

Consumer protection and market conduct in UAE financial services sector

Ethical product design and sales practices in the UAE financial sector

Part 3/3 | July 2025



Strengthening market conduct through responsible product governance

In the third part of our series, we explore the importance of a robust product design and development framework, and how Licensed Financial Institutions (LFIs) manage conduct risk within that process. A robust product design framework should enhance governance and oversight, while enabling LFIs to offer products and services that build trust with both existing and prospective customers — without compromising commercial viability.

The Central Bank of the UAE (CBUAE) has taken a proactive approach to improving consumer protection regulations and standards.

These efforts aim to foster ethical market conduct and prevent mis-selling or misleading advertising, which can result in unfair treatment of consumers.

By embedding conduct risk management into product design, development, distribution, marketing and sales strategies, including the use of third parties for such activities, LFIs can strengthen risk mitigation and improve consumer outcomes. This contributes to the overall stability and integrity of the UAE financial sector.

Key factors that LFIs must consider during product design, development, and sales practices include:



Strong governance

Establish oversight structures that incorporate ethical considerations that are key to product development, promotion, and sales practices. These should align with regulatory obligations and internal policies.



Responsible lending / financing

Assess consumer affordability and suitability before offering products or facilities. Evaluate the customer's ability to service credit to prevent over-indebtedness.



Clear disclosure

Provide accurate, clear and easy-to-understand information in Arabic and English. This includes product terms, features, cost breakdowns, and disclosures to support informed consumer decisions.



Consumer education

Promote financial literacy through awareness programmes that help consumers understand the benefits, risks, and obligations of the products and services offered by LFIs.

Enhancing consumer confidence and trust

LFI must define a clear product strategy aligned with consumer needs and business goals. This includes cross-functional collaboration and a user-centric product roadmap. When customers are sold products that do not meet their needs or are deemed unsuitable products, it can result in financial harm to consumers, operational inefficiencies, and reputational damage. Non-compliance may also lead to fines, legal issues, and loss of market share.

Governance and oversight

Effective oversight requires dedicated functions, independent reviews, and clear accountability across the three lines of defense. This ensures that products meet the CBUAE's consumer protection regulations and standards.

Market insight and risk mitigation

Conducting thorough market analysis helps organisations identify emerging trends, enhance the customer experience, and inform product development and sales strategies. At the same time, embedding regulatory requirements into product design is a key aspect of compliance, which not only mitigates legal and operational risks but also fosters long-term stability and consumer trust.

Ongoing monitoring

Continuous testing and performance tracking should be embedded within governance frameworks to ensure products continue to serve consumers' best interests.

Promoting market integrity and fair competition

CBUAE regulations promote consistent consumer protection standards, foster ethical behaviour, and encourage fair competition. Ethical marketing and transparent product offerings empower consumers to make decisions based on value — not pressure or misleading tactics.

Strengthening internal controls, governance, and compliance reporting helps LFIs stay ahead of regulatory expectations and avoid penalties. Proactive oversight ensures products are designed with consumer interests in mind, reducing complaints and disputes.

Effective product governance for LFIs

To meet regulatory expectations, LFIs must adopt a structured product governance framework that ensures accountability, transparency, and compliance with consumer protection regulations and standards.

- ◆ **Consumer-centric design:** Products must meet consumer needs, with suitability assessments based on affordability, risk tolerance, and financial literacy. Regular reviews and stress testing help identify risks early.
- ◆ **Transparent marketing & sales:** All communications must be clear and accurate. Sales teams should follow ethical practices, supported by independent quality checks.
- ◆ **Fair distribution:** Third-party distributors must be regularly reviewed to ensure compliance and reduce outsourcing risks.
- ◆ **Data-driven oversight:** Analytics should track complaints, product performance, and sales behaviour to refine governance and protect consumers.

These measures boost consumer trust, reduce misconduct, and promote fair competition. By embedding market conduct into product development, LFIs not only comply with regulations but also strengthen their reputation and drive sustainable growth.



Staying ahead of regulatory expectations

LFIs that fail to meet the CBUAE's evolving market conduct standards risk penalties, reputational harm, and loss of consumer trust. In contrast, those with strong governance, clear accountability, and ongoing product oversight will be better positioned to succeed in a more regulated financial landscape.

How Grant Thornton supports LFIs in strengthening product governance

Grant Thornton helps financial institutions meet CBUAE expectations by providing:

- ◆ Independent reviews of product design and governance.
- ◆ Assessments of ethical sales and marketing practices.
- ◆ Oversight of third-party distribution channels.
- ◆ Regulatory gap analysis and internal audit support.
- ◆ Data-driven insights from consumer complaints to enhance risk management.



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