



# *Latest Practices on Financial Consumer Protection and Financial Education*

Ivo Jenik : Istanbul (June, 2014)

# *Presentation Outline*

**1**

*Global Survey: Trends in Consumer Protection and Financial Literacy*

**2**

*Good Practices for Financial Consumer Protection*

**3**

*Responsible Digital Finance*

**4**

*Financial Capability and Financial Education*

# Global Survey on Consumer Protection and Financial Literacy

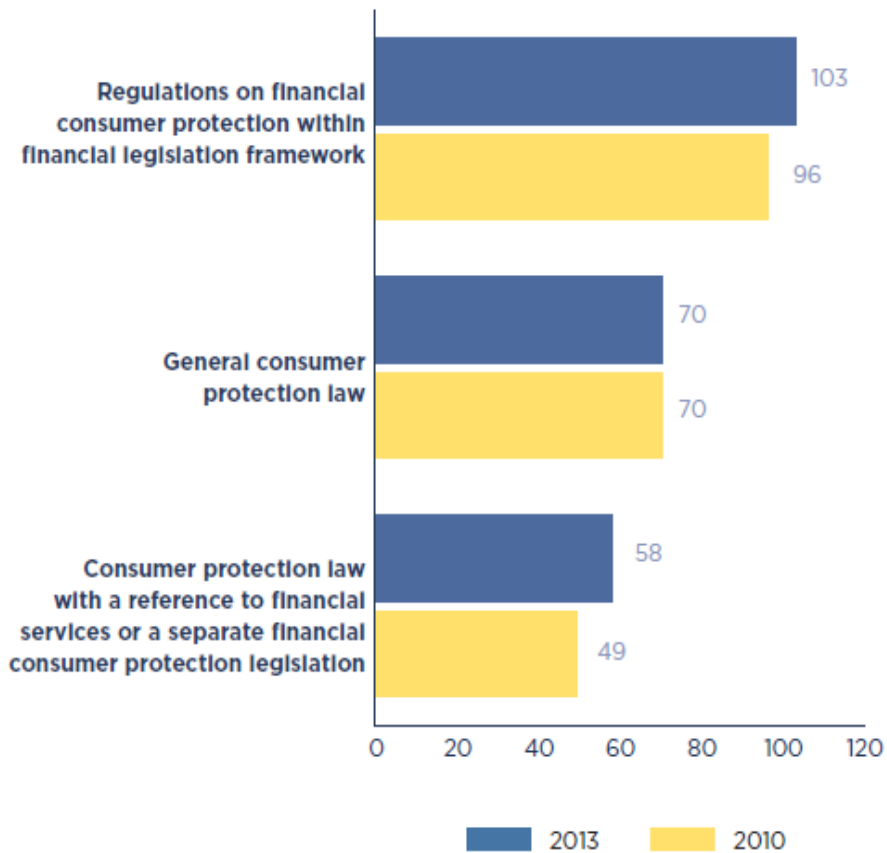


THE WORLD BANK

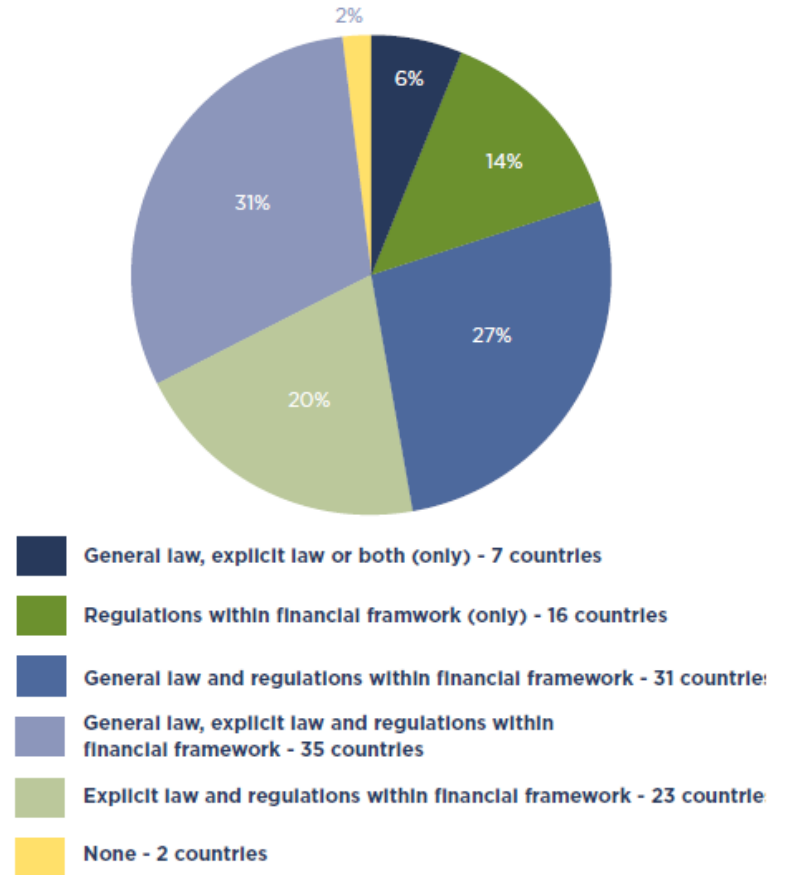


- **Who?** *Financial regulators* (central banks, bank supervisory agencies, financial consumer protection and market conduct regulators where exist) – **114 respondents**
- **Why?** Review of trends and benchmarking practices in financial consumer protection around the world to **assist countries in policy reforms** and to **stimulate the debate** on this topic.
- **What?** Financial consumer protection and financial literacy framework and implementation arrangements for **deposit and credit services**:
  - **Legal framework** (applicable laws)
  - **Institutional arrangements** (institutional structure and functions and powers of relevant authorities)
  - **Disclosure Requirements** (account opening, periodic statements, and other)
  - **Fair Treatment** (deceptive advertising, bundling, abusive collection practices, etc.)
  - **Responsible Lending** (ensuring affordability and avoiding over-indebtedness)
  - **Dispute Resolution and Recourse** (set-up, timeliness, accessibility, type of complaints)
  - **Activities** implemented in relation to financial education / literacy.
  - **Responsibility and institutional arrangements** to enforce financial education / literacy.

*The number of countries with a legal framework for CPFL increased between 2010 and 2013*

