



CENTRAL BANK OF
TRINIDAD & TOBAGO

Market Conduct Guideline

for Institutions Licensed under the
Financial Institutions Act, 2008

November 15, 2018

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1. INTRODUCTION

- 1.1 The Central Bank of Trinidad and Tobago ('Central Bank') is mandated by section 5(3)(a) of the Financial Institutions Act, 2008 ('FIA') to promote the existence of efficient and fair banking and financial services markets.
- 1.2 Section 10(d) of the FIA empowers the Central Bank to issue guidelines on any matter it considers necessary to **regulate the market conduct of banks**¹.
- 1.3 The purpose of this Market Conduct Guideline ('Guideline') is to set out the expectations of the Central Bank regarding the market conduct of banks². It seeks to ensure that banks implement proper market conduct practices, policies and procedures to facilitate a sustainable, fair and sound financial environment for customers.
- 1.4 While the Central Bank recognizes that banks are primarily businesses for profit, these entities are also required to ensure that their actions do not directly or indirectly prejudice the interest of depositors.
- 1.5 Globally, regulators have been paying increased attention to the market conduct practices of their regulated institutions to ensure that customers are treated fairly. In some jurisdictions, market conduct is considered as important as financial risk. Given the impact of banks' practices on consumer confidence and trust and its potential to contribute to financial inclusion, poverty reduction, social well-being and the reputation of a country, it is imperative that a sound and fair environment is maintained.
- 1.6 Similar to other jurisdictions, the Central Bank recognizes the need to provide guidance on what constitutes acceptable market conduct practices and the fair treatment of customers.
- 1.7 Banks are required therefore to incorporate the elements of this Guideline in their policies, procedures, processes and practices as appropriate.
- 1.8 Banks are reminded that the requirements in this Guideline are not intended to be exhaustive, but represent the minimum standards that should be observed.

¹ In this Guideline, 'banks' refer to all commercial banks and nonbank financial institutions licensed under the FIA.

² Market conduct guidance for insurers and intermediaries is prescribed in a Schedule to the Insurance Act, 2018 and will come into effect upon proclamation of that Act. However, there exists currently a Claims Guideline and market conduct issues pertaining to insurance companies and intermediaries up to a threshold of \$100,000 are handled by the Office of the Financial Services Ombudsman and beyond that threshold, the Financial Institutions Supervision Department of the Central Bank.

2. PURPOSE, APPLICATION AND SCOPE

- 2.1 This Guideline applies to banks and seeks to inter alia:
- 2.1.1 enhance the transparency in banks' products and services by requiring, for example, full disclosure of:
- (a) effective interest rates, as well as all charges incident to a loan;
 - (b) fees and charges applicable to deposit and other accounts or services;
 - (c) penalties associated with the use of a product or service; and
 - (d) any pre-sale or post-sale barriers to changing a product, service or financial institution.
- 2.1.2 require the use of 'plain language' in contracts and other agreements;
- 2.1.3 ensure customers are provided with sufficient notice prior to:
- (a) the implementation of changes to the terms and conditions of any product or service, including changes in fees, charges and interest rates;
 - (b) the discontinuation of services; and
 - (c) the relocation/closure of branches.
- 2.1.4 ensure that banks treat customers fairly and reasonably with respect to:
- (a) marketing of products and services;
 - (b) provision of services to vulnerable citizens and the differently abled; and
 - (c) provision of information concerning the operation of accounts.
- 2.1.5 require banks to put in place effective customer redress and dispute resolution processes to ensure that all complaints can be dealt with in an independent, effective and prompt manner;
- 2.1.6 outline fair debt collection practices; and
- 2.1.7 ensure banks inform customers of their responsibilities.

3. DEFINITION OF KEY TERMS

'Advertisement' has the meaning assigned to it in section 2(1) of the FIA and includes:

- (a) publication in a newspaper, magazine, journal or other periodical;
- (b) circulars, brochures, pamphlets, books or other documents;
- (c) indoor or outdoor display of posters or notices;
- (d) radio, television, cinema, the internet or other media, including social media; and
- (e) letters/fax transmissions to customers/potential customers.

