

Global Survey on Consumer Protection and Financial Literacy

Ros Grady, Senior Financial Sector Specialist, World Bank : September, 2014

Agenda

1

GOOD PRACTICES FOR FINANCIAL CONSUMER PROTECTION

2

GLOBAL SURVEY: TRENDS AND CHALLENGES IN CPFL

3

RESPONSIBLE DIGITAL FINANCE



1

GOOD PRACTICES FOR FINANCIAL CONSUMER PROTECTION

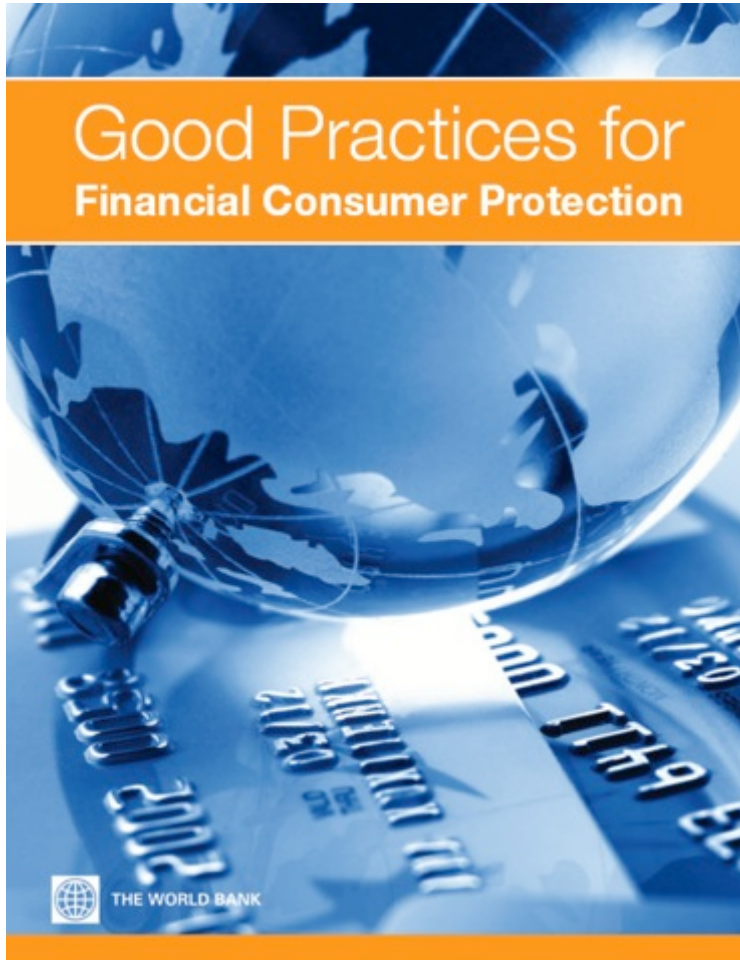
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GLOBAL SURVEY: TRENDS AND CHALLENGES IN CPFL