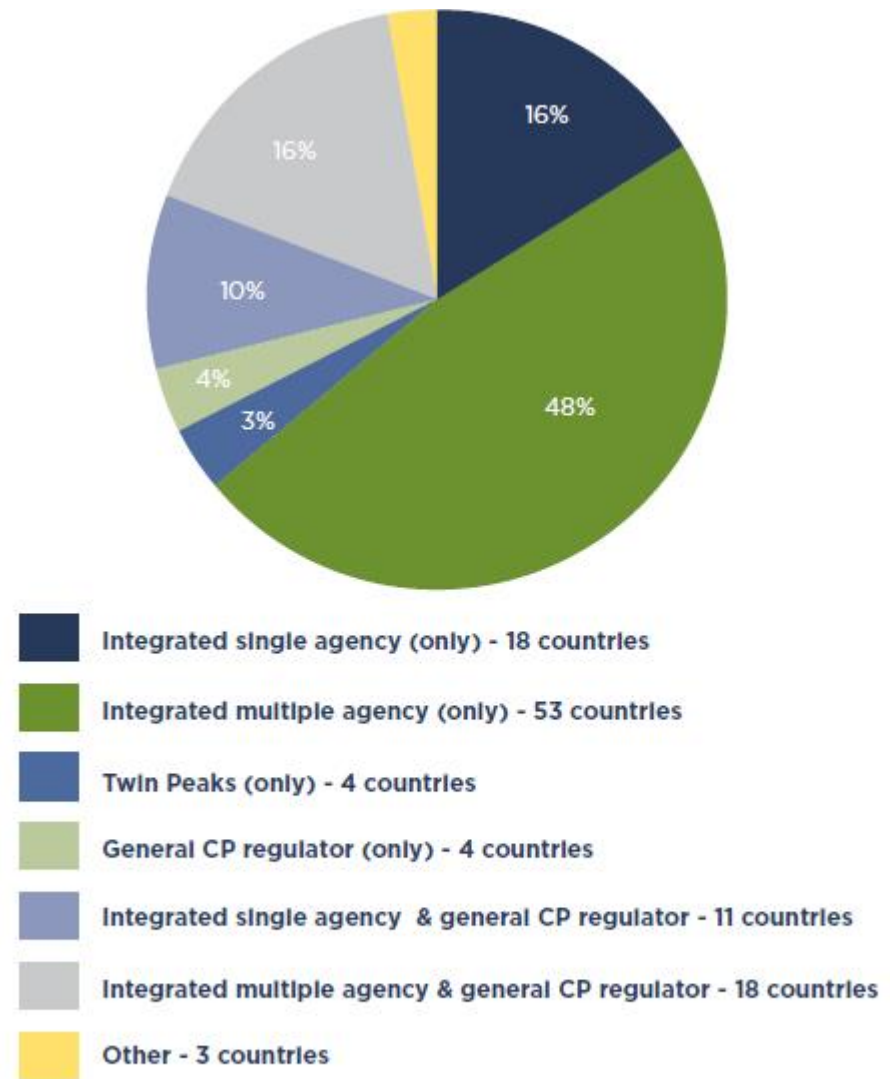


**Note:** Data on 109 countries responding to 2010 and 2013 surveys.



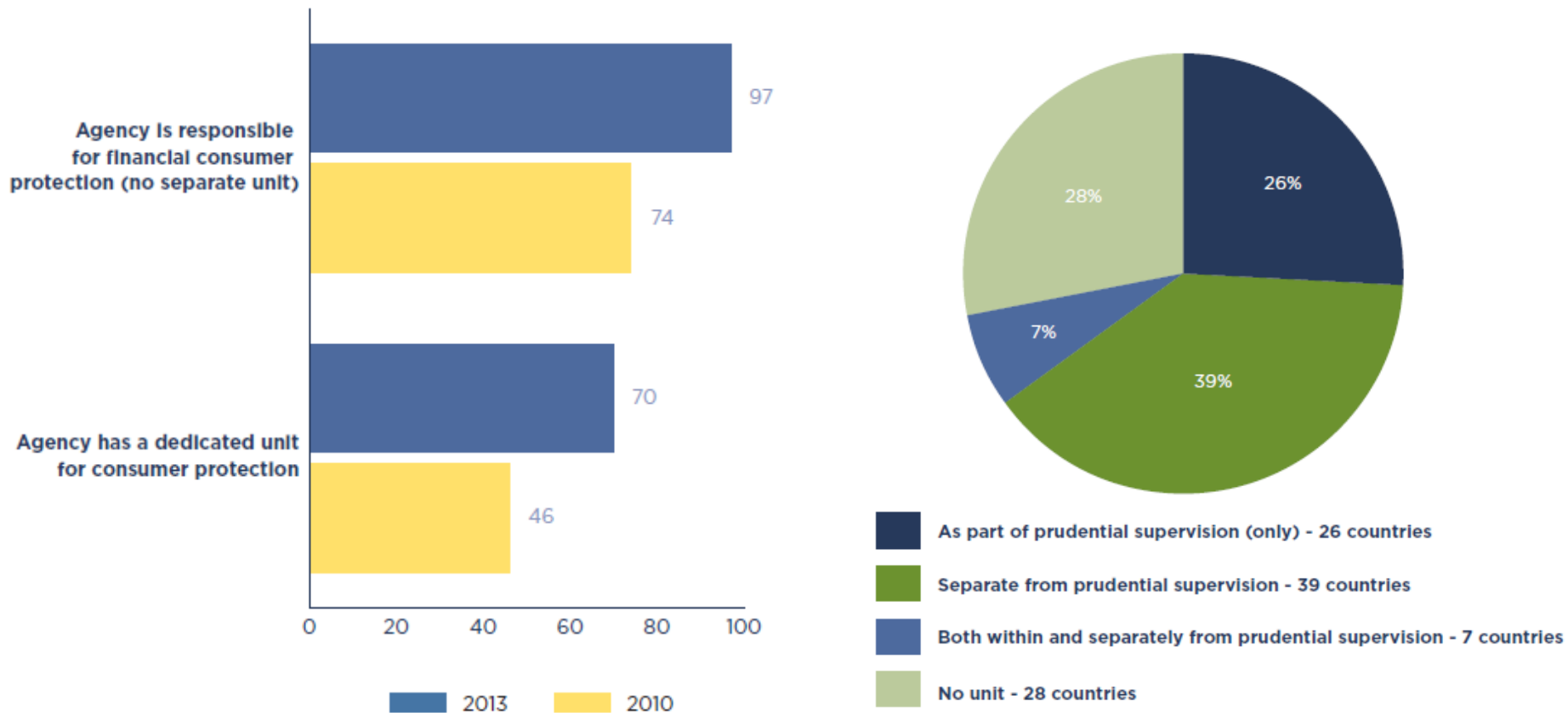
**Note:** Based on responses from 114 economies in 2013.

*Mirroring diffused legal framework, in most countries multiple regulatory and supervisory agencies have a responsibility