'Bank' means a either a commercial bank or nonbank financial institution licensed under the FIA;

'Board of Directors' means the Board of Directors of a bank;

'Central Bank' means the Central Bank of Trinidad and Tobago;

'Consumer' means a potential or actual customer of the bank;

'Customer' means any person who enters into a relationship with a bank for the provision of banking services;

'Effective interest rate' means the interest rate which reflects the total cost charged for using the loan (see Appendix for additional details);

'FIA' means the Financial Institutions Act, 2008;

'FSP' means a financial service provider and may include a bank or other financial institution;

'Market conduct' is defined as the manner in which a bank designs its products and services and manages its relationship with customers and the public.

4. MARKET CONDUCT OUTCOMES

- 4.1 This Market Conduct Guideline leverages the framework and market conduct policy outcomes promulgated by the Alliance for Financial Inclusion³. Accordingly, banks are required to implement practices, policies and procedures that would facilitate the following outcomes:
- (i) an inclusive and competitive marketplace;
 - (ii) suitability of products and services to customers;
 - (iii) transparency in marketing through adequate, accurate and appropriate disclosures;
 - (iv) professional ethics and standards in the handling of customer complaints and conflicts;
 - (v) due care and diligence over the entire duration of the usage of the product or service; and
 - (vi) safety and security of customers' assets, information and data.
- 4.2 These outcomes are to be demonstrably delivered throughout the product life cycle, from product design and promotion, through advice and servicing, to complaints handling.
- 4.3 The Central Bank's expectations of banks with respect to section 4.1 (i) to (vi) above are set out in Sections 5 to 11 of this Guideline. Each section explains further the expected outcomes and guiding principles pertaining to 4.1 (i) to (vi). Specific expectations that would lead to the achievement of the aforementioned outcomes are also provided.

³ The Alliance for Financial Inclusion ('AFI') is a network of financial inclusion policymakers. AFI is led by its members and partners, central banks and other financial regulatory institutions from developing economies. The AFI Network includes member institutions from more than 80 countries. The Central Bank is a member of AFI.

5. INCLUSIVE AND COMPETITIVE MARKETPLACE

EXPLANATION:

Consumers can easily find products that meet their needs, are affordable and suit their financial capability and risk tolerance. They have choices, and can easily change products and switch service providers.

GUIDING PRINCIPLES:

- A. *Banks, particularly those providing retail banking services, should design products for disadvantaged and low-income segments of society with responsible pricing. Products and delivery channels are designed to meet the needs of specific customer groups and are targeted accordingly.*
- B. *Banks should develop products for specific target markets based on a clear understanding of the likely needs and financial capability of each group of customers.*
- C. *Banks must ensure that penalty schemes associated with products and services are designed in a manner that would support responsible consumer behaviour, but not overburden customers with debt.*
- D. *Banks must ensure that they do not introduce any pre-sale or post-sale barriers that would hinder a customer from changing the product or closing their account with a bank and switching to another FSP. Examples of such barriers include unreasonable penalties for closing an account, terms and conditions which are unduly restrictive, and the existence of a complex process for switching of a mortgage and other loans.*

5.1 Products and Services for Vulnerable and Differently Abled Citizens

- 5.1.1 Banks should make every effort to make banking easy and convenient for customers such as senior citizens and persons with disabilities through appropriate policies, and convenient products and/or services.
- 5.1.2 Banks that provide retail banking services should consider establishing special low or no-cost accounts designed for vulnerable citizens. Examples of vulnerable and low-income persons include pensioners, minors and students.
- 5.1.3 Banks should take steps to provide appropriate facilities, access, and products and services for the differently abled, including providing brochures, booklets and other information in Braille, as an audio CD or in large print and providing tactile pads on ATMs.

5.2 Other Services

- 5.2.1 Banks should consider providing restroom facilities for their customers.
- 5.2.2 As far as is practicable, parking facilities should also be provided for customers who avail themselves of the bank's services. Additionally, where parking is provided, there should be designated parking for senior citizens and persons with physical disabilities.

