



Governance, Ethics & Regulatory Alignment

World Union of Arab Bankers

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Today's Agenda

- 1 Navigating Evolving Regulatory Expectations: Global and Regional Insights
- 2 Embedding Accountability and Transparency in Governance Models
- 3 Conduct Risk, Customer Fairness, and Ethical Banking Practices
- 4 Role of Internal Audit in Governance

Adapting to the Regulatory Trends in the Region...



Customers are central to regulatory and supervisory developments in the region. Below are the key expectations shaping these initiatives.

Frictionless Digital Onboarding and Self Service

Ethical, sustainable banking & visible ESG commitments

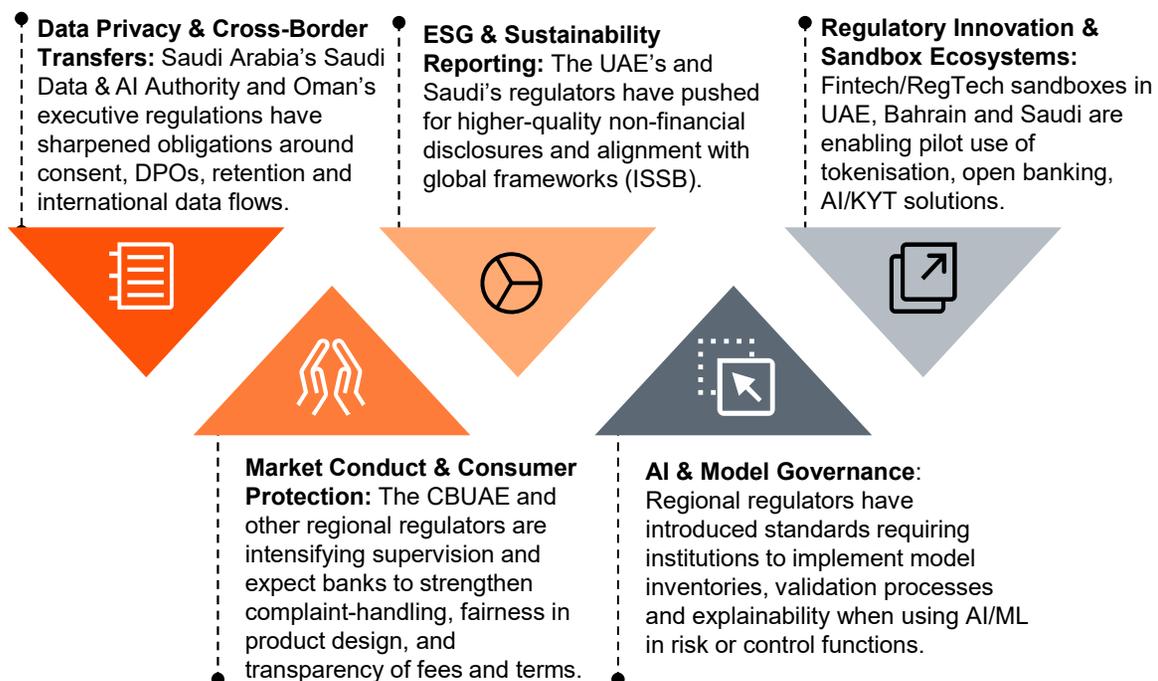
Clear disclosure, simple language and minimal surprises

Minimal physical branch dependency

Transparent data privacy and secure handling of personal information

Trustworthy advice, fair pricing and proactive issue resolution

Regional regulators have introduced or are in the process of introducing new requirements and guidelines to strengthen controls and enhance the resilience of the banking system.



Building Accountability and Transparency in Governance Models

 **Accountability and transparency are core behavioral pillars** that ensure decision-makers are answerable for their actions, enabling informed stakeholder oversight and reinforcing regulatory confidence.

01 Ethical Conduct & Risk Governance

- ✓ Set and uphold ethical standards and codes of conduct.
- ✓ Align leadership behavior with organizational values.
- ✓ Respond transparently to ethical breaches.
- ✓ Assign clear accountability for risk identification and management.

