



Central Bank of Iraq

consumer protection
Guide

consumer protection
Guide

consumer protection
Guide

Consumer Protection Guide



This Bank Customer Protection Guide has been prepared in light of the Central Bank of Iraq's efforts aimed at enhancing consumer protection in the banking sector through promoting disclosure and transparency in financial and banking transactions provided by banks to various customers across all sectors, and working to provide an appropriate environment for safeguarding customers' rights within a balanced relationship that also protects the banking sector, guided by best international practices in this field

This guide represents the instructions approved by the management of the Central Bank of Iraq under its Directive No. 9/1/7/427 dated November 7, 2016, which was circulated to all banks, money transfer companies, and electronic payment service providers for implementation in their dealings with all their customers, whether natural or legal persons, within the scope of application as stipulated. The set of principles contained in this guide is intended to supplement these instructions and shall not replace any previous instructions issued by the Central Bank of Iraq in the field of customer protection.

It is incumbent upon banks to take the necessary measures to implement the principles and controls set out in this guide, including establishing necessary policies approved by their boards of directors and updating their operating manuals. Banks are required to begin applying these instructions as of the date of issuance of this guide and fully adhered to them.

Within the framework of the methodology adopted by the Central Bank of Iraq to consolidate its supervisory role in protecting the rights of banks, the Central Bank has issued numerous instructions and directives to the banking sector aimed at promoting the concept of disclosure and transparency in financial and banking services provided by banks to various customers across all sectors, and working to provide an appropriate environment for safeguarding customers' rights within a balanced relationship that provides protection for the banking sector while addressing the reputational risks that may arise in the event that banks fail to comply with professional banking conduct controls, which may negatively affect customers' dealings with those banks.

Among the instructions issued by the Central Bank of Iraq in this regard are the regulations relating to contracts concluded with customers, particularly with respect to their legality and clear drafting. There are also other issued instructions concerning the controls and requirements related to the issuance of credit cards and other controls directly aimed at protecting the rights of these customers. In particular, the most recent instructions issued by the Central Bank of Iraq concern the establishment of a Customer Protection Department at the Central Bank, which aims to promote banking and financial awareness among customers and to receive and address their complaints. The responsibilities of this unit include providing a telephone service to respond to customers' inquiries.

Amid the growing international interest in the protection of consumers in the field of financial services, following the repercussions of the global financial crisis, as well as the market developments witnessed in these services and financial instruments, including the expansion of electronic services, and the increasing opportunities for risk transfer to customers across various sectors, particularly in cases where customers lack financial knowledge and awareness. In this regard, the financial crisis revealed that among the causes of that crisis was the introduction of many innovative or structured financial products that involved high risks which customers were unable to perceive sufficiently to enable them to make decisions based on sound and well-considered foundations. Hence, attention was drawn to the necessity that financial and banking products be designed according to customers' needs and within a clear framework of the risks they involved. These developments have affirmed the need to protect financial consumers and to integrate this with financial inclusion, financial education and awareness policies, and within legal frameworks that provide customers with protection of their rights in terms of fair treatment, adequate disclosure, improving their financial literacy, and providing them with objective advice, while delivering financial services to them within competitive frameworks and professional conduct, taking into account the protection of these customers' assets and data from any breach of confidentiality or exposure to any forgery or fraud.

First: Customer Protection – Importance and Concept

Consumer Protection refers to the procedures implemented to reduce risks that customers may face in their dealings with banks. This is achieved through the establishment of regulatory frameworks—policies and procedures—that ensure customers receive a wide range of financial services within a comprehensive framework of disclosure and transparency in financial transactions. Such measures guarantee that customers obtain their rights without diminution, safeguard their interests, and hold accountable those who violate these regulatory frameworks.

The process of consumer protection relies on three dimensions, as follows:

- **Regulatory and Supervisory Dimension:** This includes the methods, applications, and practices employed by the relevant supervisory authorities in order to enhance consumer protection.
- **Legislative Dimension:** This includes the activities, practices, and regulations governing consumer rights and obligations, which form the mandatory framework within which bank must operate. Banks that violate these regulations are subject to appropriate penalties.
- **Awareness and Educational Dimension:** This includes the activities and practices aimed at raising the level of financial and banking knowledge and literacy among customers, thereby enhancing their ability to make informed decisions that strengthen their protection and ensure they obtain their rights.