5.3 Closure of Accounts

- 5.3.1 Banks should not close a customer's account, or threaten to do so for a trivial reason such as the customer raising a query, or lodging one or more complaints against the institution.
- 5.3.2 Where a bank has concerns giving rise to the potential closure of an account, the account should not be closed without giving the customer a fair and reasonable opportunity to address those concerns.
- 5.3.3 When an account is closed, funds should be dispatched in accordance with the customer's instructions. This must be done promptly and where possible, within three (3) working days.

6. SUITABILITY

EXPLANATION:

Consumers are offered the product best suited to their needs and financial capability.

GUIDING PRINCIPLES:

- A. *The bank provides clear and fair advice that is not misleading. The advice is suitable and takes the customer's circumstances into account. The bank takes reasonable care to ensure its advice and discretionary decisions are suitable for any customer that relies on its judgment.*

7. TRANSPARENCY AND MARKETING

EXPLANATION:

Consumers are at all times properly informed about the product or service in order to make effective and informed decisions. They are not misled. They are able to compare the nature, value and cost of products and make informed choices.

GUIDING PRINCIPLES:

- A. *The bank provides consumers with free, clear, fair, non-misleading information through appropriate channels, and keeps them appropriately informed of all relevant information relating to the product or service before, during and after the point of sale.*
- B. *The bank must ensure 'truth in advertising' so that the consumer is not misled by its marketing practices and communications during promotions, advice, sales and after-sales activity.*
- C. *The bank must pay due regard to the information needs of its customers and communicate information to them in a way that is clear, fair, appropriate to the particular customer and not misleading.*

7.1 Advertisements

- 7.1.1 In accordance with section 53(2) of the FIA, a bank shall not issue or cause to be issued any advertisement which is misleading or objectionable. All advertising and promotional literature must be clear and provide accurate information about products and services being provided.

7.1 Advertisements (cont'd)

- 7.1.2 Advertisements should not mislead in any way by reason of inaccuracy, ambiguity, exaggeration, omission or otherwise. Product identification or designation should not create an impression that a product has certain characteristics that it does not have. It would be an unfair practice for an advertisement to say anything, or fail to say anything, as a result of which, a consumer might be deceived or misled. It is also an unfair practice if the advertisement makes a claim that is false.
- 7.1.3 It is an unfair practice for the bank to take advantage of a customer if the bank knows or should reasonably be expected to know that the customer:
- (a) is not in a position to protect his or her own interests; or
 - (b) is not reasonably able to understand the character, nature, language or effect of the transaction or proposed transaction or any matter related to the transaction.
- 7.1.4 Advertisements should indicate the nature of the contract being offered, and provide information on any limitations on eligibility, any charges, expenses, risks, penalties attached and the terms on which withdrawal may be arranged. Alternatively, if an advertisement is short or general in its content, explanatory material giving full details of the facilities or opportunities available should be readily available to the customer before a binding contract is entered into.
- 7.1.5 Advertisements should present a fair and balanced picture of the product being advertised. The main risks and drawbacks should also be highlighted to balance the 'headline' benefits, which should be realistic and not based only on an optimistic view of events.
- 7.1.6 Legal and technical language should be used only when it is unavoidable (see section 7.2 re: Plain Language in Contracts and other Agreements).
- 7.1.7 For banking services which refer to an interest rate, the advertisement must include the effective interest rates (if the two rates are different), and other relevant fees and charges.
- 7.1.8 The Central Bank requires all banks to display prominently on their website a notification regarding this Market Conduct Guideline. Such notifications must include a copy of, or the link to, this Guideline.

7.2 Plain Language in Contracts and Other Agreements

- 7.2.1 The writing and design of each contract or agreement must be clear and written in plain language⁴ so that the reader can find and understand easily the information they need.
- 7.2.1 The following principles should be observed when writing contracts, agreements, terms and conditions or any other correspondence for customers:
- (a) use reader aids as far as possible, for example, headings, notes in the margins, a table of contents, or a different print style to highlight key points;
 - (b) use words that are familiar to readers and, when that is not possible, define legal and technical terms;
 - (c) give an example or illustration to explain a complex concept or calculation, as appropriate; and
 - (d) print the document in an easy-to-read format, with an appropriate type size, print style and page design.