02 Regulatory & Supervisory Trust

- ✓ Maintain transparency in compliance status and breaches.
- ✓ Ensure transparent compliance reporting and open communication with regulators.
- ✓ Provide balanced, accurate, and accessible reports to the Board.

03 Investor Discipline & Sustainable Value

- ✓ Communicate both financial and non-financial performance.
- ✓ Enable stakeholders to make informed assessments.
- ✓ Consider diverse interests in decision-making.

04 Crisis Containment & Resilience

- ✓ Maintain transparent communication during crises.
- ✓ Engage stakeholders regularly to build trust and legitimacy.

Strengthening Accountability and Transparency through Managing Conduct

Conduct risk is the risk that a bank's actions or decisions may lead to unfair outcomes for customers, break ethical standards, or violate regulations. It focuses on how employees behave and how products and services are delivered, not just financial results.

Managing conduct risk is crucial because failures can result in large fines, legal issues, and damage to reputation. Regulators pay close attention to areas like consumer protection, anti-competitive behavior, and discrimination. Strong conduct risk controls help banks avoid penalties and maintain trust.

Ultimately, good conduct risk management supports fair treatment of customers, ethical business practices, and long-term success. It helps banks build lasting relationships with stakeholders and ensures responsible growth.



Implementing Conduct Principles Through the Customer Lifecycle



Conduct Risk across the customer lifecycle is guided by three core principles: **Clear communication and transparent disclosures, Ethical, proactive, and customer-focused advice and support and Strict adherence to service level agreements (SLAs).**

Marketing

- Clear disclosure and Transparency
- Communications are not Misleading
- Target audience is identified

Branches and Digital Channels

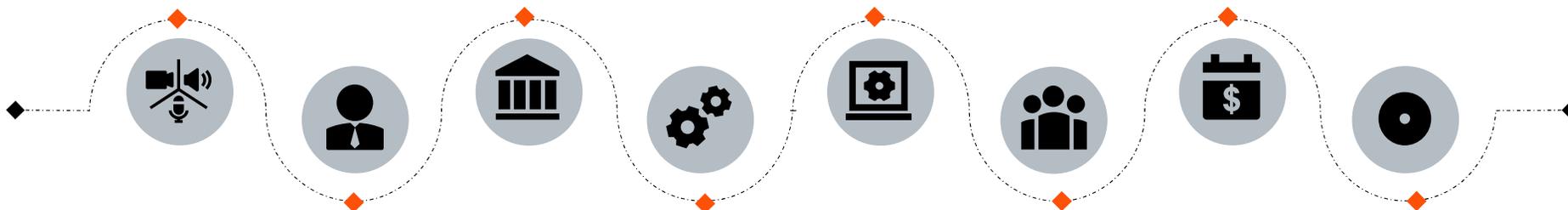
- Staff are available and supportive
- Appropriate provisions made for People of Determination
- Optimized customer experience

Application of Product and Services

- Risk disclosures are comprehensive
- Product use does not harm consumers.
- Continuous advice and communication

Debt / Arrears Management

- Proactive support to customers to avoid / manage debt



Sales Agents

- Ethical behavior and selling
- Employee incentives and Remuneration
- Understanding of the product and customer needs

Customer Support

- Customer support is easily available and accessible
- Monitoring to ensure support agents are being effective, supportive and nondiscriminatory

Complaints Management

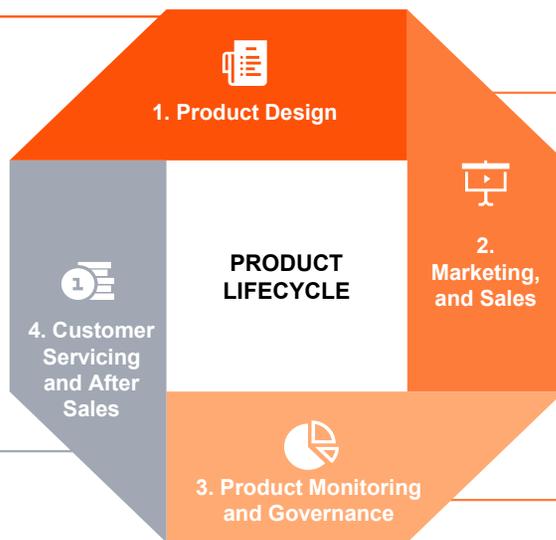
- Complaints and resolutions are recorded, monitored and analyzed
- Complaint resolution SLAs are adhered to