3

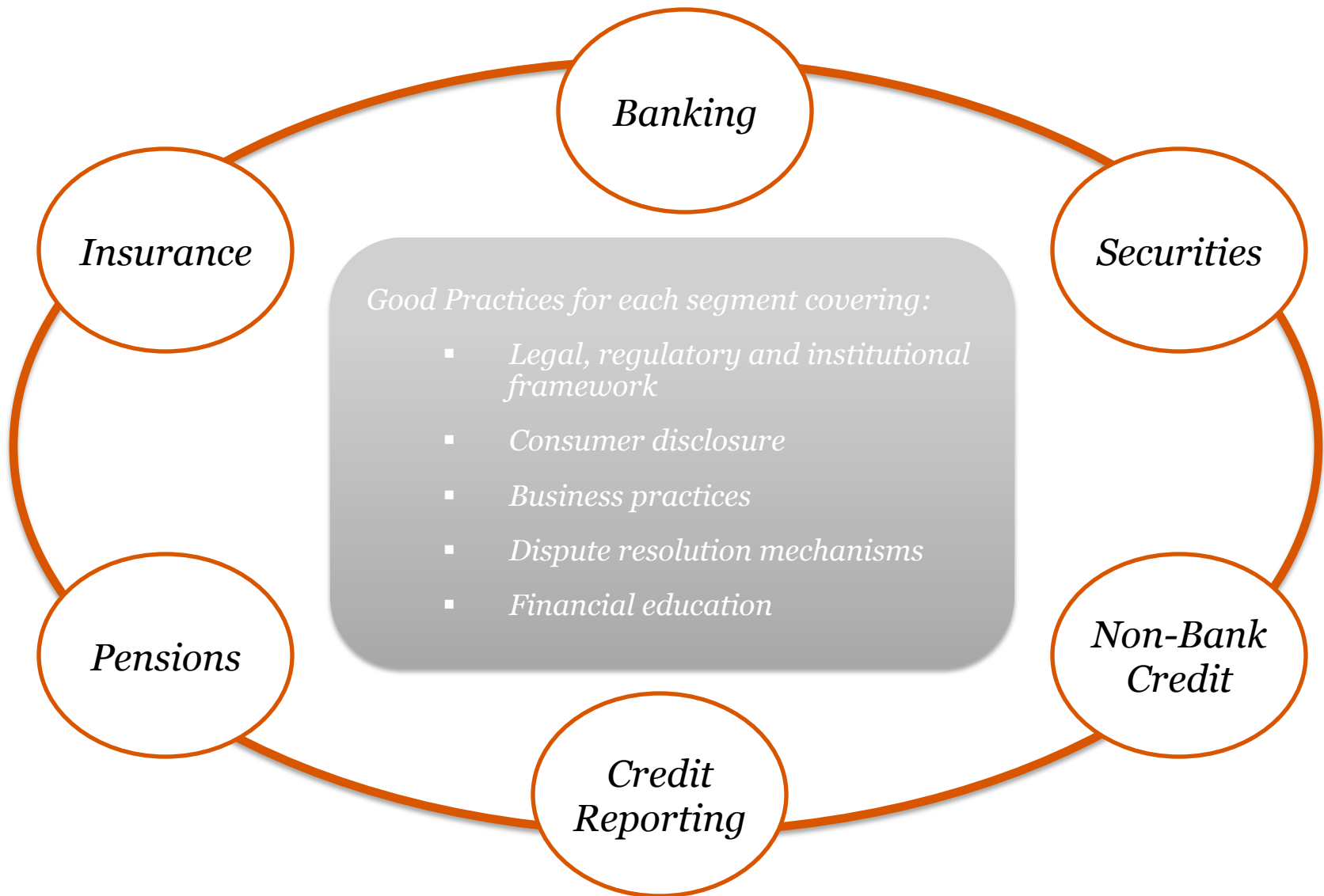
RESPONSIBLE DIGITAL FINANCE

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
- *30+ Diagnostic Reviews in 4 continents*

Good Practices for Financial Consumer Protection



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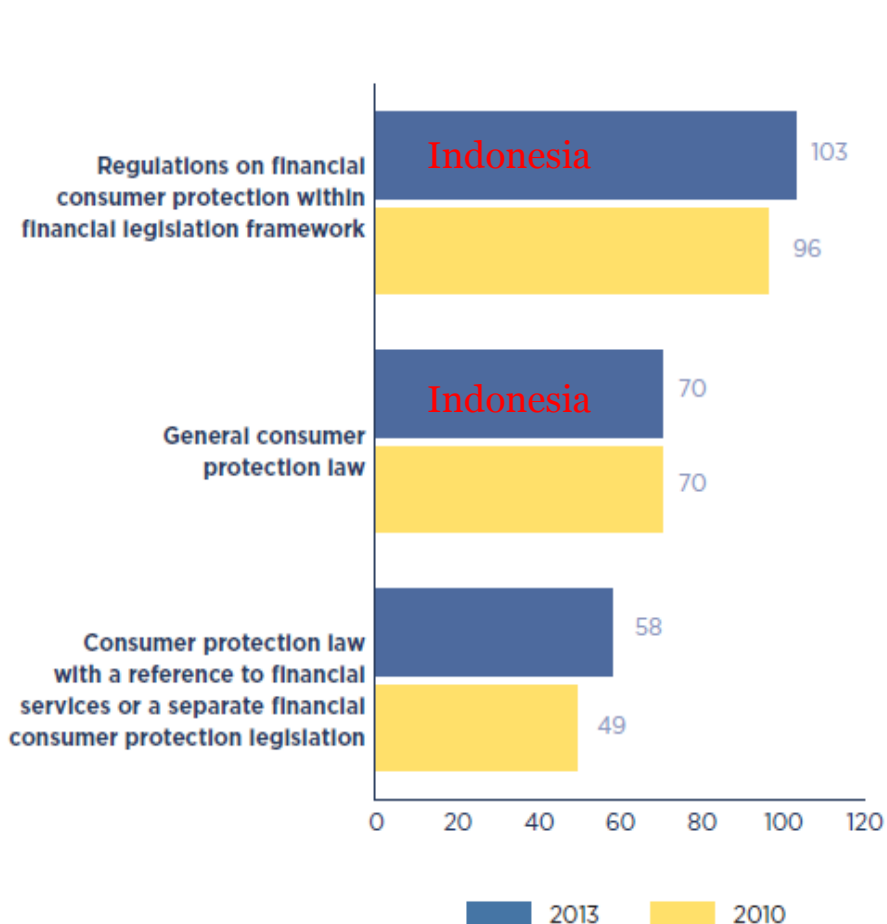
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RESPONSIBLE DIGITAL FINANCE

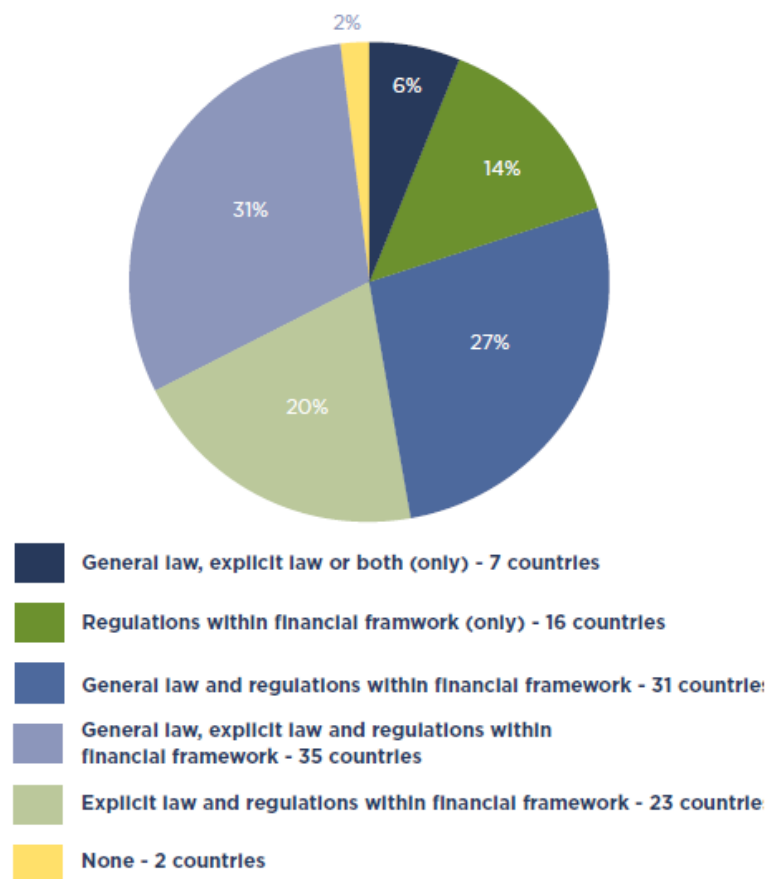
Global Survey on Consumer Protection and Financial Literacy