Second: Regulatory and Supervisory Framework

The Central Bank of Iraq's focus on protecting bank customers stems from its strategic plan (2016–2020), where consumer protection holds a strategic objective that the Bank seeks to achieve in accordance with the provisions of the Banking Law on currency and the regulation of the banking profession and its amendments, which contain various provisions in this field. This is also consistent with the requirements of the Core Principles for Effective Banking Supervision, which extend the supervisory role to ensuring that banks have appropriate policies and procedures that include strict rules related to due diligence for customer protection, thereby promoting the application of high-level professional standards in the banking sector.

Therefore, this guide contains the principles and rules that banks must comply with and observe when providing banking products or services to their customers, when providing them with financial advice and information, when advertising or promoting those products or services, as well as when handling complaints and grievances and settling disputes and conflicts.

Third: Objective of Issuing the Customer Protection Guide

This guide is issued with the aim of achieving a set of key objectives, most notably:

- 1- Emphasizing the Central Bank of Iraq's commitment to protecting customer rights, ensuring they receive financial and banking services within a comprehensive framework of disclosure and transparency. This enables customers to make sound decisions, while highlighting the importance of banks keeping pace with banking developments related to current and future customer needs, and raising their awareness of the suitability of such services to achieve their aspirations.
- 2- Establishing a set of standards and practices related to protection of bank customers, which serve as a basis for evaluating banks' performance in the field of customer protection and governance practices in this area.
- 3- Formulating a general framework for the concept of customer protection, with a focus on the banking sector, which contributes to enhancing supervisory objectives that support financial stability by strengthening professional practices in the provision of financial services to customers, thereby preventing problems at the national level that may result from unsound practices in banks' dealings with customers.
- 4- The existence of a written guide containing important principles of consumer protection, which emphasizes integrity and honesty, is expected to have a positive impact on those working in banking and finance, given that this represents documentation that supports efforts to implement such principles.
- 5- This guide serves as an educational and awareness-raising tool for bank customers, as it includes a presentation of rights, obligations, and principles that enhance their understanding of the nature of their relationship with banks, and also contributes to improving customers' financial and legal literacy in their banking transactions. The existence of customers who possess financial and banking literacy and understanding will lead to more prudent financial behavior and decision-making, thereby reducing the likelihood of their contributing to the emergence of crises resulting from low levels of awareness.
- 6- Establishing fair practices that must be adopted when providing financial and banking services and products through banks, which represent minimum standards of policies and procedures that banks follow in their dealings with customers, particularly in the area of focusing on disclosure and transparency to help customers make informed decisions based on their actual circumstances.
- 7- Strengthening the pillars and foundations of trust within the banking system, given that such trust is among the most important factors for success, growth, and developing customer relationships, especially in the presence of effective mechanisms and clear frameworks for addressing customer complaints and grievances, and any practices that lack fairness or clarity.

Fourth: Scope of Application

This guide applies to banks operating in Iraq, as well as money transfer companies and electronic payment service providers.

Fifth: Consumer Protection Principles

The general principles of customer protection outlined below represent the minimum standards that banks must comply with and observe in their dealings with customers.

First Principle: Fair and Equal Treatment

Banks, throughout all stages of their dealings with customers, must ensure that their transactions are characterized by justice, equality, fairness, and integrity, and they must strive to make this approach an integral part of their governance rules.

Second Principle: Disclosure and Transparency

Banks must provide their customers with all information related to the services and products they offer, ensuring that such information is clear, easy to understand, simple, and accurate, thereby guaranteeing that customers are informed of the advantages and risks in a transparent and clear manner, and that the customer does not bear any burden in obtaining that information. Banks must also ensure that the information provided to customers includes a clear explanation of their rights and responsibilities, details of the prices, commissions, and fees charged by each bank for each service or product, as well as an explanation of the associated benefits and risks, and the mechanism for terminating the relationship and its consequences in order to facilitate customers' decision-making. Advice provided to the customer must be appropriate to their ability, capabilities, and financial goals, in light of their experience with those products and services, and consideration must be given to encouraging customers to provide comprehensive and accurate information about their circumstances and needs to enable banks to offer appropriate advice and services.

Third Principle: Financial Awareness and Education

Banks must establish appropriate plans, programs, and mechanisms to develop and disseminate financial and banking knowledge to their current and potential customers, and strive to raise their level of awareness and education to enable them to understand all aspects related to the banking services or products offered to them, thereby help them make informed decisions, and direct them to the appropriate source from which they can obtain additional information if they need it. Banks must also inform customers of their rights and responsibilities, especially customers who lack banking experience and knowledge.