7.3 Required Disclosures

- 7.3.1 Consumers should be made aware of what it costs them to undertake transactions. In this regard, improved public disclosure of interest rates and fees and charges strengthens consumers' ability to decide how best to manage the cost of banking or financial services. The requirements below seek to balance the need of consumers to have clear and timely information with the cost of delivering such information.
- 7.3.2 Banks are required to maintain, at each of its branches where products or services are offered, and at each representative offices) and on its websites through which products or services are offered, a list of the charges applicable to its banking products and services (for example, loans and deposits). A bank shall, on request, make the list available to its customers and to the public for viewing during business hours, at each of its branches. The list may be provided in electronic copy but must be accessible to the customer at the business premises and upon request.

⁴ Plain language legal drafting is a new area of legal work that has emerged during the last thirty years.

7.3 Required Disclosures (cont'd)

7.3.3 In particular, banks shall:

- (a) disclose the effective interest rate, as well as all charges incident to the loan in loan documents (see Appendix 1);
- (b) explain how account-servicing charges are computed upon the opening of an account and thereafter upon customer request;
- (c) advise their customers on interest rates applied to their accounts, the method of computing interest charges, and when they are charged;
- (d) advise customers either through announcements in the daily press or through written notice to them or, any other means deemed suitable, of any changes in the interest rate, the method of its calculation or the time at which it becomes payable, and generally of any other changes;
- (e) provide details of charges for services not included on the schedule of fees at the time such a service is provided, or upon customer request;
- (f) advise customers, upon request, about the amount of interest accrued but not yet charged to their accounts;
- (g) inform their customers of interest rates charged in cases where accounts are overdrawn without prior agreement or beyond agreed limits;
- (h) provide of a copy of the terms and conditions of the product or service, where applicable, for consideration and acceptance.

7.4 Customer Notification of Material Modification to, or Termination of, Products or Services

Increases in Fees and Charges

7.4.1 Where a bank increases a fee or charge applicable to a product or service, the bank shall disclose the increase/ change in writing to the customer at least 30 days before the effective date of the increase. The bank shall also display a notice in their offices and website, for a period of at least 30 days immediately before the effective date of the increase.

Material Modification to or Termination of Products and Services

7.4.2 In accordance with section 51 of the FIA and the Guideline for the Approval of New or Materially Different Banking Products or Services, banks must seek approval from the Central Bank prior to launching a new product or service, or materially modifying or discontinuing an existing product or service.

7.4.3 Subsequent to obtaining Central Bank's approval as stated in 7.4.2 above, banks must notify their customers at least 30 days prior to materially modifying or discontinuing an existing product or service. Accordingly, banks must ensure that sufficient time is built in to the process to facilitate the required customer notification period.

7.4 Customer Notification of Material Modification to, or Termination of, Products or Services (cont'd)

7.4.4 In addition, the bank shall disclose to the customer:

- (a) details about the replacement or modified product or service which the bank proposes to move the customer to so as to assist the customer in deciding whether to accept the replacement or modified product or service. The details to be disclosed should at a minimum include the fees, risks, and the key differences with the replacement or modified product or service;
- (b) the effective date for commencement of the modified or replacement product or service; and
- (c) alternatives to the proposed replacement or modified product or service, which may include the next lower-cost service.

7.5 Notification in respect to Relocation or Closure of Branches

7.5.1 Where a bank plans to relocate or close a branch, adequate notification must be given to customers. In this regard, banks should ensure that they:

- (a) notify customers of any planned relocation or closure in writing. These notifications should be given 30 days prior to the effective date of relocation or closure and could be issued electronically or through other appropriate delivery channels;
- (b) notify customers of the arrangements by which the business of the customers of the branch will be transferred to another branch. Notifications should provide information on alternative facilities offered including, nearest alternative branch(es) and nearest ATM(s). Notifications should also include generic information about other channels through which banking services are provided;
- (c) notify the Central Bank of relocation or closure of the branch and arrangements made to service the customers of the relocated or closed branch at the same time as notification is provided to customers.

