

UNITED GULF BANK B.S.C.



**Dispute Resolution
Policies and Procedures**



Table of Contents
Dispute Resolution

1. Introduction 5

2. Scope 5

3. Definitions 6

4. Guiding Principles 7

5. Internal Dispute Resolution Process and Redress of Complaints. 8

6. Timely Response on Complaints 10

7. Redress 10

8. Unresolved Complaints 10

9. Follow Up 11

10. Record Retention 11

APPENDIX 1: DRAFT OF THE DISCLOSURE ON UGB’S WEBSITE 12

1. Introduction

In March 2010, the Capital Markets Supervision Directorate (CMSD) of the Central Bank of Bahrain (CBB) issued a consultation paper on ‘Dispute Resolution, Arbitration and Disciplinary Proceedings’ (Module DRA). The module sets out the regulatory framework governing dispute resolution, complaints handling and arbitration mechanisms in the local capital markets. The regulations were finalized in June 2010 and issued in July 2010.

The Module is divided into three sections:

- i) Internal Dispute Resolution & Redress of Complaints
- ii) Complaints to Self Regulatory Organizations i.e. the Bahrain Stock Exchange (BSE)
- iii) Arbitration Proceedings

As a listed company / issuer of securities listed on the BSE, it is mandatory for United Gulf Bank B.S.C. (UGB, the Bank) to have an appropriate internal dispute / complaints resolution procedure and a system for the effective handling of complaints made by investors and clients. It is also mandatory that these procedures be documented and that investors, clients and users of the Bank’s services are informed of its availability.

Sections ii) and iii) as mentioned above relate to the complaints procedures set up by the BSE and the Arbitration Committee as established and constituted by the Directive of the Governor of the CBB. They are hence not applicable to UGB. The Bank’s sole obligation is to respond to queries from the BSE/ CBB/ Arbitration Committee (if applicable).

In conclusion, the objective of this policy and procedure (PPM) is to document the Bank’s dispute/complaint resolution procedures and make these transparent and easily accessible. A copy of this PPM will be posted on the Bank’s Intranet to fulfill the staff training and awareness requirements of the module.

2. Scope

The scope of the Module applicable to UGB comprises complaints and disputes raised by UGB’s **shareholders** – more specifically:

- 1) Any conduct or behavior occurring within Bahrain; or any transaction or expected transaction done by or on behalf of any person(s) within Bahrain in relation to securities offered, issued or listed in Bahrain or elsewhere; *e.g Complaints related to UGB shares for transactions conducted through the BSE.*
- 2) Any conduct or behavior occurring outside Bahrain or any transaction or expected transaction done by or on behalf of any person(s) outside Bahrain in relation to securities offered, listed or issued in Bahrain; *e.g Complaints related to UGB shares for transactions conducted through the KSE.*

Note: the scope in the Module also covers futures contracts and leveraged foreign exchange trading contracts – as neither of these products are entered into by UGB, they are not applicable for the purpose of this Manual.



The Directives of the Module are applicable to market participants and relevant persons, including but not limited to:

- 1) issuers of securities or any persons acting on their behalf and
- 2) listed companies or any person acting for or on behalf of listed companies.
- 3) Shareholders of listed companies
- 4) Share registrars
- 5) Any other person who engages or encourages others to engage in any acts of commission or omission irrespective of whether such a person is a market participant or not.

Listed companies are expected to have internal procedures and systems for the effective handling of investor complaints and their resolution.

3. Definitions

An **investor complaint** against listed companies and issuers of securities include:

Public/Further Offerings: Complaints regarding non-receipt of:

- Allotment advice;
- Securities purchased through an Initial Public Offer;
- Refund order;
- Interest on delay redemption/refund amount;
- Sales proceeds of fractional entitlement;
- Securities purchased through a rights offer.

Corporate Actions: Complaints regarding non-receipt of:

- Dividends;
- Interest on Debentures, Bonds or other debt instruments;
- Securities on account of a bonus, de-merger, merger, stock split;
- Redemption amount.