for financial consumer protection. The institutional framework is determined by existing bank supervision and overall consumer protection institutional framework*



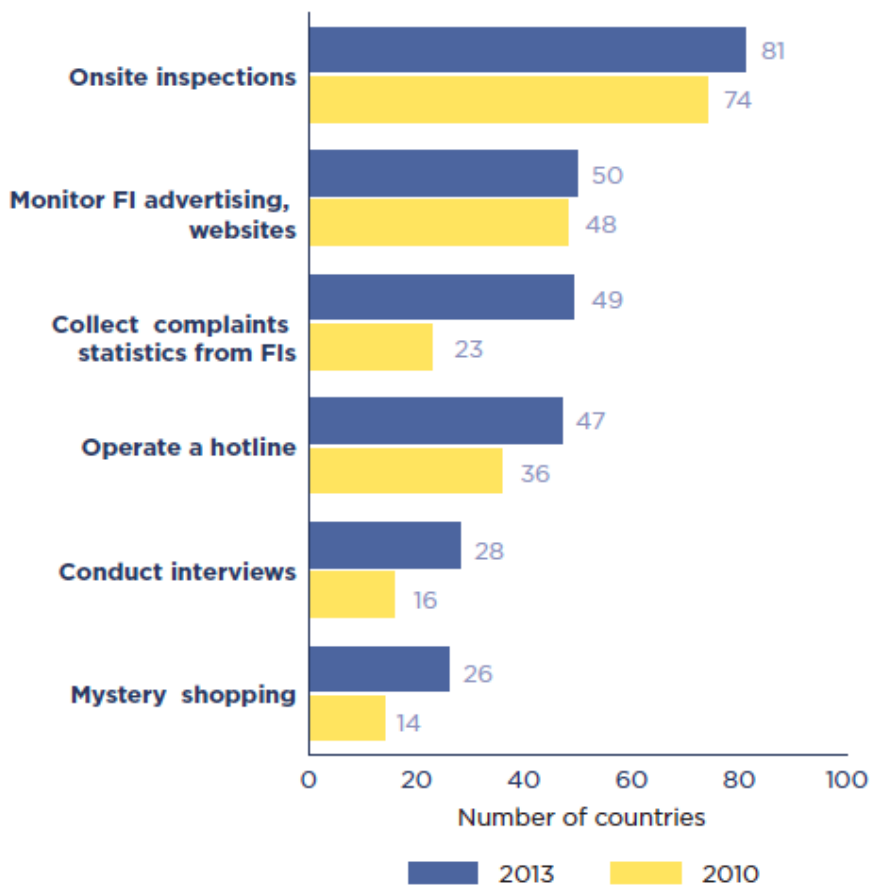
**Note:** Data for 111 countries that provided information on financial consumer protection institutional arrangements.