- **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

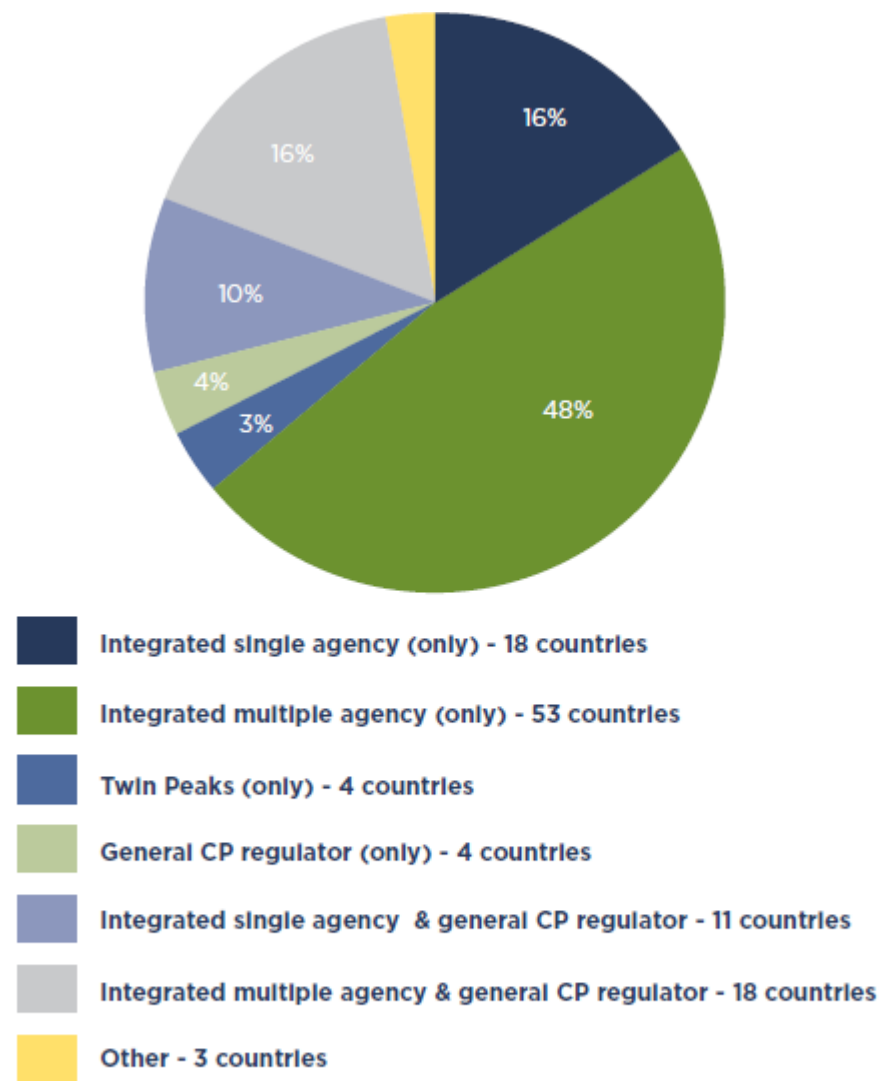


Note: Data on 109 countries responding to 2010 and 2013 surveys.



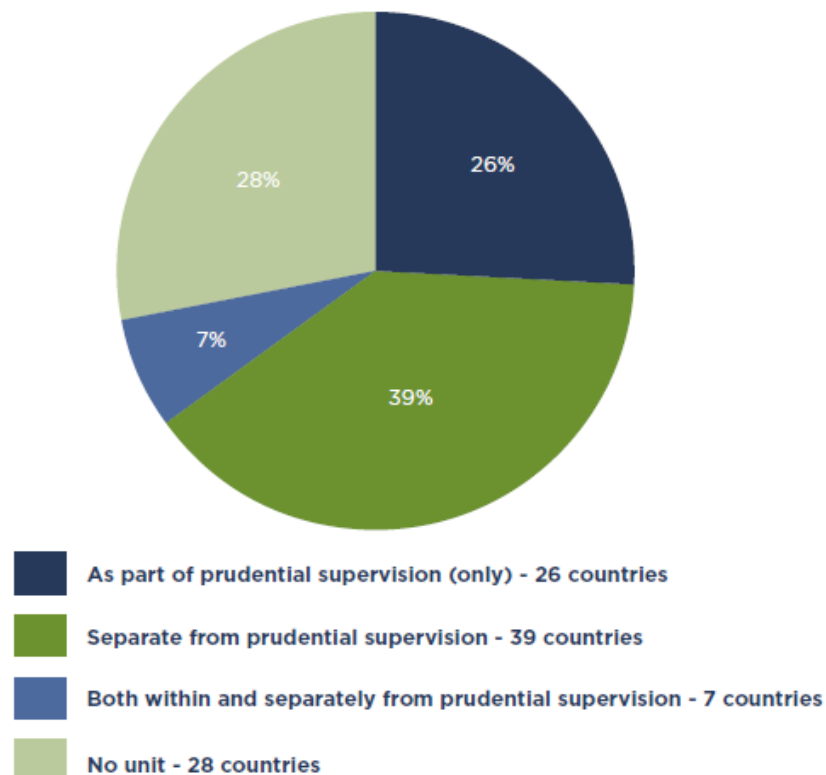
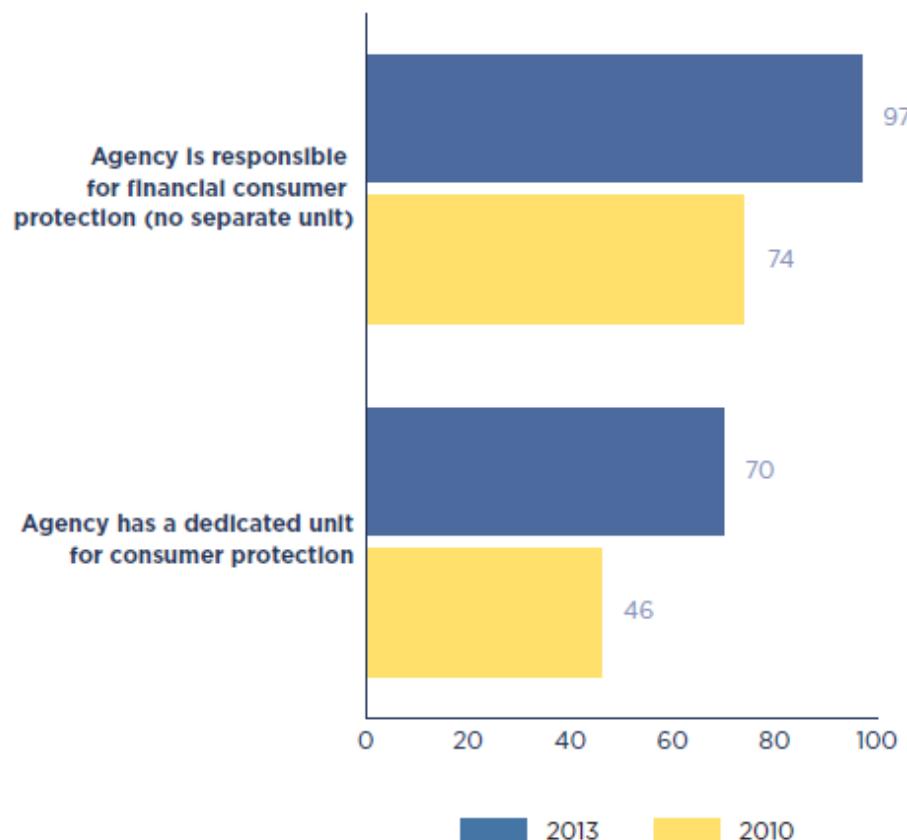
Note: Based on responses from 114 economies in 2013.