Transfer of Securities: Complaints regarding non-receipt of:

- Securities after dematerialization;
- Securities after transfer/transmission;
- Duplicate certificate relating to securities.
- Miscellaneous: Complaints regarding non-receipt of copy of the Annual report or AGM/EGM notice.

Securities are defined as shares or bonds issued by shareholding companies, government debt instruments and the following financial instruments:

- (a) Shares in companies and other securities equivalent to shares in companies or other entities, and depositary receipts in respect of shares;
- (b) Bonds or other forms of debt, including depositary receipts in respect of such securities;
- (c) Warrants;
- (d) Units, rights or interests (however described) of the participants in a collective investment scheme;

New Issue:	12 August, 2010
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- (e) Options, futures and any other derivative contracts relating to commodities that must be settled in cash, or may be settled in cash at the option of one of the parties (otherwise than by reason of a default or other termination event);
- (f) Options, futures and any other derivative contract relating to commodities that can be physically settled;
- (g) Units to Real Estate Investment Trusts (REITs);
- (h) Index tracking products including Islamic indices;

In the event that UGB were to provide any of the services listed below, it would be deemed as a **Capital Market Service Provider (CMSP)** and consequently would have to follow the requirements of this Module:

- Promoting and underwriting securities or financing investments therein.
- Participating in incorporating of securities companies or increasing the capitals thereof.
- Forming and managing securities portfolios and investment funds.
- Depositing, clearance and settlement of securities.
- Brokering in securities transactions.
- Providing advisory services related to securities.
- Any other activities as approved by the Central Bank.

For the purposes of this module, a **client complaint** is defined as “any complaint in relation to the provision of services by a CMSP in which the client alleges that he has suffered, or is likely to suffer financial prejudice as a result of the CMSP:

- i) Contravening or failing to comply with any instruction given by the client, or any agreement or mandate entered into with the client;
- ii) Contravening or failing to comply with the rules and the directives;
- iii) Acting dishonestly, negligently or recklessly; or
- iv) Treating the client unreasonably or unfairly”.

For the purposes of this PPM, the term ‘complaint’, ‘dispute’, and ‘grievance’ are used interchangeably.

4. Guiding Principles

UGB is committed to ensuring that the following principles are incorporated in the fair, prompt and effective handling of complaints.

- 1) **Visibility** - This refers to the process of informing customers and other parties aware of how and where to complain. There will be a section on the UGB website entitled ‘Corporate Governance’. It is proposed to have a sub-section on Dispute Resolution which informs the client/investor about the Bank’s procedures for handling complaints. This will contain the details of how and where to lodge a complaint and provide information and assistance on the process. Clients/ investors will have the flexibility of lodging a complaint on the website through the email ID : complaints@ugbbah.com or by writing to the Chief Compliance Officer at the specified address.

- 2) Accessibility – The Bank undertakes to have a complaints process on its website that is easily and readily accessible to all clients. This provides information and assistance related to making and resolving a complaint, providing a copy of the dispute resolution procedures upon request, providing supporting information in an easy and understandable manner. Complainants have the flexibility of making the complaint either through the website or the email. Complaints can be dealt with in either English or Arabic, to ensure that the special needs of certain customers are addressed.
- 3) Responsiveness - The Bank will ensure the receipt of all complaints in writing either through email or in writing. They will be addressed promptly in accordance with urgency. All complaints will be handled in chronological order i.e. complaints will be investigated serially in order of the date that they were lodged. If the complaint involves a court of law or an enquiry from a regulatory authority, they will be addressed earlier.

The complainant will be kept informed of the progress of the complaint by adhering to the Bank's internal timeframe of seven days for acknowledgement and thirty days for resolution. In the event that further details or supporting documentation from the complainant is required to address his/her issues, this will be communicated to the person.

- 4) Objectivity & Impartiality – The Bank is committed to address all complaints in an open, equitable, objective, sensitive and impartial manner. Staff has been specifically designated to ensure accountability for reporting on actions and decisions with respects to grievances. The Bank also confirms that all cases are handled with complete compilation of facts, free of bias. The complaints process will be separated from the disciplinary process and complete confidentiality will be maintained at all times. No charge to resolve the complaint will be levied against the investors/clients. The Bank ensures that adequate systems and controls are put in place in order for it to identify and remedy any recurring or systemic problems identified from the complaints.
- 5) Confidentiality – The process will ensure confidentiality for staff against whom a complaint has been made. The details will be made know to only those directly concerned.