*More countries assigned legal responsibility for financial consumer protection to financial supervisors and created dedicated teams or units between 2010 and 2013*

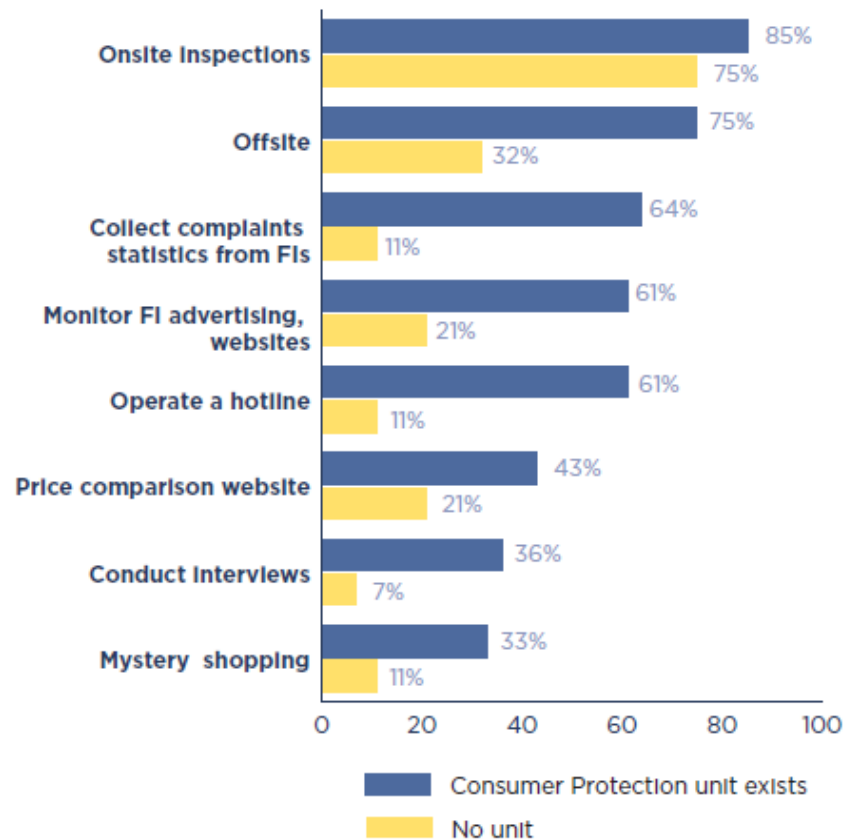


**Note:** Data for 109 countries with data for 2010 and 2013.

*Responsible agencies broadened their range of compliance monitoring tools between 2010 and 2013, especially in terms of collecting statistics on the number of complaints.*