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



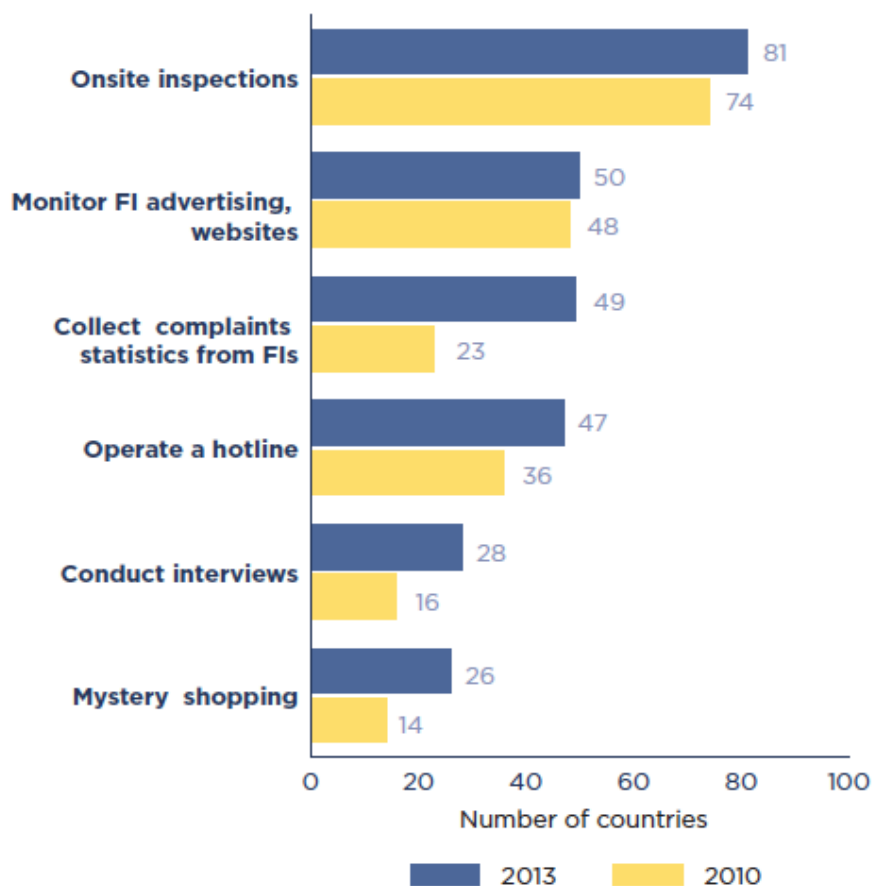
Note: Data for 111 countries that provided information on financial consumer protection institutional arrangements.