Fourth Principle: Professional Conduct

Banks must ensure that they practice and perform their work in a professional and responsible manner, prioritizing the best interests of their customers at all stages of their dealings with the bank, as the bank is responsible for protecting its customers regarding the banking services or products offered to them. At the forefront of these ethical standards are integrity, credibility, and ensuring that the products and services offered to the customer's are appropriate to their capabilities, resources, and needs, while ensuring adequate training is provided for bank employees who interact with customers and provide banking services to them.

Fifth Principle: Protecting Customers Against Financial Fraud

Banks must protect customers' deposits, savings, and other financial assets that fall within the scope of their transactions with the bank by establishing effective internal control systems characterized by efficiency and a high level of meticulous oversight in order to reduce fraud, embezzlement, or misuse of financial services, and continuously verify the efficiency of the systems used to keep pace with changes in fraudulent methods.

Sixth Principle: Protection of Privacy and Confidentiality of Information

Banks must establish control systems, mechanisms, and policies that guarantee the protection of the financial and personal information of their customers. All transactions with banks are confidential, and it is not permitted to access or disclose them except in accordance with applicable laws and regulations. Banks must provide secure systems for electronic transactions, in addition to ensuring that the professional conduct rules for banks include a clause obligating employees to maintain professional confidentiality to protect their customers.

Seventh Principle: Handling Customer Complaints and Grievances

Banks must give sufficient attention to handling customer complaints and grievances in a prompt, fair, and independent manner, and must ensure that their Banking Awareness and Public Protection Department (Consumer Protection) effectively carries out its responsibilities, in the presence of clear and specific mechanisms to follow up and process such complaints without delay. Customer complaints units must be given appropriate attention and oversight by banks' boards of directors, and banks must have an internal mechanism for resolving disputes with customers.

Eighth Principle: Competitiveness

The bank must provide the information required to enable comparisons between the best banking and financial services and products available to customers from banks. This includes ease of transfer and switching between banks and between different products and services without burden or complexity, at a reasonable cost, taking into account that this should lead to raising the quality of services provided by banks to their customers.

Ninth Principle: Protecting Customers from Outsourcing Risks

In the event that banks utilize operational services from external parties (outsourcing), they must ensure that the external parties comply with the principles included in this guide, that they act in the best interests of the bank's customers, and that they bear the responsibility of protecting them, including maintaining the confidentiality of their information.

Tenth Principle: Conflict of Interest

Each bank must have a clear, written policy approved by its board of directors regarding conflicts of interest. The bank must continuously ensure the adequacy of the procedures followed and the policy applied in detecting potential conflict of interest situations, and that they are implemented effectively. It must also ensure disclosure of conflict of interest cases in accordance with the provisions of that policy.

Sixth: Practices Related to Disclosure and Provision of Banking Services and Products

Banks must comply with the following requirements in this regard:

- 1- Provide their customers with a written copy of the general and specific terms and conditions related to each product or service before they receive it.
- 2- Use transparent and fair methods in marketing their banking products and services.
- 3- Ensure the availability of qualified staff to deal directly with customers, in line with the complexity of the products or services offered. These staff must receive sufficient training to respond to all customer inquiries with accurate information.
- 4- Ensure compliance with all disclosure requirements for products and services that must be disclosed, such as displaying services and products on notice boards inside and outside the bank.
- 5- Ensure that all rules and terms related to banking services offered by the bank are available on the bank's website in an easily accessible manner.

Seventh: Handling Bank Customer Accounts

Banks must, in this regard, comply with the following:

- 1- Provide their customers, on a regular basis, with statements regarding the key details of their financial transactions, transfers, and account balances.
- 2- Notify their customers, in writing or by electronic means, in a timely manner before making any changes to interest rates, returns, fees, commissions, or imposing new fees, or any other terms of the products or services they receive or have contracted for.
- 3- Maintain historical records of customer transactions, and ensure that access to such records is easy and convenient, either free of charge or for a reasonable fee.
- 4- Clearly explain to customers all expenses or fees related to the products and services they offer, such as check services, including those related to obtaining checkbooks, clearing and settlement of checks, or other related procedures.
- 5- In the absence of customer instructions to the contrary, banks must provide their customers with a free monthly account statement (once per month) showing all customer transactions carried out during the month, as well as any interest, returns, or fees recorded on these accounts. If customers choose to receive their account statements through electronic means or telephone services as an alternative to monthly paper statements, the format through which the information is obtained should be appropriate, easy to read, and include the relevant details.
- 6- Provide written notification to customers whose accounts have been inactive for long periods, place such accounts under close monitoring, and apply control measures for accessing and protecting these accounts, while complying with Instruction No. (1) of 2009 pursuant to our Circular No. 9/4/3733 dated August 11, 2009.
- 7- Ensure that confirmations and statements sent to customers for signature are easy to read and understand, appropriate for all types and categories of customers.