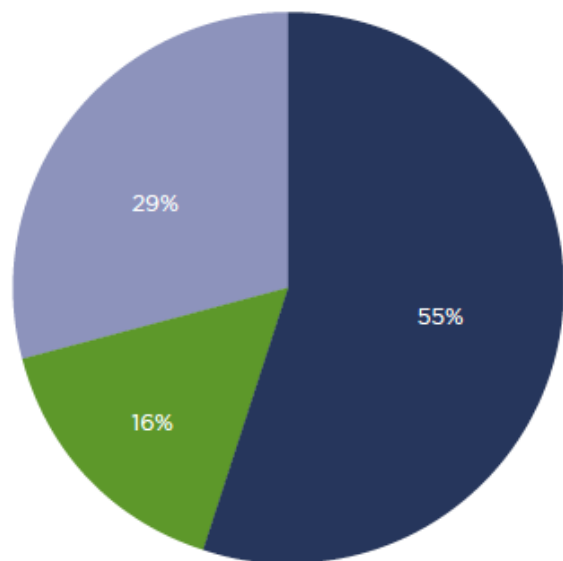


**Note:** For 97 agencies with responsibility for financial consumer protection and data in 2010 and 2013.



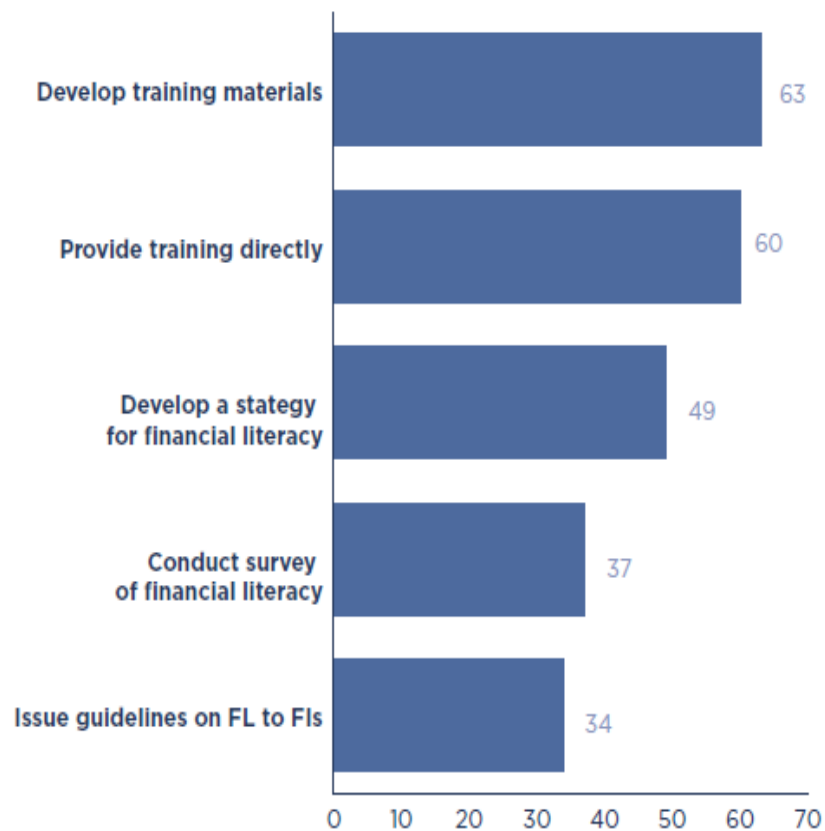
**Note:** For 100 agencies with responsibility for financial consumer protection in 2013.

*Financial literacy. Most financial regulators are involved in efforts to improve financial literacy.*



- Responsible for financial literacy - 63 countries
- No explicit authority, but involved in financial literacy - 18 countries
- Not involved in financial literacy - 33 countries

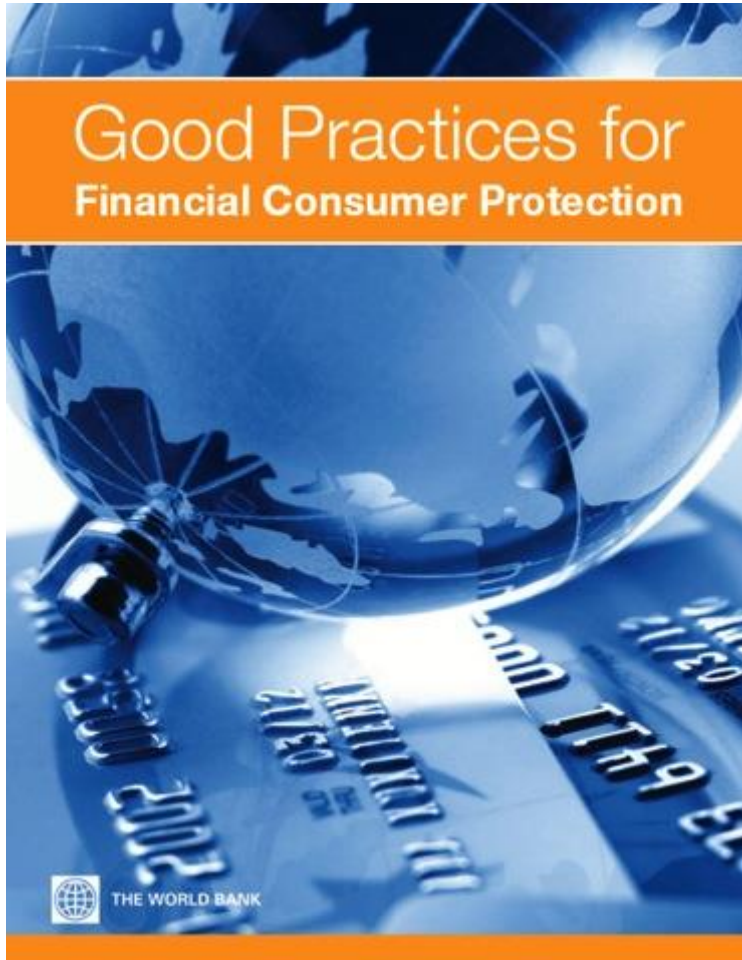
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Note: For 114 economies responding 2013.