7.5.2 In all cases, a prominent notice should be placed in the branch for all customers to see and consideration should be given to other advertising.

7.5.3 In exceptional circumstances, the Central Bank may waive or approve a reduction of the notification period. However, where this occurs, the bank is still required to ensure that customers are adequately notified of the closure or relocation.

7.5 Notification in respect to Relocation or Closure of Branches (cont'd)

7.5.4 This section relates to permanent, and not temporary closures of branches (e.g. due to branch refits or upgrades).

8. PROFESSIONAL ETHICS AND STANDARDS

EXPLANATION:

Consumers are served according to professional ethics and acceptable standards.

GUIDING PRINCIPLES:

- A. *The bank encourages and ensures standards of professionalism and the ethical behaviour of its staff or its agents when serving customers and when handling customers' complaints, concerns and/or suggestions. Ethical and honest behaviour should be the norm.*
- B. *The bank manages conflicts of interest between itself and its customers and between customers.*

8.1 Dispute Resolution and Customer Redress

- 8.1.1 Banks must ensure there is a dispute resolution process in place to ensure that all complaints can be dealt with in a fair, effective and prompt manner.
- 8.1.2 A contact point must be available to handle customer queries and concerns. Moreover, officers must provide feedback promptly:
 - (a) customer complaints must be acknowledged within 3 working days of receipt and investigated within a reasonable timeframe.
 - (b) customers must be advised of the status of the investigation within 14 working days.
- 8.1.3 If the customer is dissatisfied with the outcome of a bank's dispute resolution process, or fails to receive a response within 2 months, the customer may take his/her complaint to the Office of the Financial Services Ombudsman.
- 8.1.4 Upon a customer's request, a licensee shall, provided that a bank's dispute resolution process has been exhausted, submit to the dispute resolution process governed by the Financial Services Ombudsman.
- 8.1.5 Where the complaint falls outside of the remit of the OFSO, the complaint should be directed to the Inspector of Financial Institutions.

9. DUE CARE

EXPLANATION:

Customers are treated fairly, with due care and diligence over the entire duration of usage of the product or service.

GUIDING PRINCIPLES:

- A. *The bank behaves responsibly, complies with applicable laws and standards and conducts its business with due care and diligence.*
- B. *Customers are provided with products that perform as the bank would have led them to expect, and the associated service is of an acceptable standard.*
- C. *The bank takes all reasonable actions to prevent the customer from being overly indebted or harming customers' financial well-being.*
- D. *Debt collection practices are designed and delivered in a respectful way.*
- E. *Collateral realization should be conducted fairly and with maximum possible value for the customer. Collateral should be properly appraised, and where the value of the collateral exceeds the loan balance, customers should be duly informed and, subject to the payment of administrative and other ancillary costs, given the excess value.*

9.1 Fair Debt Collection Practices

9.1.1 Banks should not engage in false, deceptive or misleading tactics when trying to collect debts. Accordingly, this Guideline requires banks to:

- (a) protect customers against harassment, including abusive language and threats of violence, harm or arrest;
- (b) contact consumers during reasonable times; and
- (c) ensure that details regarding debts are not disclosed to unauthorized persons.

9.1.2 Banks employing debt collection agencies / outsourcing this service are required to ensure that the aforementioned guidance, as well as the following is observed:-

- (a) The type of debt that can be collected on behalf of a financial service provider, whether a third party collector can contact them, and the manner in which such debt can be collected should be clearly stated in the credit agreement.
- (b) There should be adequate policies and procedures governing the activity of debt collection.
- (c) Where a licensee proposes to sell or transfer a borrower's debt or loan to a debt collection agency, the borrower should be:-

9.1 Fair Debt Collection Practices (cont'd)

- (i) notified of any such sale or transfer within a reasonable number of days thereafter;
- (ii) informed that the borrower remains obligated on the debt;
- (iii) provided with information as to where to make payment; and
- (iv) provided with the purchaser's or transferee's contact information.

9.2 Staff Training

9.2.1 An important aspect of a bank being able to exercise due care and attention on the products and services that are offered. Banks should ensure that their staff are well-trained to provide guidance on banking products and services and treat promptly, courteously and effectively with customer queries, complaints and disputes.