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

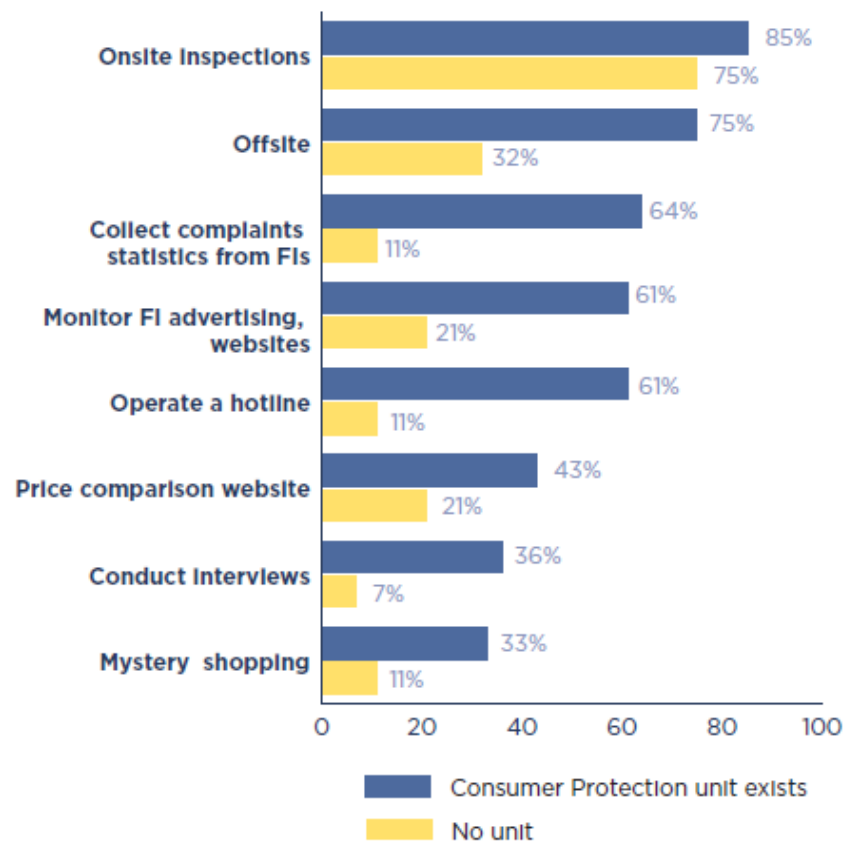


Note: Data for 109 countries with data for 2010 and 2013.

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



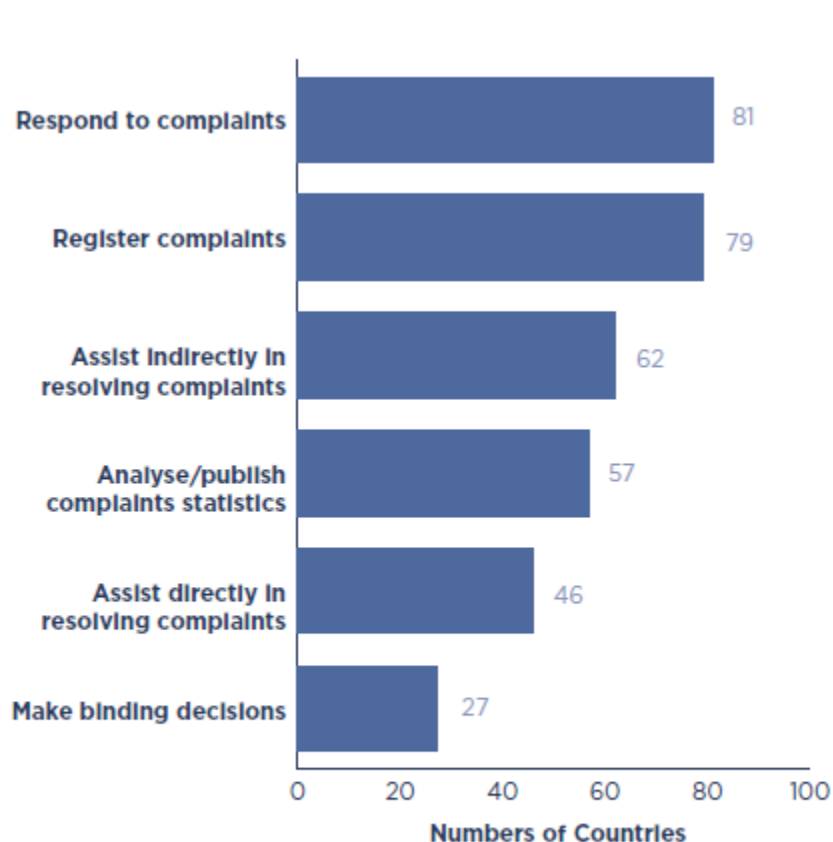
Note: For 97 agencies with responsibility for financial consumer protection and data in 2010 and 2013.



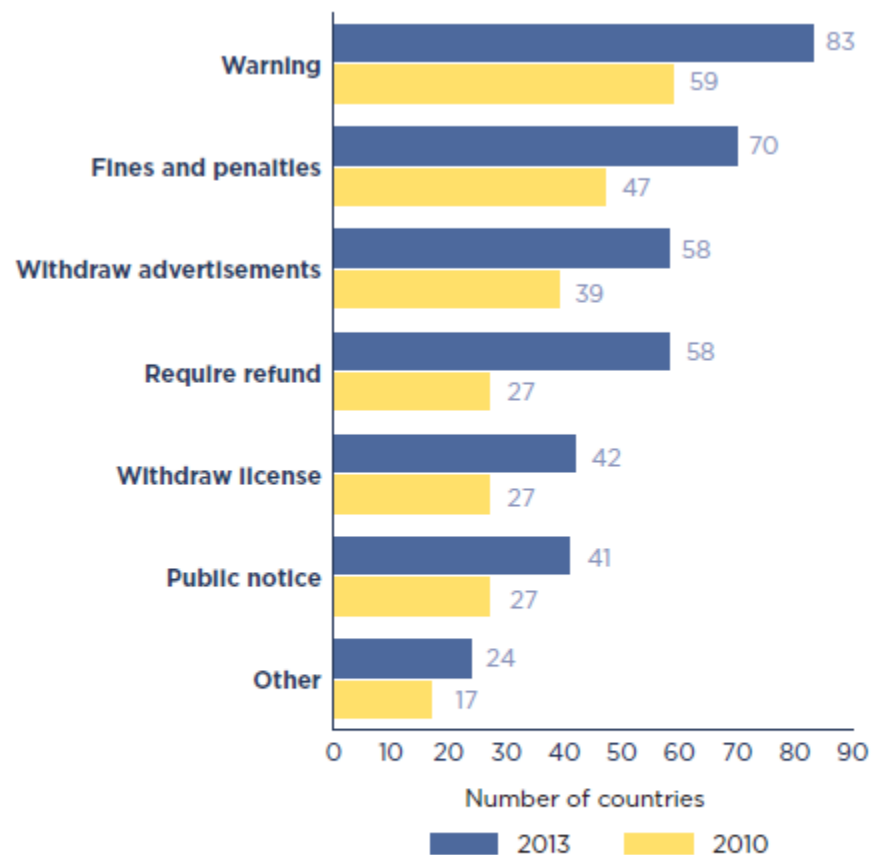
Note: For 100 agencies with responsibility for financial consumer protection in 2013.