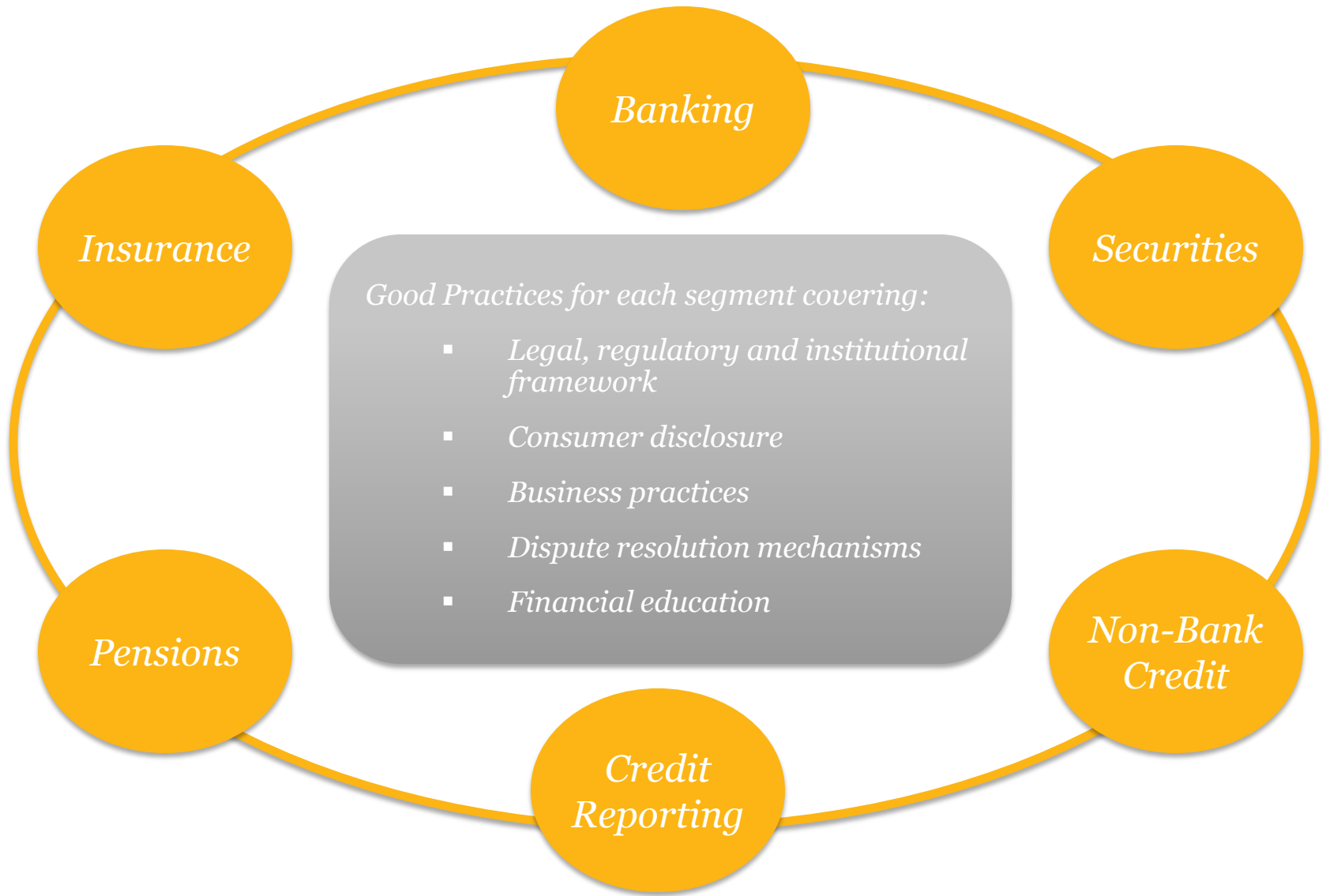


# *Good Practices for Financial Consumer Protection*



- *Originally developed for Europe and Central Asia*
- *Launch of revised Good Practices in June 2012*
- *Set of Good Practices developed using international benchmarks, such as:*
  - › Principles and recommendations released by the Basel Committee, IOSCO and IAIS, and the OECD
  - › Laws, regulations and codes of business practices from developed countries and the experiences of reforming emerging economies
- *20+ Diagnostic Reviews in 4 continents*

# *Good Practices for Financial Consumer Protection*



# *Revision of the Good Practices*

- *In order to ensure that the Good Practices remain “good” and up to date the World Bank engages in a continuous assessment and evaluation of the Good Practices in order to reflect:*
  - *Changes in the regulatory and policy environment*
  - *New trends (e.g. digital finance) and emerging risks*
  - *Experience from previous CPFL diagnostics*
- *The World Bank intends to issue revised Good Practices for Financial Consumer Protection*