9.2.2 Therefore, each bank is required to:

- (a) ensure that employees understand their products and services and the risks and fees and charges associated with said products and services;
- (b) establish adequate mechanisms to ensure that employees are properly informed of its company's policies and track employees' customer service; and
- (c) ensure that their employees are informed of and become acquainted with this Guideline.

9.3 Role of the Board of Directors

9.3.1 The Board of Directors should ensure that the bank establishes appropriate policies, procedures and systems, including appropriate management information and key performance indicators to obtain reasonable assurance that the bank is complying with this Guideline. That information shall be made available to the Central Bank on request.

10. SAFETY AND SECURITY

EXPLANATION:

Consumers feel protected from harm and, if the FSP fails, have proper protection (including guarantee schemes). They are protected from the loss of personal assets and data, misuse and fraud or other unwanted intrusion.

GUIDING PRINCIPLES:

- A. *The bank should have professional indemnity (errors and omissions) insurance.*
- B. *The bank must participate in deposit insurance and dispute resolution schemes.*
- C. *Banks must ensure that client data (including credit history) are accurately recorded, maintained and protected, including from fraud and abuse.*
- D. *The bank must ensure adequate protection for clients' assets when it is responsible for them.*

10.1 Deposit Insurance

10.1.1 Each bank must ensure that its membership in the Deposit Insurance Fund established by section 44K of the Central Bank Act Chap. 79:02 is maintained and annual premiums are paid in accordance with statutory requirements. Banks must advise consumers of the type and quantum of protection provided on banking products or services (for example, deposit accounts and loans or other credit facilities).

10.2 Information Not to be Disclosed

10.2.1 Banks are obligated to keep customer (and former customer) information in strict confidence. They must not disclose details about customer accounts, their names and addresses, to any third parties, except in the following circumstances as prescribed in section 55 of the FIA where:

- (a) disclosure is compelled by law;
- (b) there is a duty to the public to disclose confidential information;
- (c) the interests of the Bank require disclosure; or
- (d) disclosure is made with the express or implied consent of the customer.

10.3 Cyber Risks and Cyber-Security

- 10.3.1 Banks are required to put appropriate systems in place to improve the resilience of critical infrastructure and minimize the threat of cyber-attacks for themselves and their clients. These systems must facilitate the prevention, management, early identification of, and response to cyber threats and incidents.
- 10.3.2 All cybersecurity threats and incidents must be promptly investigated to determine their impact and prevent further harm or cybersecurity incidents.
- 10.3.3 Banks are required to take suitable steps to build awareness among their customers about the potential impact of cyber-attacks. Moreover, customers should be made aware of actual and potential information security risks, including, but not limited to, incidents related to phishing⁵ and skimming⁶.
- 10.3.4 Banks must ensure that an effective process is in place to address customer complaints regarding fraud and cyber incidents. Such a process should include information on the point of contact and process to be followed where a customer has fallen prey to a cyber-incident which has resulted in a loss of funds or other breach of customer data.
- 10.3.5 Where a customer has evidenced that he was the unwitting victim of a cyber-incident as a result of the action or inaction of the bank, and has suffered a loss of funds, the bank must make every effort to refund the customer within the shortest possible timeframe.
- 10.3.6 Banks must report promptly all incidents that lead to a material breach of customer information to the Central Bank. The reports should detail the nature of the incident; the date, time and place, if appropriate, of the incident; the number of customers/ accounts affected; the amount of money lost/stolen; and the actions taken or being taken to address the incident and mitigate the risk to the bank and its customers.

⁵ The Phishing - fraudulent emails purporting to be from reputable companies in order to induce individuals to reveal personal information, such as passwords and credit card numbers.

⁶ A type of fraud which occurs when an ATM is compromised by a skimming device, a card reader which can be disguised to look like a part of the machine. The card reader saves the users' card number and pin code, which is then replicated into a counterfeit copy for theft.