...most supervisors collect and monitor complaints though few have an authority for directly resolving complaints or making binding decisions

Besides supervisory tools, enforcement powers were expanded too



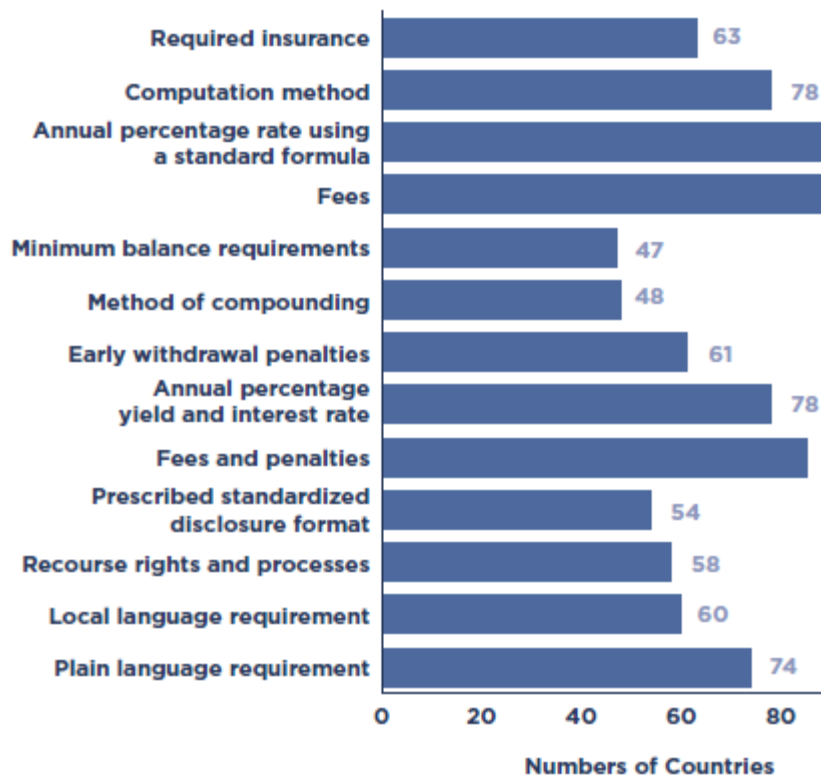
Note: For 100 agencies with responsibility for financial consumer protection in 2013.



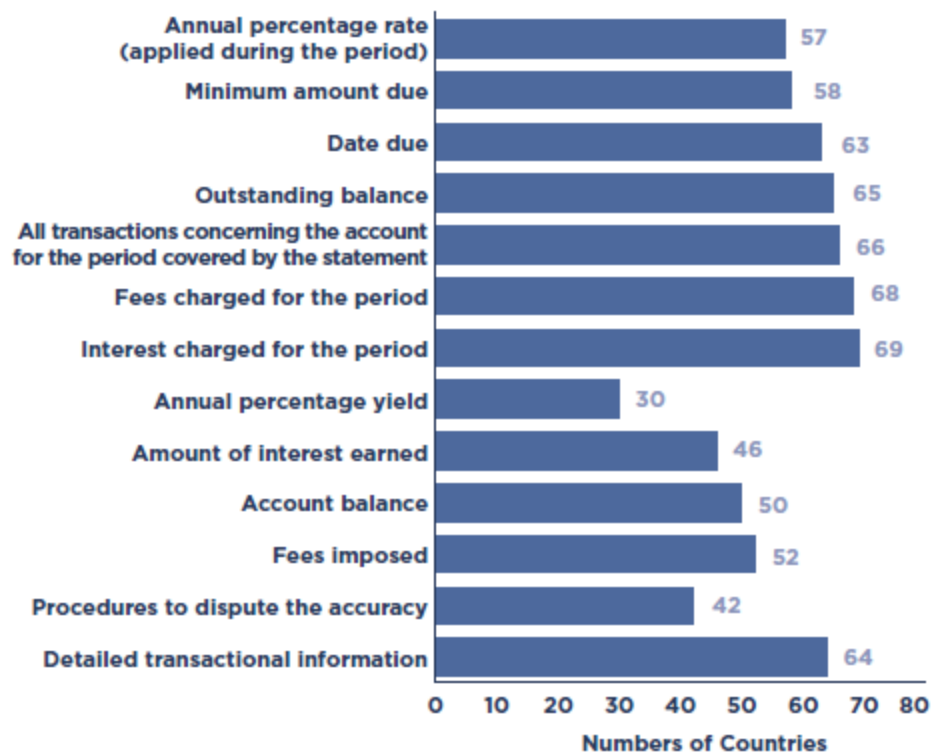
Note: Based on 97 economies with a responsibility for financial consumer protection and data in 2010 and 2013.

Disclosure requirements at opening are more common than periodic disclosure (90 to 70% for banks, 76 to 54% for other regulated entities)

