, without issuing formal letters?</p> <p>This rule needs to be further clarified keeping in mind that the banks usually</p>	<p>SP-42</p>	<p>The requirement is that semi-annual statement must be sent to customers, free of charge. Banks may charge customers for the issuance of statements other than the semiannual mandatory statements.</p>

Changes to Module “Business and Market Conduct” (BC) For Islamic Banks to comply with IFSB’s “Guiding Principles on Conduct of Business for Institutions Offering Islamic Financial Services”

Industry Comments and Feedback

Volume 2

August 2015

	<p>charge a nominal amount for the issuance of outstanding facility letter.</p> <p>KFH updated reply 7th Sep 2014:</p> <p>The schedule is provided at the time of approving the financing which doesn't change unless the deal is restructured. Upon restructuring the repayment schedule is again agreed with the client in advance. The client can request such information at any time from any branch.</p>		
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Changes to Module “Business and Market Conduct” (BC) For Islamic Banks to comply with IFSB’s “Guiding Principles on Conduct of Business for Institutions Offering Islamic Financial Services”

Industry Comments and Feedback

Volume 2

August 2015

<p>BC-4.8.1 Islamic bank licensees must comply with the Code of Best Practice on Consumer Credit and Charging as attached in Appendix CM-2 and the Investment Business Code of Practice requirements in this Chapter throughout the lifetime of their relationship with a customer.</p>	<p>A bank noted that this section still refers to “Investment Business Code of Practice” which is now renamed to “Regulated Islamic Banking Services”. See 3rd line.</p>	<p>SP-43</p>	<p>Noted – the reference to “<i>Investment Business Code of Practice</i>” was deleted.</p>
<p>BC-4.9.2 All retail banks must comply with Paragraph BC-4.9.1 by 31st March 2012.</p>	<p>A bank noted that this section is referring to a date in the past.</p>	<p>SP-44</p>	<p>Noted - This was not part of the material being consulted on, and refers to what is currently in place. The paragraph was deleted.</p>
<p>BC-5.1.6 If the CBB does not receive any notification as contemplated in Paragraph BC-5.1.5 above for a particular customer on the Control List, that customer’s name shall be withdrawn from the next issue of the Control List. However, the CBB will monitor the names of customers appearing on the Control List during the three consecutive calendar months falling immediately after the calendar month in which a customer’s name is taken off the Control List. If any such customer’s name is again reported to the CBB pursuant to Paragraph BC-5.1.3 above at any time during this three-month period, (a) His name will be returned to the Control List on the date of its next issue</p>	<p>A bank noted that this section states that CBB will remove a name from the “Control List” if it does not receive a notification from a bank. To improve controls and avoid errors, CBB should ensure that banks send a notifications even by way of a “NIL” report.</p>	<p>SP-45</p>	<p>No change can be done to the current dishonored cheque system, the banks will be informed in case of any amendments.</p>

Changes to Module “Business and Market Conduct” (BC) For Islamic Banks to comply with IFSB’s “Guiding Principles on Conduct of Business for Institutions Offering Islamic Financial Services”

Industry Comments and Feedback

Volume 2

August 2015

<p>if there is only one dishonoured cheque reported in this context; or (b) He will be automatically deemed an abuser of cheques for the purposes of Paragraph BC-5.1.7 below if there is more than one dishonoured cheque reported in this context.</p> <p>If, however, his name is not reported to the CBB in this regard, the CBB will cease its monitoring thereof.</p>			
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Changes to Module “Business and Market Conduct” (BC) For Islamic Banks to comply with IFSB’s “Guiding Principles on Conduct of Business for Institutions Offering Islamic Financial Services”