11. CUSTOMER EDUCATION

- 11.1 Banks should have mechanisms to inform and educate customers of their responsibility to inter alia:
- (a) disclose all relevant information as part of any credit application to facilitate an informed decision to grant credit;
 - (b) read and understand the terms and conditions of products and services and become familiar with the responsibility for any losses suffered as a result of fraud, theft, or where actions were undertaken without reasonable care;
 - (c) assist the bank in performing identification and verification steps or other legal obligations, including those pertaining to Know-Your-Customer ('KYC') and Anti-Money Laundering and Combatting the Financing of Terrorism ('AML/CFT');
 - (d) inform the bank of any change in contact details or in financial affairs as and when this occurs;
 - (e) check and verify all the entries included in statements for correctness, and to inform the bank immediately in the event that there is disagreement with any entry or item that is reflected on such statements;
 - (f) protect bank card(s) and personal identification numbers ('PIN') by never disclosing any unique means of personal identification to anyone, including an employee of the bank; and
 - (g) inform the bank, as soon as possible when any unauthorized activity on any account is discovered.

12. EFFECTIVE DATE

- 12.1 This Guideline comes into effect on November 15, 2018.
- 12.2 Banks are required to review this Guideline and institute appropriate measures to ensure compliance within three months of the date prescribed at 12.1. above.

APPENDIX I - DISCLOSURE BY BANKS OF CHARGES APPLICABLE TO BANKING PRODUCTS / SERVICES

Banks are required to disclose to its customers and to the public, all charges applicable to any of the following services provided by the bank in respect of deposit accounts, by means of a written statement, copies of which shall be displayed (electronic copies may be provided) at each of the bank's branches and on the bank's websites:

- (i) acceptance of deposits;
- (ii) issuance of cheques;
- (iii) certification of cheques;
- (iv) handling of a cheque presented by a customer that is subsequently returned because there are not sufficient funds;
- (v) processing of a stop payment on a cheque;
- (vi) handling of a cheque issued by a customer that is subsequently returned because there are not sufficient funds;
- (vii) handling of overdrafts;
- (viii) transfers between accounts;
- (ix) supply of account statements;
- (x) closing of an account; and
- (xi) handling of unclaimed balances in inactive accounts.

APPENDIX II - INACTIVE ACCOUNTS

In addition to the provisions under section 76 of the FIA, banks should observe the following principles which underpin inactive accounts:

- (i) In advance of making an account inactive, banks should write to the last known address asking whether the account should be kept open, unless mail has already been returned from that address or the account balance falls below the minimum level.
- (ii) If no response is received, the account may be made inactive and/or additional security procedures applied as a means of preventing fraud and protecting privacy.
- (iii) A record of inactive accounts, including unclaimed assets, must be maintained for a minimum period of 6 years after the account has been closed. A record of accounts transferred to the Central Bank must also be maintained for that same time period.

APPENDIX III - EFFECTIVE INTEREST RATE ('EIR')

The objective of the EIR is to disclose to customers the true cost of borrowing. Given that the EIR may be higher than the advertised applied rate ('AR'), banks should disclose the AR and the EIR for every loan product so as to assist customers in making informed decisions.