Ending of Relationship

- No restrictions on customer mobility and transfer of assets

Ensuring Conduct Throughout the Product Lifecycle

- ✓ Ensure products meet customer needs, suitability and affordability before launch
- ✓ Conduct target market assessments and define vulnerable customer segments
- ✓ Develop fair and transparent product terms, fees, and conditions, and secure all necessary approvals including risk, compliance, Shariah (if applicable), and legal, as per the Product Approval Framework before rollout.



- ✓ Create a disclosure and transparency checklist as per local consumer protection regulations and standards and align all marketing materials with this checklist
- ✓ Provide comprehensive and balanced information on product benefits, risks, fees and alternative options.
- ✓ Maintain training and conduct oversight for front line staff and agents
- ✓ Ensure incentive structure is curated to avoid aggressive or misleading sales incentives

- ✓ Provide accessible support channels for all customers, including vulnerable ones
- ✓ Perform ongoing monitoring of the effectiveness of customer support channels through periodic audits, mystery shopping exercise etc.
- ✓ Safeguard customer data privacy and consent management as per regulatory requirements

- ✓ Establish regular product performance review against KPIs and conduct indicators
- ✓ Conduct periodic risk assessment to evaluate ongoing suitability, affordability and customer outcomes
- ✓ Track complaints, mis selling incidents or early withdrawals for conduct trends and perform root cause analysis
- ✓ Review / reapprove product modifications or renewals (if any) through the right governance channels

Embedding Conduct Risk within the Bank's Internal Control Framework



Banks should embed conduct risk principles across their governance, risk management, compliance and assurance processes to ensure customer fairness and strong accountability throughout all business activities. Key elements are listed below



1



Governance and Oversight Structure



Clear governance structure and reporting lines for conduct risk and consumer protection



Board and Management Committee Charters to explicitly define conduct risk related responsibilities



Regular reporting to senior management, Board committees and regulators



Appointment of Conduct / Consumer protection champions within business lines to oversee consistent implementation

2



Three Lines of Defense

- First line shall own and manage conduct risk within day-to-day operations
- Embed conduct risk controls in product design, sales and customer servicing
- Report and escalate conduct incidents or breaches promptly

- Integrate conduct risk within Enterprise Risk Framework and RCSA processes
- Define risk appetite, KRIs and KPIs for conduct risk
- Maintain a conduct risk register and perform ongoing compliance monitoring

- Conduct independent testing and assurance over design and effectiveness of conduct risk frameworks, policies and controls

3



Policy and Procedures Framework

- Implement a market conduct / Consumer Protection Policy outlining governance, roles, monitoring, reporting and training requirements
- Ensure consistency across related policies – code of conduct, conflict of interest, disciplinary and whistleblowing
- Define conduct risk policy with measurable KRIs and KPIs and escalation protocols
- Align Board, Board Committee and Management Committee charters with conduct risk oversight responsibilities

Internal Audit as a Catalyst for Governance Excellence



Internal Audit plays a pivotal role in reinforcing accountability and transparency across the governance ecosystem.

- ✓ **Do you regularly audit for ethical conduct and adherence to code of ethics?**
- ✓ **Is your internal audit coverage focused on identifying and mitigating conduct risk across all business activities?**
- ✓ **Do your audit reports clearly highlight issues of transparency, such as gaps in compliance reporting or communication with stakeholders?**
- ✓ **Are you proactive in recommending improvements to ethical frameworks, conduct controls, and transparency measures?**
- ✓ **Is there regular follow-up to ensure that conduct, ethics, and transparency-related audit findings are addressed and improvements are sustained?**

Thank you

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