Eighth: Protecting Banking Secrecy and Information Privacy

Banks must, in this regard, comply with the following:

- 1- Protect customers by establishing high-level control systems that include appropriate mechanisms defining the purposes for which data and information are collected and processed.
- 2- Provide an internal environment that ensures the security and confidentiality of all available information and data relating to their customers and their transactions. Banks must continuously test this environment and ensure its adequacy.
- 3- Disclose to their customers, in an appropriate manner, the cases in which the rule of maintaining the confidentiality of customer information and data does not apply, which are:
 - a. Cases where information is disclosed with the customer's written consent.
 - b. Cases where information must be disclosed mandatorily under laws, regulations, and by official authorities within their respective powers.

Ninth: Financial and Banking Awareness

- 1- Banks must design and implement appropriate mechanisms to develop the skills of current and future customers, raise their level of awareness, provide guidance, and enable them to understand the fundamental risks of transactions they conduct with banks. This should empower them to make suitable decisions and direct them to the appropriate sources for the information they need.
- 2- As part of financial and banking education, each bank's website must include a dedicated page for financial and banking awareness. This page should contain the guide itself, in addition to customer rights and responsibilities, complaint procedures, and frequently asked questions with the bank's responses.

In this context, banks are required to:

- a. Develop an annual plan supported by specific programs to strengthen the dissemination of financial and banking information, aiming to increase financial and banking awareness.
- b. Collaborate with institutions, civil society organizations, academic and professional bodies that seek to enhance financial and banking awareness, raise the level of knowledge, and cooperate in developing and implementing financial and banking awareness programs.
- c. Participate periodically in conducting studies specifically aimed at measuring financial awareness and the impact of measures taken in this regard on increasing financial education. This should be part of evaluating the outcomes of policies implemented by banks and considering their development.

Tenth: Financial and Banking Inclusion Programs

"Financial and banking inclusion" means the set of procedures and policies aimed at making financial and banking services available to all segments of society, including persons with special needs, low or limited-income individuals, salaried employees, small service and craft business owners, and micro, small, and medium-sized enterprise owners, taking into account that these services are provided according to their needs and circumstances, and are characterized by fairness and transparency.

In this regard, banks must comply with the following:

- 1- Develop annual programs to achieve financial and banking inclusion goals, with mechanisms to monitor the implementation of these programs, identify beneficiaries, and ensure diversity to include several categories of potential bank customers, thereby expanding the customer base of banking system units.
- 2- Make further efforts to study the needs of groups that do not deal with banks and take serious steps to facilitate their access to their needs through safe and accessible methods.

When banks plan their activities and programs for financial and banking inclusion, they must develop appropriate methods to attract groups not accustomed to dealing with banks (e.g., persons with special needs and low-income individuals), while providing positive procedures to guide these groups and encourage them to raise their level of engagement and benefit from developments in various fields, especially technological ones.

Eleventh: Advertising and Promotional Materials

Banks must, in this regard, comply with the following:

- 1- Ensure that all their advertisements and promotional materials used to present their products and services do not contain false or inaccurate information that could lead to misunderstandings among current or potential customers, which may result in incorrect decisions.
- 2- Ensure that all advertising and promotional materials for their products and services are easily readable and understandable to the general public.
- 3- Take into account, when issuing any advertisements or promotional materials, the legal liability that may arise as a result of incorrect data or information contained in those advertisements or promotional materials used to sell their products and services to customers.
- 4- Refrain from advertising products or services that contain risks only understood by specialists, and also refrain from encouraging customers to benefit from these services and products without appropriate clarification of the related risks.
- 5- Establish a promotion, publicity, and advertising policy approved by their board of directors, ensuring that it includes principles, rules, and practices that are professionally and legally acceptable regarding any advertisements or promotional materials issued by the bank.
- 6- Ensure that customer complaints units in banks verify that the policy for advertising and promotional materials complies with the rules and practices set forth in the Customer Protection Guide as a minimum, and that it is free from any messages that could be misunderstood or misleading. If these units receive inquiries or clarifications raised by such promotional materials, they must take appropriate immediate action to remove any ambiguity or confusion.
- 7- When banks announce that they have received awards, certificates of excellence, or distinction, they must disclose sufficient information about the awarding entity, the mechanism and methodology used to award the certificate, and the criteria adopted by that entity.