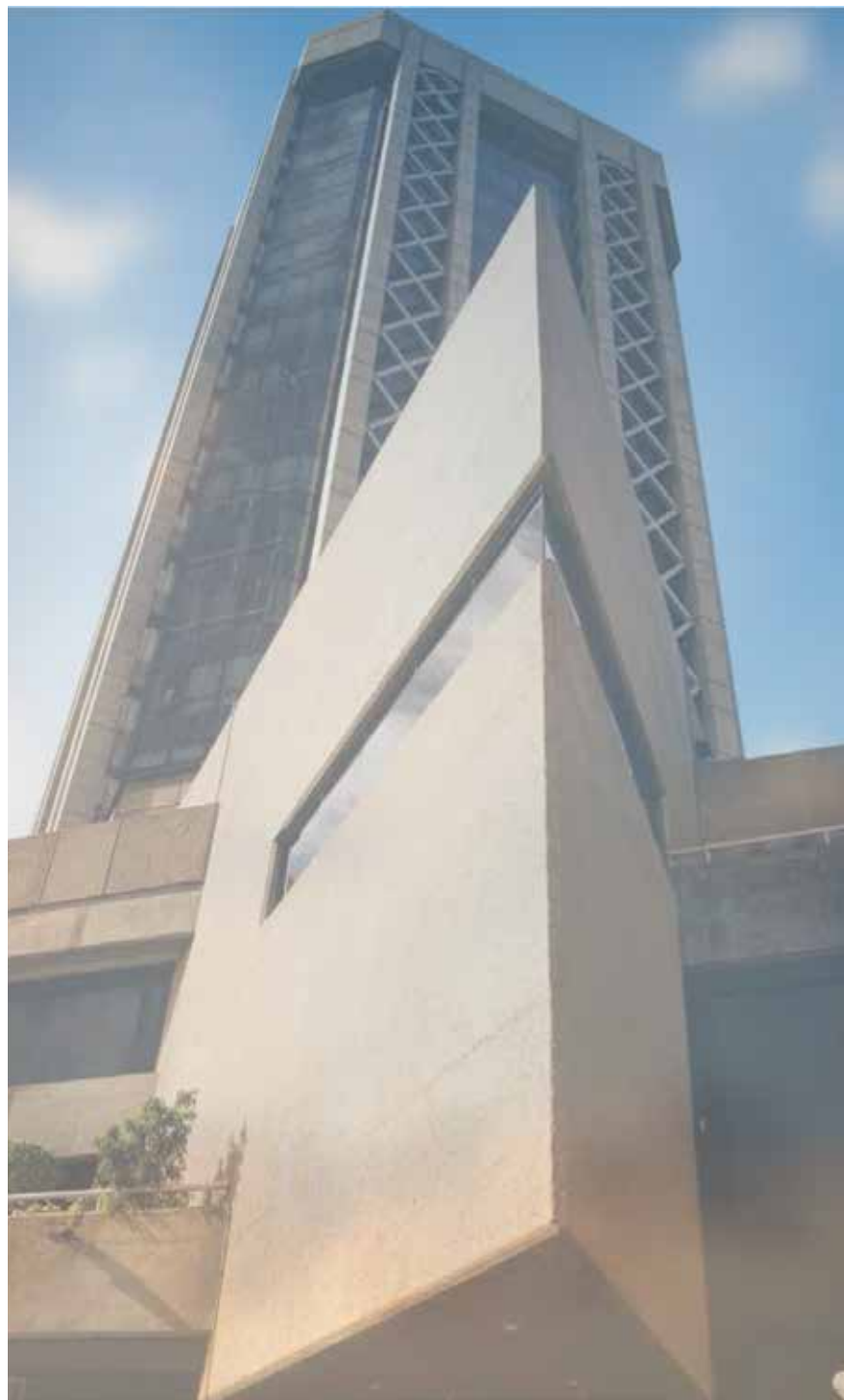
Any advertisement for loan products which includes a reference to an interest rate must include the EIR if the AR is not the same as the EIR. These advertisements should comply with the following requirements:

DISPLAY

- (i) The EIR must be displayed side by side with the AR, with equal prominence and in the main text of the advertisement, i.e. the same font size must be used for both the AR and the EIR.
- (ii) The EIR must not be hidden in fine print at the footnote of the main advertisement or in the terms and conditions.

CALCULATION

- (i) For loan products, the EIR should include all upfront administration/processing fees regardless of whether these fees are fixed or variable.
- (ii) Upfront administration/processing fees which vary according to the loan tenors or loan amounts must be included in the calculation of the EIR. An administration/processing fee contains a risk premium and is considered an interest component if it varies according to the loan tenors or loan amounts. For example, promotional term loans that offer upfront administration/processing fees which vary according to the loan tenors, e.g. 2.5% for 6 months, 3.5% for 9 months, etc.
- (iii) The calculation of the EIR should be consistent and comparable across products. To achieve this, the upfront fees and charges must be included in the loan amount for calculating the EIR.
- (iv) The fees and charges included in the calculation of the EIR must be disclosed. Fees and charges which are excluded from the calculation of the EIR, but which may be charged later, for example early repayment charges and default charges, must also be disclosed.





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