Industry Comments and Feedback

Volume 2

August 2015

<p><i>BC-7.1 Minimum Terms and Conditions</i></p> <p><i>“Mudaraba Contracts”</i></p>	<p>A bank noted that the proposed “Minimum Terms & Conditions for Mudaraba Contracts” needs to be reviewed especially that many points therein relate to RIA funds and are not applicable to URIA. The same should take into considerations the requirements of CIU (where applicable).</p> <p>A bank updated response 1st Feb 2015: Please find below the specific points in the ‘Minimum Terms and Conditions on Mudaraba Contracts’ that pertain to Restricted Investment Accounts (RIAs).</p> <ol style="list-style-type: none"> 1. Details of how and by whom the contract assets will be managed and invested, as well as disclosure of any investment policies behind the contract (if applicable). Reference should also be made to any delegation powers of the bank in relation to such management and investment; 2. Provision should be made for a Power of Attorney to be given to the bank by the investment account holder where necessary. In addition, where lien and set-off rights are to be given in favor of the bank, these should be expressly provided for; 	<p>SP-46</p>	<p>Not Valid - Appendix BC-7 (and AAOIFI, Standard 13 and IFSB Standard 9) refer to both RIA and URIA. CIU has subsequently in Volume 7 (April 2012) covered PSIAs structured as CIUs.</p> <p>Since LR-1.3 covers the distinction between CIU and other investment accounts, the appendix is justified.</p>
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Changes to Module “Business and Market Conduct” (BC) For Islamic Banks to comply with IFSB’s “Guiding Principles on Conduct of Business for Institutions Offering Islamic Financial Services”

Industry Comments and Feedback

Volume 2

August 2015

	<p><u>In case CBB is of the view that there might be still certain provisions regarding RIA in the ‘Minimum Terms and Conditions’, the above mentioned points may be retained.</u> However it would be useful to mention that the above 2 points specifically pertain to RIAs in order to avoid any confusion.</p>		
<p>BC-9.2.1 This Chapter applies to all the <u>regulated Islamic banking services</u> listed in Subparagraphs LR-1.3.1 (a to k) of all <u>Islamic bank licensees</u>, except where otherwise indicated.</p>	<p>A bank noted that expanding the application of Chapter 9 to all the services in LR-1.3.1 will catch the following services:</p> <ul style="list-style-type: none"> (a) Accepting Shari’a money placements/deposits; (b) Offering Shari’a Financing Contracts; (c) Managing Unrestricted Shari’a profit sharing investment accounts; (d) Managing Restricted Shari’a profit sharing investment accounts; (e) Dealing in Shari’a compliant financial instruments as principal; (f) Dealing in Shari’a compliant financial instruments as agent; <p>It does not seem appropriate to bring a, d, e and f into the net.</p>	<p>SP-47</p>	<p>This has been reviewed carefully and thus its scope is being widened so that the disclosure and minimum standards it sets apply to all customers and products, not just investment business, including deposits, loans, and URIA, etc.</p>
<p>BC-9.2.2 Where reference is made to investment activities, these refer to regulated Islamic banking services as per</p>	<p>A bank noted that the concept of ‘Investment activities’ should not encompass the services in LR-1.3.</p>	<p>SP-48</p>	<p>RIA should be considered one of the investment activities that are subject to the protection of this module.</p>

Changes to Module “Business and Market Conduct” (BC) For Islamic Banks to comply with IFSB’s “Guiding Principles on Conduct of Business for Institutions Offering Islamic Financial Services”

Industry Comments and Feedback

Volume 2

August 2015

<p>sub-paragraph LR-1.3.1, items (c, d and g to k).</p>	<p>(d) Managing Restricted Shari’a profit sharing investment accounts;</p>		
<p>BC-9:Regulated Islamic Banking Services</p>	<p>A bank noted that throughout Chapter 9 reference is still being made to “Retail Customers”. See paragraph BC-9.2.3 which states that this Chapter applies to “all types of customers”. Some clarifications would be appropriate.</p>	<p>SP-49</p>	<p>“all types of customers” means there is no customer classification. Any reference to ‘retail’ customers will be changed to ‘customers’.</p>
<p>BC-9.2.3 This Module aims to encourage high standards of business conduct, which are broadly applicable to all <u>Islamic bank licensees</u>, all <u>regulated banking services</u> referred to in Paragraph BC-9.2.1, and all types of <u>customers</u>.</p>	<p>A bank noted that Customer Classification is still required under the CIU. Reference to this fact should be made in this section rather than deleting it.</p>	<p>SP-50</p>	<p>Customer classification which defines the accredited and the retail customers has been deleted completely <u>for the purpose of this Module only</u>.</p>
<p>BC-9.5.14 <u>Islamic bank licensees</u> must not make a <u>real time promotion</u> to retail customers unless the concerned customer has been notified of the fact in advance and has agreed in writing to receive real time promotions.</p> <p>BC-9.5.15 For the purposes of Paragraph BC-9.5.14, a real time promotion is a promotion made in the course of a personal visit, telephone conversation or other interactive dialogue.</p>	<p>A bank noted for BC-9.5.14 to BC-9.5.16 and BC-9.5.21 that the requirement for obtaining the customers consent prior to approaching them for real time promotion to be eased since banks already have accounts for existing customers who have not given consents. Therefore, this section would require banks to approach all their customers and obtain consents which will prove to be difficult and costly. Please consider applying this requirement to new customers only (i.e. accounts opened after the date of the</p>	<p>SP-51</p>	<p>The CBB is not intending to dictate the exact ways to notify customers and to get their consent, the bank may think of easier and less costly methods.</p>