5. Internal Dispute Resolution Process and Redress of Complaints.

In line with the spirit of impartiality, consistency and objectivity, the Board of Directors has approved the Chief Compliance Officer (CCO) and the Head of Internal Audit & Quality Assurance (HOIA) to jointly investigate and handle all disputes. UGB Staff who receive any complaints addressed to them directly, should forward all letters and other supporting documents related to the complaint to the CCO and the HOIA through the email ID complaints@ugbbah.com. If either of these officers is unavailable, the Head of Credit & Risk Management (CRM) will assume the responsibilities as set out in this PPM. These three personnel have been designated to review complaints as they are deemed to be:

- Employees of sufficient competence who are independent in their own right.
- Have the necessary authority to resolve complaints or have ready access to an employee who has the necessary authority.

The following processes will be followed:

New Issue:	12 August, 2010
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- 1) **Receipt & Recording of Complaints:** Complaints addressed by external parties to UGB staff, should be forwarded to the CCO for resolution. These as well as all complaints received through the website complaints@ugbbah.com or through the post, will be recorded in a register maintained by the CCO in a separate folder entitled Complaints and Disputes. Access to the folder will be given only to the CCO, the HOIA and the Head of CRM to uphold confidentiality.
- 2) The underlying documents will be hyperlinked to the register. Details with respect to the date of receipt, the name of complainant, reference # of the letter (if applicable), the substance of the complaint, the status of the complaint (i.e. Open/closed) and a scanned copy of the actual email/letter will be maintained. Hard copies of the disputes will be maintained in a secure location in the CCO's office.
- 3) If the complaint pertains to the CCO or the HOIA itself, the complainant will be guided (in the website) to submit his grievance in writing to the Chief Executive Officer.
- 4) The CCO will acknowledge the complaint within seven working days by providing the complainant with the contract details of the individuals handling responsible for handling the complaints, key particulars of the complaints handling procedures and a statement that a copy of this policy and procedures is available free of charge upon request.
- 5) Appropriate investigation of the complaint will be conducted jointly by the CCO and the HOIA. All material facts along with underlying evidence, and relevant correspondence and documents will be compiled and saved in the above folder entitled Complaints and Disputes. Upon determination of facts, a written report will be compiled and submitted to the Chief Executive Officer (CEO) by both personnel. This should be completed within two weeks from the date of receipt of the complaint. Any delays in meeting the deadlines should be communicated to the CEO and the Advisor along with an appropriate explanation as to the reasons for the delay. All instances of non co-operation by the department or employees of UGB should be escalated immediately by the CCO and the HOIA to the CEO and the Advisor.
- 6) The above report will be the basis of an appropriate decision making process in relation to the response to a client complaint. The decision will be approved by the CEO within three weeks from the date of receipt of the complaint.
- 7) Upon conclusion of an investigation of a complaint, the Bank will respond to the complainant in writing of the Bank's stance on the resolution of the complaint, provide the complainant with clear terms of redress if applicable. The Bank will comply with the terms of redress if accepted by the complainant. The means of communication can be electronic and/or through courier. A copy of the letter will also be stored electronically in the Complaints Register.

Every effort will be made by the Bank to resolve the complaint in an amicable manner. If it is unable to do so within **three** months of the original complaint, the Bank will issue a final reply which expressly informs the complainant, that if he/she disagrees with the Bank, he/she can contact the stock exchange or the CBB for assistance within six months from the date of the final letter or other written document. The complainant will be provided the contact details of the exchange or the CBB. Care will be taken to ensure that there are no outstanding issues between the Bank and the complainant. For the avoidance of doubt, any dispute as to whether any letter or other written document constitutes the final reply from the Bank, will be

New Issue:	12 August, 2010
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determined by either the stock exchange or the CBB. Their determination would be binding on both parties.

