



# Market conduct risk

An evolving frontier

March 2025



## The drive for change

This publication marks the first in our ongoing Thought Leadership series focused on market conduct and conduct risk. Through this series, we aim to offer valuable insight into the evolving challenges of maintaining ethical conduct and managing conduct risk, assisting businesses in navigating the complexities of a rapidly changing regulatory environment driven by innovative products and an expanding customer base.

**Embedding the CBUAE's requirements is essential for shaping the future of financial services in the region.**

Significant progress has been made globally by financial institutions, especially in developed markets where market conduct is ingrained in the financial services culture. In these areas, market conduct influences various aspects of operations, from product development to customer engagement, and is viewed by banks as a fundamental component of their success.



As for financial institutions in the UAE, market conduct remains a relatively new concept. In December 2020, the Central Bank of the UAE (CBUAE) took a crucial step by introducing the Customer Protection Regulation and Standards. With this expansion of its regulatory remit and an increased supervisory focus, the CBUAE has completed reviews of market conduct risk across a number of licensed financial institutions. However, this is just the beginning.

Managing conduct risk not only ensures compliance but also offers strategic benefits such as building customer trust, enhancing resilience and reducing redress costs. Rapidly evolving regulatory changes and shifting customer demands are prompting organizations to rethink their business models. Without effective processes and monitoring, the risks of poor conduct—including reputational damage and financial consequences—are significant.

**“With the acceleration of technology and evolving nature of financial products and services, it is critical that organizations take this opportunity to reshape how they protect and interact with customers.**

**Abbas Basrai**

Partner, Head of Financial Services  
KPMG Lower Gulf

## Key considerations

- Are you providing clear and timely information to your customers, considering any actual or potential vulnerabilities?
- Are you regularly reviewing your customer disclosures to ensure they are suitable for all communication channels?
- Have you implemented effective controls across your organization to ensure suitability requirements are considered for each customer?
- Are you appropriately utilizing digital channels throughout the end-to-end customer journey, and do you have an effective complaints management process in place for customers to raise concerns?

# Components of a conduct risk model

KPMG's perspective on conduct risk emphasizes the importance of a robust framework with key components such as strong governance, a positive culture and effective risk management. A comprehensive conduct risk model ensures compliance, builds trust and proactively addresses risks through continuous monitoring and data-driven insight, helping financial institutions meet regulatory expectations and foster long-term resilience.

**“ In our experience, the organizations that succeed are those that take proactive and concrete action on conduct risk to ensure that customers are supported and protected throughout the product and service lifecycle. ”**

**Shane Garahy**  
Partner, Risk Consulting  
KPMG Ireland

## Market conduct risk



### Policies and procedures

- Disclosure process
- Conflict of interest
- Advertising and promotion
- Complaints management
- Data protection



### Governance and culture

- Board and board committee oversight
- Set up of a consumer protection department
- Tone and culture around conduct risk



### People and skills

- Skills and training
- Roles and responsibilities
- Performance management and incentives



### Monitoring and testing

- Transactional and process-level testing
- Compliance-focused third party risk management
- Detection and reporting misconduct



### Reporting and technology

- Dashboards/reports to senior management
- KPIs/KRIs setting and monitoring
- Process automation



### Compliance management

- Compliance risk assessment
- Issues management
- Internal controls (design, development, promotion, sales and distribution)

## Contact us



**Abbas Basrai**  
**Partner**  
Head of Financial Services  
KPMG Lower Gulf  
E: [abasrai1@kpmg.com](mailto:abasrai1@kpmg.com)



**Shane Garahy**  
**Partner**  
Risk Consulting  
KPMG Ireland  
E: [shane.garahy@kpmg.ie](mailto:shane.garahy@kpmg.ie)



**Aroon Kumar**  
**Director**  
Governance, Risk and Compliance Services  
KPMG Lower Gulf  
E: [akumar30@kpmg.com](mailto:akumar30@kpmg.com)



**Rosalind Norton**  
**Director**  
Risk Consulting  
KPMG Ireland  
E: [rosalind.norton@kpmg.ie](mailto:rosalind.norton@kpmg.ie)

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