# *Responsible Digital Finance*

## *What is Digital Finance?*

- *Digital Finance* interpreted broadly to mean the delivery of all or part of the full range of financial services using digital electronic means for the purposes of both the additive model and the transformative model

## *How is DF different from conventional finance?*

- *The electronic environment is fundamentally different in a number of respects:*
  - > *high speed of transactions and information exchange;*
  - > *the limited written records of accounts and transactions;*
  - > *the involvement of unregulated entities;*
  - > *the important role of intermediaries;*
  - > *the rapidity of innovation; and*
  - > *the significant scale and volume of the offered services and the related risks.*

# *Responsible Digital Finance: Specific Issues*

*Consumer protection issues with specific importance to digital finance:*

- *Protecting clients' funds (especially with non-bank issuers)*
- *Electronic disclosures and contracts*
- *Liability regime*
- *Intermediaries*
- *Record keeping*
- *Privacy and data protection*
- *Know your customer*
- *Product suitability / over-indebtedness*
- *Recourse mechanisms*
- *Deposit insurance*
- *The consumer's responsibilities*
- *The regulatory framework (gaps)*
- *Financial capability / literacy*

# ***CPFL in a Digital Landscape***

***Why is consumer protection especially important in the digital finance context?***

- help build trust, promote competition and support further development*
- meet financial inclusion targets*
- address emerging risks and prevent market abuses*

***What is the role of the World Bank in the digital finance context?***

- Work is ongoing to identify consumer protection issues **specific** to the digital financial services (DFS) environment (particularly within the framework of RFF V)*
- A work plan is being developed to identify good practices for responsible digital finance that will reflect and help to implement existing international principles and standards and cover the 3 pillars of responsible finance: (i) regulators, (ii) the private sector and (iii) consumers*

# *Existing International Principles and Standards*

*Examples of existing international principles and standards relevant to digital finance services are:*

- *The Australian ePayments Code*
- *The G20 Principles for Innovative Financial Inclusion*
- *The G20 High – Level Principles on Financial Consumer Protection*
- *The World Bank’s Good Practices on Financial Consumer Protection*
- *AFI Guidance Note on Consumer Protection in Mobile Financial Services*
- *The GSMA Mobile Privacy Principles...*

# *What is Financial Capability?*

*A World Bank definition:*

- Financial capability is the **internal capacity** to act in one's best financial interest, given socio-economic environmental conditions. It encompasses the **knowledge** (literacy), **attitudes**, **skills**, and **behaviors** of consumers with regard to managing their resources, and understanding, selecting, and making use of financial services that fit their needs.*

*The terms **financial literacy** and **financial capability** are often used interchangeably. The term financial literacy (also financial knowledge) is a narrower term that represents the level of aptitude in understanding personal finance, and often refers to awareness and knowledge of key financial concepts.*



# *Why Does Financial Capability Matter?*

**1**

*Financial capability is an essential component of financial consumer protection strategies.*

**2**

*It is seen as enhancing financial inclusion, financial stability and the effective functioning of financial markets.*

**3**

*Financial capability is increasingly a priority for high income and emerging economies. At least 36 countries are working on a national strategy for financial inclusion.*

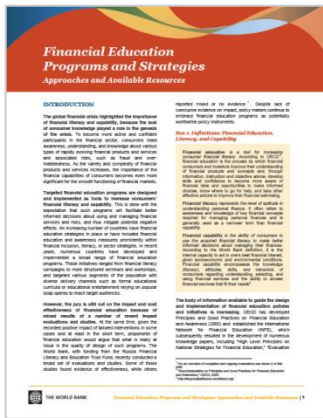
**4**

*Increasingly Central Banks and Market Conduct Supervisors are designing and implementing Financial Capability / Strategies.*

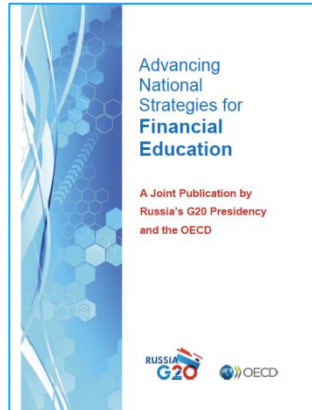
# *Activities in Financial Education?*

- *National financial capability surveys – to assess levels of financial awareness and knowledge*
- *National Strategies for Financial Education*
- *Implementation of Financial Education Strategies*
- *Impact assessment*
- *Mapping Existing Financial Education Initiatives*

