

## Central Bank of Iraq

### Banking Supervision Department

## Regulation of Financial Consumer Protection

### Chapter One

#### First: Definitions

**1. The Bank:** The Central Bank of Iraq.

**2. Financial Institutions:** Banking & non-banking financial institutions, financial intermediary companies for selling and purchasing foreign currencies, electronic payment companies and other financial companies officially licensed by the Central Bank of Iraq.

**3. Financial Consumer (the Consumer):** Any customer who receives financial products from financial institutions.

**4. Financial Consumer Protection:** Meaning to preserve the rights of financial services consumers under a clear legal framework that defines the relationship between providers of these services, on one hand, and their consumers, on the other hand, to ensure the preservation of financial consumers rights in terms of justice, transparency and their right to grievance. In addition to raising the awareness of financial consumers and encourage them to improve the required knowledge and skills to manage their funds and enable them to take effective financial decisions.

**5. Financial Products:** All services provided by financial institutions within the limits permitted by laws and instructions governing financial institutions.

**Second: Objectives** - This regulation aims to:

**1. Transparency:** Full knowledge of the details of available products at financial institutions.

**2. Fair Treatment:** Treating consumers fairly in providing financial products of appropriate quality in accordance with valid laws, considering vulnerable groups.

**3. Guarantee rights:** Providing comprehensive protection for the financial consumer in accordance with the service contracts concluded between the two parties.

## **Chapter Two**

### **Financial Consumer Rights**

#### **First: Disclosure and Transparency**

Financial institutions must provide consumers with all information related to the offered financial products in a clear, accurate, concise, easy-to-understand, accessible and non-misleading manner. In addition to ensuring that the financial consumer is informed directly or through approved electronic applications of the terms and special benefits of these products and the associated risks to their use, including:

1. Publishing information on financial products provided by financial institutions, including rates of fees, interest, returns and costs imposed for each financial product on the official website of the financial institution, ensuring that the consumer is informed of the terms and benefits of the provided financial products, and clarifying all obligations incurred on the consumer as a result of consuming the financial product, including interests owed or credited to commercial banks, returns and costs for Islamic banks.
2. Determine the mechanism for terminating the relationship between the two parties and its consequences, establishing it in the contract concluded between the financial institutions and the consumer.

#### **Second: Treating with Justice and Fairness**

Financial institutions should deal fairly, honestly and equitably with the consumer at all stages of the relationship between them and pay due attention to vulnerable groups in society (the elderly, low-income people and people with disabilities).

### **Third: Pricing Policy**

1. Financial institutions shall be obligated to issue tables that include interest rates, debit and credit returns, and all fees, commissions and other costs. They also shall be obligated to inform the consumer of the method of calculating them, and to make them clearly available to the consumer before offering the financial product and concluding the contract.
2. The financial institution may not impose any fees on the consumer that were not previously disclosed or were not included in the terms of the contract whether the service is cash or pledged credit.
3. Changes made to the terms of new contracts by financial institutions shall not apply to previous contracts, except with the approval of the financial consumers after informing them of the made changes.

### **Fourth: Supervision and Control**

1. Financial institutions are obligated to provide the Central Bank of Iraq with a copy of the draft contracts for all financial products offered by them.
2. The Central Bank of Iraq has the right to amend the draft contracts between financial institutions and the consumer in a manner that serves the interests of both the financial institutions and the consumer, as these contracts are binding on the financial institution.
3. Financial institutions shall ensure that their intermediaries, agents and external parties, to whom tasks are assigned, comply with the requirements of the relationship concluded between that institution and the financial, and that they work for the public interest and bear responsibility for protecting them.

### **Fifth: Financial Education and Awareness for Consumers:**

Financial institutions must develop appropriate programs and mechanisms to develop consumer's knowledge and skills, raise their level of awareness, enable them to understand the basic risks and assist them in making informed and effective financial decisions that do not harm their interests, through:



1. Conducting development and advisory courses for customers in financial institutions.
2. Prepare publications that include a simplified explanation of the services provided by the financial institution to facilitate the mechanism for consumers to understand the financial products offered by that institution.
3. Make advertisements through audio and visual media that include an explanation of how to use the financial products provided by financial institutions.

### **Sixth: Work Behaviors & Ethics and Protection of Consumer Data Confidentiality**

The financial institution shall preserve the consumer interests and his/her data confidentiality by establishing precise control systems that include the protection of financial consumer's deposits, savings, other financial assets and banking transactions in a manner which ensures that his data is not tampered with and prevents it from being exposed to fraud, embezzlement and misuse, in accordance with the valid laws, regulations and instructions regarding the protection of information confidentiality.