Changes to Module “Business and Market Conduct” (BC) For Islamic Banks to comply with IFSB’s “Guiding Principles on Conduct of Business for Institutions Offering Islamic Financial Services”

Industry Comments and Feedback

Volume 2

August 2015

<p>BC-9.5.16 Consent to receive <u>real time promotions</u> could be, for instance, at the time of the initial customer profiling, by means of signing a form clearly indicating such consent.</p> <p>BC-9.5.21 These records should include evidence that <u>customers</u> have been notified in advance and agreed to receive <u>real time promotions</u>, as required under Rule BC-9.5.14.</p>	<p>Module).</p>		
<p>BC-9.7 Suitability</p>	<p>A bank noted that this section should be applicable when selling complicated products. The bank referred to its comments on BC-B.4.4, BC-B.4.5.</p> <p>A bank noted that <u>BC-B.4.4 and BC-B.4.5</u> should be applicable in complicated products and services only. It would be very impractical to apply it for normal simple products such as consumer finance, savings accounts ... etc.</p>	<p>SP-52</p>	<p>Refer to SP-16</p> <p>As stated in the paragraph, “adequate standards”, which means simple transactions are not dealt with as complicated transactions, however, the bank “<i>must ensure that any advice to customers is aimed at the customers’ interests</i>”.</p>
<p>BC-9.7.3 For the purposes of Rule BC-9.7.2, the <u>Islamic bank licensee</u>, when providing the regulated <u>Islamic banking</u> services, should ask the <u>customer</u> or potential <u>customer</u> to provide information regarding his knowledge and experience in the <u>field relevant to the specific type of financial products and/or services offered or demanded so as to enable the licensee to assess whether the financial product or service is appropriate to the customer</u>. The</p>	<p>Same comments on section BC-B.4.5</p> <p>A bank noted that similar method might be implemented with investment products that are associated with high risks, but how the same can be applied with “risk averse” investments like normal deposits i.e. savings accounts and term Mudharabas?</p>	<p>SP-53</p>	<p>Refer to SP-52</p>

Changes to Module “Business and Market Conduct” (BC) For Islamic Banks to comply with IFSB’s “Guiding Principles on Conduct of Business for Institutions Offering Islamic Financial Services”

Industry Comments and Feedback

Volume 2

August 2015

<p>evaluation of the customer’s needs, circumstances and objectives (including risk appetite) can be done through a structured questionnaire.</p>			
<p>BC-9.8.5 In case of investment activities, Islamic bank licensees must provide customers with appropriate guidance on, and warnings of, relevant risks when providing regulated banking services, in relation to: (a) Transactions in illiquid financial instruments; (b) Leveraged transactions, including asset portfolios or collective investment schemes that have embedded leverage; (c) Financial instruments subject to high volatility in normal market conditions; (d) Securities repurchase agreements or securities lending agreements; (e) Transactions which involve credit, margin payments, or deposit of collateral; (f) Transactions involving material foreign exchange risk (g) Interests in real estate; and/or (h) Islamic financial instruments.</p>	<p>A bank noted that the ‘retail’ qualification has been deleted, so that these requirements now apply to all customers. That imposes an excessive burden as regards what used to be known as ‘accredited’ investors (a concept that now only appears in BC-9.9.15).</p> <p><i>Excessive Dealing</i></p> <p>BC-9.9.15 Islamic bank licensees must not advise any customer to transact with a frequency or in amounts that might result in those transactions being deemed excessive in light of historical volumes, market capitalisation, customer portfolio size and related factors. This Rule does not apply to customers classified as accredited investors.</p>	<p>SP-54</p>	<p>Customer classification has been deleted completely for the purpose of this <u>Module</u> according to the requirements set in the IFSB Paper, and thus the word “accredited” was deleted from BC-9.9.15.</p>
<p>BC-9.8.10 In relation to a transaction in a financial instrument that is not readily realisable, Islamic bank licensees must: (a) Warn the customer that there is a restricted market for such financial</p>	<p>A bank noted that the above point also applies with respect to BC-9.8.10.</p> <p>The bank noted that the ‘retail’ qualification has been deleted, so that these requirements now apply to all</p>	<p>SP-55</p>	<p>Customer classification has been deleted completely for the purpose of this <u>Module</u> according to the requirements set in the IFSB Paper.</p>