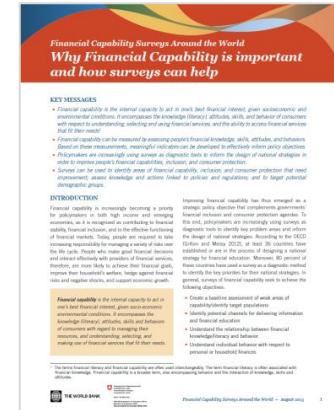
# FL: Selected Resources



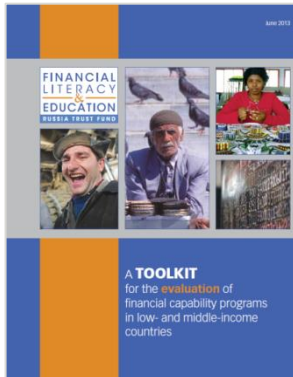
**Financial Education Programs and Strategies**



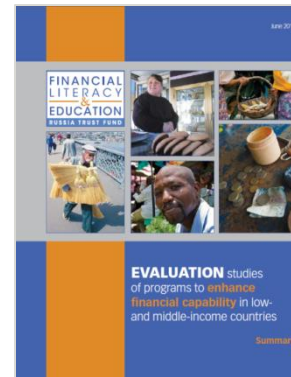
**Advancing National Strategies for Financial Education**



**Why Financial Capability is important and how surveys can help**



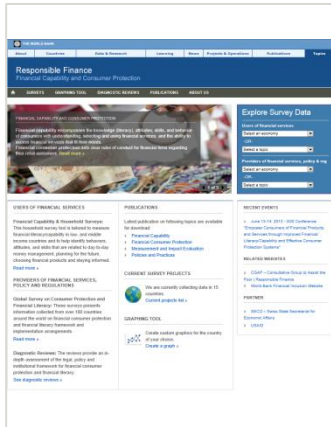
**A Toolkit for the evaluation of financial capability programs in low- and middle-income countries**



**Evaluation studies of programs to enhance financial capability in low- and middle-income countries**

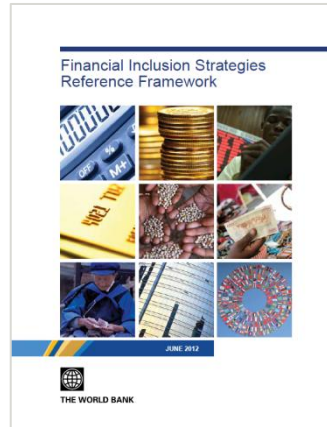
All these publications are available on our Responsible Finance website: [responsiblefinance.worldbank.org](https://responsiblefinance.worldbank.org)

# CP: Selected Resources



**Responsible Finance  
Website**

[responsiblefinance.worldbank.org](http://responsiblefinance.worldbank.org)



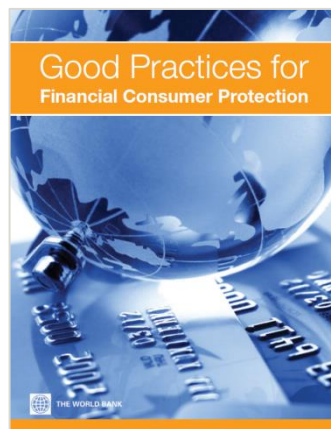
**FI Strategies  
Reference Framework**

[bit.ly/FIStrategiesReferenceFramework](http://bit.ly/FIStrategiesReferenceFramework)



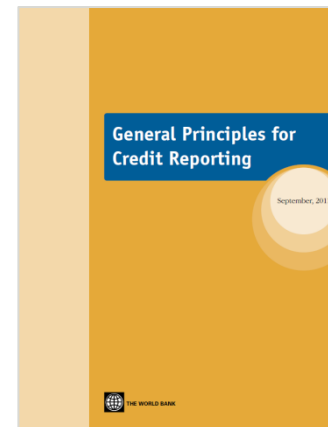
**Global Survey on  
Innovative Retail Payments**

[worldbank.org/financialinclusion](http://worldbank.org/financialinclusion)



**Good Practices for Financial  
Consumer Protection**

[bit.ly/GoodPracticesConsumerProtection](http://bit.ly/GoodPracticesConsumerProtection)



**General Principles for Credit  
Reporting**

[bit.ly/GeneralPrinciplesCreditReporting](http://bit.ly/GeneralPrinciplesCreditReporting)

LOAN REPAYMENT

Date	No	Exp	Time	Am
2012	20	1860	80	1020
2013	20	1180	4-1	1100
2014	20	1220	27	1120
2015	20	1220	29	1140
2016	20	1240	02	1160
2017	20	1260	03	1180
2018	20	1280	04	1200
2019	20	1300	05	1220
2020	20	1320	06	1240
2021	20	1340	07	1260
2022	20	1360	08	1280
2023	20	1380	09	1300
2024	20	1400	10	1320
2025	20	1420	11	1340
2026	20	1440	12	1360
2027	20	1460	13	1380
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2083	20	2580	69	2500
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2108	20	3080	94	3000
2109	20	3100	95	3020
2110	20	3120	96	3040
2111	20	3140	97	3060
2112	20	3160	98	3080
2113	20	3180	99	3100
2114	20	3200	100	3120

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**Thank you!**