Disclosure at opening



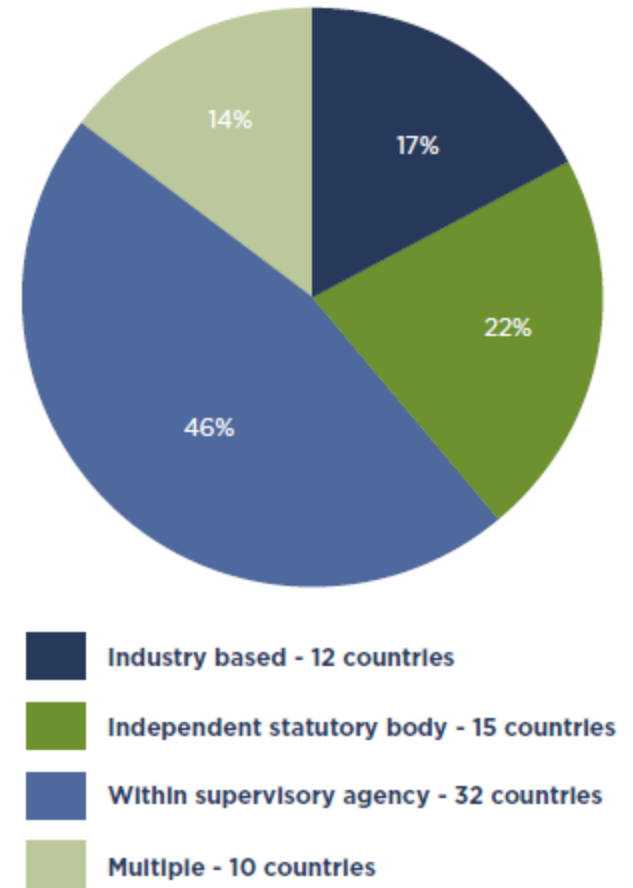
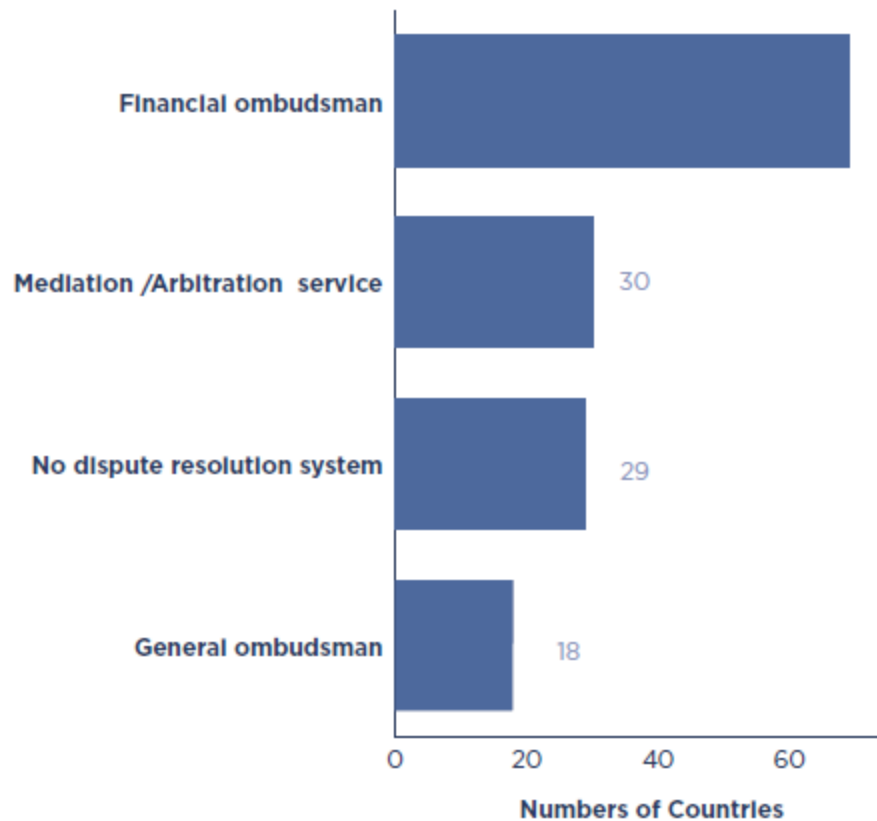
Periodic disclosure



Note: Based on responses from 114 economies in 2013.

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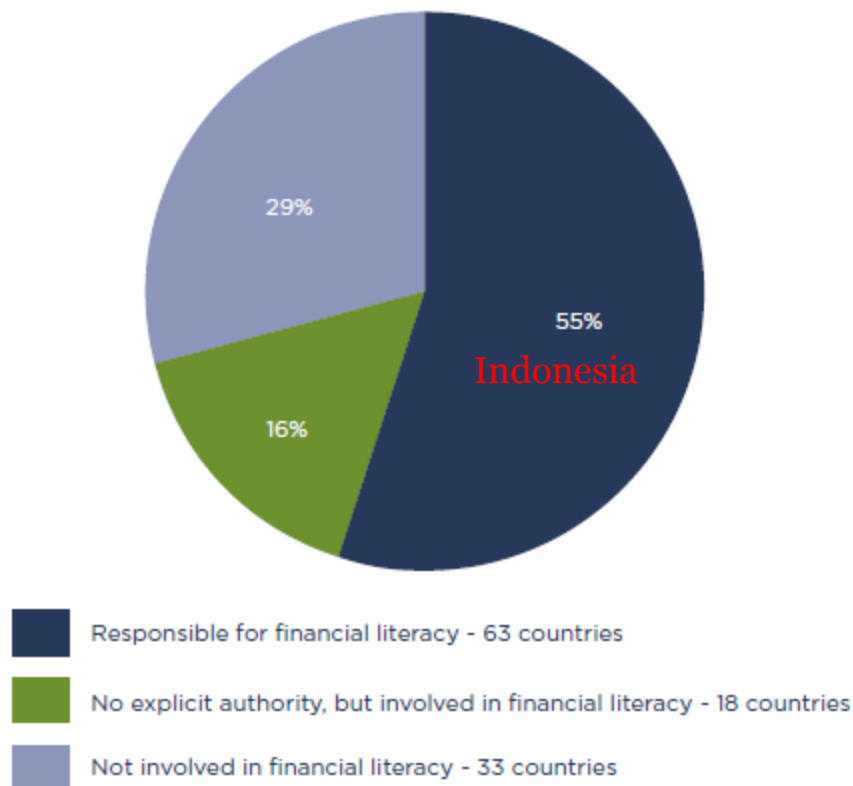
Most countries have a third party dispute resolution mechanism in place, while in a third of economies, financial supervisors operate an ombudsman-like entity