Twelfth: Customer Service Employees and Marketers of Bank Services and Products

- 1- Customer services employees and marketers of bank services and products must have good knowledge and awareness of the legislative and regulatory rules for customer protection, as well as the provisions and controls contained in this guide related to the performance of their duties in serving the customer, in addition to being well-versed in all technical aspects related to the service or product offered to the customer.
- 2- Banks must, when selecting customer services employees and marketers for their services and products, take into account a set of criteria that must be met by these employees, including the duration of experience in similar work, the extent of familiarity with banking products and services commensurate with their degree of complexity, as well as communication skills and other personal characteristics appropriate to the nature of the tasks assigned to them, in addition to possessing the necessary certifications and training.

Thirteenth: Loans

Banks must, in this regard, comply with the following:

- 1- Obtain an authorization from the customer, to be attached to the loan agreement, to inquire about credit card details and loan information obtained by the customer from banks, financing companies, and other entities. A signed statement from the customer is also required, detailing the balance of loans/financing transactions obtained from the aforementioned entities existing at the time of the loan/financing application, based on our Circular No. 9/1/6/475 dated December 13, 2016.
- 2- Provide loan customers with a specified review period, determined according to the bank's policies, ensuring that the customer is informed of all financial implications arising from the loan/financing to be granted, as well as the contractual terms and obligations resulting therefrom in accordance with the agreement to be concluded regarding the loan/financing. The bank shall retain documents evidencing that, at the beginning of the review period, the customer was provided with a clear and simplified statistical schedule showing the following:
 - a. The value and number of loan/financing installments.
 - b. The components of each installment consisting of interest/return and the amount repaid from the principal of the loan/financing, assuming regular repayment during the repayment period.
 - c. The total value of interest/returns to be paid until the end of the loan/financing term.
 - d. A statement of potential changes in financing charges for installment loans, assuming an increase in the interest rate by the maximum limit prescribed (2%) every five years.
- 3- Not obligating any of their customers to purchase another service or product as a condition for providing a related service or product.
- 4- In the event that the bank provides electronic services, it shall ensure that the loan/financing statement provides detailed information regarding the number and value of paid and remaining installments up to the due date, broken down by interest/return and principal amount.
- 5- Loan contracts must include, as a minimum, the following clauses:
 - a. Basic customer information.
 - b. Type of loan.
 - c. Loan amount.
 - d. Purpose of the loan.
 - e. Loan term for the customer.
 - f. The account from which monthly installments will be deducted.
 - g. The interest rate on the loan, in accordance with the directives of the Central Bank of Iraq in this regard, such that the total cost of financing (interest/return) is clear to the customer before granting the financing, while retaining proof that the customer has been informed of this.

- h. The customer receiving an original copy of the contract and signing it to acknowledge receipt thereof.

Fourteenth: Credit Cards

- 1- Banks must disclose all requirements related to the issuance of credit cards, including issuance fees, expenses related to financing (financing limits), exchange rates, applicable interest/return rates (method of calculation), the minimum monthly payment, etc. before contracting with customers.
- 2- Banks must notify their customers in writing or by sending electronic messages or SMS in the event of new fees or any change to any fees or charges on credit cards previously issued to customers.
- 3- Banks must inform their customers of the minimum amount required to be paid monthly for credit cards, while clarifying any costs related to interest/return rates that will result from the customer paying only the minimum amount.

Fifteenth: Internet Banking and Telephone Banking Services

- 1- Banks that provide services to customers through the internet or telephone banking must employ security systems that ensure the following:
 - a. Safeguarding the privacy and confidentiality of customers' data and protecting it from unauthorized access or breaches.
 - b. Authenticating transactions, identifying counterparties, and controlling access to the systems used.
 - c. Accepting and executing of transactions carried out by customers on their accounts through the systems made available by the bank for this purpose.
 - d. Notifying customers in advance if the bank needs to suspend certain services for maintenance or other reasons.
- 2- Banks must impose monitoring and oversight measures on the performance of third parties engaged in providing internet or telephone banking services.
- 3- Banks must inform customers who wish to use internet or telephone banking of any applicable fees or charges related to these services, including their amounts.
- 4- Banks must establish clear and specific rules for handling cases of error or fraud, should they occur.
- 5- Banks must take measures aimed at enhancing customer understanding and use of internet and telephone banking. They must implement continuous awareness programs and notify customers of any changes or upgrades to the systems in place to ensure their protection. Banks are also required to inform customers of the risks associated with electronic transactions and provide guidance that promotes safe usage and protection.

