



External Relations Department

ERD/M&PRD/PR/01/2021-91

August 25, 2021

State Bank of Pakistan addresses concerns and brings transparency in the sale of third party products for consumer convenience and protection

In addition to the typical banking products or services, banks often offer or sell other financial products that are provided by other financial institutions, generally referred to as bancassurance or third party products. Such offers are often prone to misdeclaration about the quality or pricing of products. Further, banks also don't assume any responsibility after the sale of products, which leads to difficulties for customers and disputes. To address such concerns and bring transparency to such transactions, SBP has issued a comprehensively revised set of instructions on the sale of third party products. In addition, these instructions will also facilitate the sale of products through digital channels and promote financial inclusion. The key features of the revised instructions are as follows:

- It will be mandatory for banks to assess the suitability of customers for the sale of third party products. In addition, they will take extra care while selling such products to vulnerable consumer segments like widows, senior citizens, etc.
- All Islamic banks along with Islamic branches of conventional banks will strictly ensure that the sale of third party products is in compliance with Shariah law and SBP regulations while their agreements with third parties should also be approved by their Shariah board.
- Banks are directed to use their audit and compliance function to ensure compliance of SBP's regulations in their business practices related to the sale of third party products.
- Senior management and board of directors will ensure that risks to consumers in the sale of third party products are identified and addressed in a proficient manner.
- With added disclosure requirements, banks have been required to mention explicitly that the product is being sold as an agent or distributor of a third party.
- To further increase accountability of bank employees involved in selling third party products, banks have been advised to develop and enforce code of conduct.
- Banks will ensure collection/registration/analysis of consumer complaints and feedback for continuous improvements in the sale of third party products by banks.
- Banks will introduce proportionate controls to foster consumer convenience and financial inclusion, especially for less risky/small size/ low value products being sold through Alternate Delivery Channels (ADCs).
- Banks have been directed to ensure the provision of special training to their staff for the sale of third party products and take disciplinary action against the concerned employee(s) in case of fraud.
- The direct debit facility can only be used if the consent of customers is obtained in writing or through electronic means in case Alternate Delivery Channels (ADC) are used for distribution.
- Banks have been directed to design and implement a Call Back Confirmation (CBC) mechanism to ensure and verify the identity of consumers and the genuineness of the transaction. To confirm the information provided by the customer, CBC mechanism based on a predefined script should be used for suitability assessment and his/her understanding of the product.



External Relations Department

The instructions will be applicable from November 01, 2021, and will supersede previous instructions issued vide CPD Circular No.2 of 2012. For details: <https://www.sbp.org.pk/cpd/2021/C8.htm>