### **Seventh: Handling Complaints**

Financial institutions shall adopt an appropriate mechanism through which the consumer can submit his/her complaint and ensure that it is addressed, so that the mechanism is fair, clear and effective, through:

- 1 -The financial consumer can submit his/her complaint to the complaints division within the financial institution when encountered by any problems or obstacles using the financial products it offers. If the financial institution fails to address them, the consumer can resort to the Central Bank of Iraq to submit his complaint in accordance with the valid controls and instructions prepared for this purpose to take the necessary action.
2. Complaints can be submitted directly to the relevant financial institution or through a dedicated electronic link by adopting the complaint submission form

prepared by the Central Bank of Iraq and directed to all licensed financial institutions.

3. Financial institutions are obliged to provide the Central Bank of Iraq with a quarterly report that includes the received complaints and the mechanism for handling them in accordance with the form issued by the Central Bank of Iraq and directed to all banking and non-banking financial institutions.

### **Eighth: Conflict of Interest**

The financial institution shall adopt a written and announced policy on conflict of interest, as well as ensuring that adopted policies would reveal potential conflict of interest operations and implement these policies, provided that it should disclose any cases that may involve a conflict of interest between the financial institution and any third party.

## **Chapter Three**

### **Duties of the Financial Consumer**

#### **First: Personal Information and Data**

1. The consumer is obliged to provide complete and accurate information with disclosure of all relevant financial obligations when dealing with the financial institution to obtain any financial product, provided that he/she does not hide any required information.

2. The consumer is obliged to update his/her personal data on an ongoing basis, including supporting documents and means of communication (phone No. and e-mail address) and is responsible for the accuracy and integrity of this data.

#### **Second: Risk Awareness**

1. When the consumer wishes to obtain any financial product from the financial institution, he/she must understand the risk when using this product, in a manner that suits his needs and financial situation.

2. In case the consumer discovers unknown, mysterious and unidentified transactions on his account, he/she should immediately inform the financial institution so that it can take the necessary action.
3. The consumer should not, under any circumstances, provide any details or information about his bank account or any personal data to any other party, which may expose him/her to the risk of fraud.
4. The consumer should be careful when authorizing any party to conduct his/her financial transactions and verify the eligibility of the person (natural or legal) who has been granted the authority to act on his/her behalf in his/her financial affairs.

### **Third: Contracts**

1. The consumer/client should be careful when reading the documents, information and contracts introduced by financial institutions regarding any financial products and ensure that they include full details regarding the obligations incurred by him/her in return for obtaining the financial service. Also make ensure of his/her full understanding of them and being able to commit before signing any of them. He/she should not sign blank and incomplete forms.
2. The consumer reviews all the information and data recorded in the contract form for the financial products produced by the financial institutions and ensures that there are no errors in it (account number, amounts, or beneficiary data), as his/her signature means approval of the content of the form.
3. The financial institution must provide the consumer with a copy of the contract and documents signed between the two parties and keep them in a safe place.
4. The consumer may seek advice from the financial institution with which he/she deals, if he encounters difficulties in obtaining any product and inquiries about any unclear details about the products, he/she wishes to obtain.



## **Chapter Four**

### **Financial Institution Prohibitions**

#### **Prohibitions**

1. Practicing fraud, deception and concealing the truth of all financial products.
2. Producing, offering or advertising a financial product that violates the financial system.
3. Hiding, changing, removing or misrepresenting financial services provided to the financial consumer.
4. Make any change to the terms of the contract or contracts signed with financial services consumers in line with the financial institution policy except with the approval of the second party (the financial consumer).

## **Chapter Five**

### **Penalties**

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**First:** The financial institution shall be subject to legal penalties in the event of any complaint from the financial consumer regarding its failure to comply with the above articles.

**Second:** The violator of the above-mentioned, if it results in harm to the financial consumer, shall be punished with a fine that is twice the amount of the harm caused to the financial consumer.

## **Chapter Six**

### **Reasons and Scope of Application**

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**First:** This chapter was prepared based on the eight consumer rights approved by the United Nations General Assembly under Resolution No. 384/39 on April 9, 1985, including: the right to safety, the right to knowledge, the right to choice, the right to listen to opinions, the right to satisfy basic needs, the right to compensation, the right to education, and the right to live in a healthy environment. In addition to the seven consumer issues, within the ISO 26000 standard specification including: fair marketing, information and contractual practices, protection of consumer health & safety and sustainable consumption, consumer service and support, dispute resolution, protection of consumer data & its privacy, access to basic services and education & awareness.

This regulation was prepared with the aim of protecting the financial consumer and establishing the principle of justice and equality among financial producers and preserving their rights in terms of justice, transparency and their right to grievance.

**Second:** This regulation applies to all those covered by the services of financial institutions and is considered valid from the date of its circulation to banks and non-banking financial institutions.