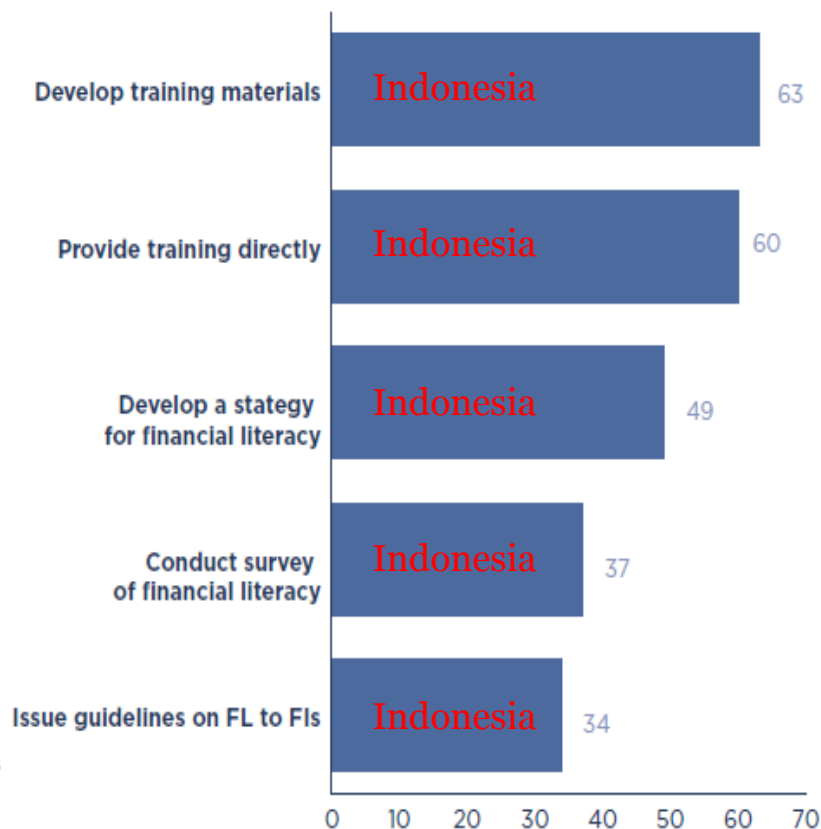
Note: Based on responses from 114 economies in 2013.

Note: For 69 economies with financial ombudsman or similar institutions.

Most financial regulators are involved in efforts to improve financial literacy and financial capability



Note: Based on responses from 114 economies in 2013.



Note: For 114 economies responding 2013.

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Opportunities: Digital Payments



The Opportunities of Digitizing Payments

[www.gatesfoundation.org/~media/GFO/
Documents/What%20We%20Do/
G20%20Report_Final.pdf](http://www.gatesfoundation.org/~media/GFO/Documents/What%20We%20Do/G20%20Report_Final.pdf)

Opportunities: Digital Payments (2)

“A role for government. Government effort is needed to facilitate the movement of financial transactions from cash to digital, especially with regard to reaching individuals in financially underserved areas.”

“Play a catalytic role in building a digital ecosystem by moving its payments from cash to digital. The sheer volume of government payments, from salaries to pensions and social cash transfers, has the potential to add significant volumes of transactions to service providers.”

“Construct a supportive regulatory environment. In order for the private sector to be able to provide digital payments solutions, it needs the space to develop innovative payment products. This means a regulatory environment that recognizes the contributions of financial sector players other than traditional banks, such as nonbank payment services providers and mobile network operators.”

Opportunities: Digital Payments (3)

"Establish an appropriate financial consumer protection framework. The potential access by consumers to digital services that go beyond basic banking functions, including credit, investments, and complex or bundled products, raises associated risks for consumer segments with weaker financial capability. There are also significant issues concerning fraudulent, misleading, and unfair commercial practices, and consumers require the right to dispute any unauthorized transaction. Data privacy and security are important issues to be raised, and governments should safeguard personal information against loss or theft. Consumers should have access to appropriate (independent, impartial, and free) redress mechanisms."

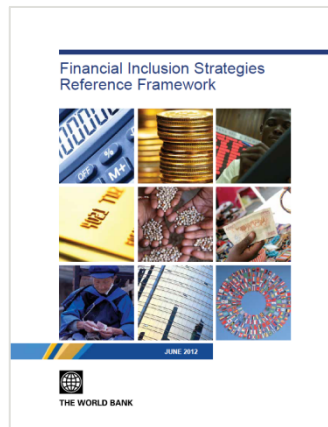
"Consumer education. Poor recipients and those living in remote areas might not be familiar or comfortable with using a digital payment system. This is especially a challenge for social cash transfer programs that by definition often target the poorest people. Assuring basic financial literacy is necessary; for example, recipients should be educated about using and remembering their PINs, understanding how much money they should receive at each payout period, and knowing what to do if something goes wrong (Zimmerman et al., 2014)."

CP: Selected Resources



**Responsible Finance
Website**

responsiblefinance.worldbank.org



**FI Strategies
Reference Framework**

bit.ly/FIStrategiesReferenceFramework



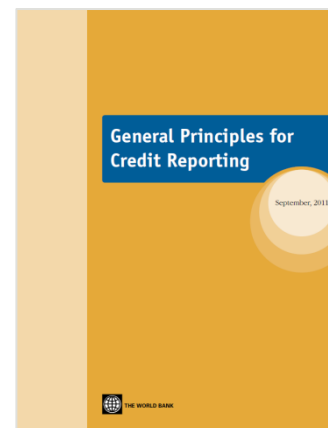
**Global Survey on
Innovative Retail Payments**

worldbank.org/financialinclusion



**Good Practices for Financial
Consumer Protection**

bit.ly/GoodPracticesConsumerProtection



**General Principles for Credit
Reporting**

bit.ly/GeneralPrinciplesCreditReporting

A close-up photograph of a person's hand, adorned with a silver ring, pointing to a yellow ledger. The ledger is open to two pages, both titled "LOAN REPAYMENT". The pages contain handwritten entries in a grid format, with columns for "Date", "No", "Type", "Date", and "P. No.". The background is blurred, showing what appears to be a market stall with blue plastic bottles. A large, semi-transparent circular graphic with a diagonal line pattern is overlaid on the left side of the image.

Thank you!