Changes to Module “Business and Market Conduct” (BC) For Islamic Banks to comply with IFSB’s “Guiding Principles on Conduct of Business for Institutions Offering Islamic Financial Services”

Industry Comments and Feedback

Volume 2

August 2015

<p>instruments, and that it may therefore be difficult to deal in the financial instrument or to obtain reliable information about its value; and (b)Disclose any position knowingly held by the Islamic bank licensee or any of its associates in the financial instrument or in a related financial instrument.</p>	<p>customers that imposes an excessive burden.</p>		
<p>BC-9.8.12 Risk warnings provided to a retail customer or potential retail customer about warrants or derivatives must make clear that the instrument can be subject to sudden and sharp falls in value. Where the retail customer may not only lose his entire investment but may also be required to pay more later, he must also be warned about this fact and the possible obligation to provide extra funding.</p>	<p>A bank noted that the above point also applies with respect to BC-9.8.12.</p>	<p>SP-56</p>	<p>Refer to SP-55</p>
	<p>A bank noted that the word “derivatives” appear in BC 9.8.12. This word should be deleted and replaced with the word “investment” or phrase “instruments similar to derivatives in features” because Islamic banks do not involve in derivatives in the first place. Putting it under the discussion on Islamic banks would suggest to those who are not aware of the business of Islamic banks that this is acceptable.</p>	<p>SP-57</p>	<p>Noted - The word “warrants” will be deleted and the word “derivatives” will be changed to “Shari’a compliant derivatives”.</p>
<p>BC-9.10.4B In case of credit activities, <u>Islamic bank licensees</u> must provide periodic statements as required by the Code of Best Practice on Consumer Credit and Charging and in accordance with BC-4.3.</p>	<p>A bank noted that bank statements can be an alternative.</p>	<p>SP-58</p>	<p>Noted.</p>

Changes to Module “Business and Market Conduct” (BC) For Islamic Banks to comply with IFSB’s “Guiding Principles on Conduct of Business for Institutions Offering Islamic Financial Services”

Industry Comments and Feedback

Volume 2

August 2015

Specific Comments: Appendix BC-7 “NOTE ON THE MINIMUM TERMS AND CONDITIONS FOR MUDARABA CONTRACTS”			
Reference to the draft Directive:	Comments	REF	CBB’s Response
<p>(Page 2 of 3)</p> <p>The following term and conditions should, as a minimum and as relevant from case to case, be dealt with in contracts where the bank acts as Mudarib or in a similar fiduciary capacity:</p> <p>-the bank's share of profits as Mudarib or Agent;</p>	<p>A bank suggested to add the word (wakeel), to be read as follows: -the bank's share of profits as Mudarib or Agent (Wakeel);</p>	SP-59	Agree – added the word (Wakeel) as suggested by the bank.
<p>(Page 2 of 3) -full information should be included about the deduction from profits of the bank's fees and any other relevant items. In addition, details of any unused reserves and their ultimate treatment/use by the bank should be clearly stated;</p>	<p>A bank suggested this paragraph to be read as follows: -full information should be included about the deduction from profits of the bank's fees in case of Wakala, or the bank shares in case of Mudaraba and any other relevant items. In addition, details of any unused reserves and their ultimate treatment/use by the bank should be clearly stated;</p>	SP-60	Agree –Paragraph was amended as suggested by the bank.