6. Timely Response on Complaints

All efforts will be taken to respond to the client complaint within **four weeks** of receiving the complaint. If this timeline cannot be adhered to, the CCO will provide the complainant with an appropriate explanation as to why UGB is not, in a position to respond within the stipulated timeframe. An approximate time frame will also be indicated as to when the Bank will respond to the complaint.

7. Redress

When a redress in the form of compensation is appropriate in resolving the complaint, UGB will provide the complainant with fair compensation and will comply with any other offer of compensation made by it which the complainant accepts. If the bank decides that redress in a form other than compensation (e.g. Apology letter), is appropriate in resolving the grievance, it will provide the redress as soon as practicable.

8. Unresolved Complaints

A client or investor’s complaint is deemed to be unresolved if the complainant is not satisfied with the resolution of the complaint proposed by UGB. If the grievance is related to UGB in its role of a listed company on the BSE or otherwise, the complainant may lodge an unresolved complaint in writing to the BSE or the CBB respectively, giving full particulars of the matter concerned. An application for initiating an investigation can only be made by the complainant, upon demonstrating that :

- an attempt has been made to resolve the matter through the Bank’s internal dispute resolution procedure, but the matter has not been resolved to the satisfaction of both parties or after at least 4 weeks from the date the matter was referred to the Bank, whichever is earlier; and
- no later than a period of 6 months after the Bank has provided its final reply to the complainant.

Every effort will be taken by the Bank to ensure that the number of unresolved complaints referred to the BSE or the CBB, will be minimized. The Bank is also committed to co-operating with these regulatory authorities and providing them with all relevant data, materials, documents and correspondence related to the complaint, upon a written request made by the regulatory authorities. A copy of the report compiled by the Bank upon conclusion of its investigation into the dispute first raised to it by the complainant in full, the grounds of its decision and other supporting information will also be provided.

At all times while the dispute is still being investigated by the regulatory authorities, the Bank and the complainant may continue to promote an amicable resolution of the dispute. In case, the disputes are still not settled, the matter can be referred to an Arbitration Committee and follow their instructions accordingly. The Bank undertakes to be in attendance in person, on the day that the dispute is heard, by authorising appropriate persons or its legal representatives to represent it.

New Issue:	12 August, 2010
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9. Follow Up

In conjunction with other Department Heads, the CCO will ensure that adequate systems and controls are put in place, for assisting the Bank to identify and remedy any recurring or systemic problems identified from complaints.

10. Record Retention

All records of complaints will be retained by the Bank for a period of 10 (ten) years from the date of receipt of the complaint.

New Issue:

12 August, 2010



Appendix 1: Draft of the disclosure on UGB’s website

(note : the wording of this may change slightly after UGB’s media advisor – FD reviews this. The contents will however remain unchanged.)

Dispute & Complaints Resolution

In accordance with the Central Bank of Bahrain’s Dispute Resolution rules, United Gulf Bank B.S.C’s Board of Directors has designated the Bank’s Chief Compliance Officer (CCO) and the Head of Internal Audit & Quality Assurance (HOIA) to jointly investigate and handle all complaints, disputes or grievances that clients or investors might have.

If you have a complaint or grievance related to your rights **as a shareholder** of the Bank, the first step is to contact these officers on the email ID complaints@ugbbah.com. All complaints will be acknowledged in writing within seven days of receipt. You will be provided with the contact details of the individuals responsible for handling the complaint and key particulars of the Bank’s complaints handling procedures. A copy of the procedures is also available free of charge upon request.

The Bank will make every effort to resolve your complaint/ grievance within thirty days of receiving the complaint. Within this time period, you will be advised of the resolution of the complaint and the terms of redress if applicable. If unforeseen circumstances prevent the resolution within thirty days, you will be informed of the same along with a revised timeframe for the resolution.

If you envisage any conflict of interest with your complaint being handled by the CCO or the HOIA, then please direct your complaint inclusive of all material facts to the attention of the Bank’s Chief Executive Officer.

Submit a Complaint

complaints@ugbbah.com

Tel: +973 17 532688

Fax: +973 17 533654

The Chief Executive Officer
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New Issue:	12 August, 2010
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