



Centre for International
Finance and Regulation

Towards Financial System Integrity

Consumer Protection and New Technologies

Regulatory Environments to Promote Financial Inclusion in
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The Agenda

- **Financial services and new technologies**
- **Consumer protection issues**
- **International developments in Consumer Protection and new technologies**
- **A new approach?**

Financial Services and New Technologies

- **Internet enabled and GSM network services**
- **M- banking and financial services**
- **The business case for m- banking**

What is Consumer Protection?

- **Transparency**
- **Product Suitability**
- **Financial Education**
- **Dispute resolution**

M - Banking

Consumer Protection Issues

THE ISSUE	THE QUESTIONS (in an m-banking environment)
Protecting client funds (especially with non-banks)	What safeguarding arrangements are in place? What rights do customers have to pooled funds?
Electronic disclosure and contracts	How can disclosure documents (e.g. terms and fees) and contracts be formed in an electronic environment?
Know Your Customer	How to prove and verify identity and keep relevant records?
System malfunctions	Who is liable for delays in transactions and lost records?
Security issues: fraud and identity theft, hacking, misuse of PINS and lost or stolen mobile devices	Who is liable? How is loss allocated?
Mistaken payments	Who is liable?

M-Banking

Consumer Protection Issues (cont.)

THE ISSUE	THE QUESTIONS
Liability for agents	Who is liable for their actions? How does the customer work this out?
Financial literacy	How can customers understand the complexities and risks of new technologies?
Dispute resolution	Who is responsible? What are the processes? Where does a customer go?
Privacy	Are there controls on the collection, use, disclosure and security of customer information?
Savings	Are they covered by deposit insurance schemes? Who is entitled to the interest?

Case Studies

- **MTN Uganda: US\$3.5 million stolen from suspense account used to store cash from incorrect transactions.**
- **Other examples? To be discussed...**

International Developments

- The immediate post GFC reaction
- G20 Principles for Innovative Financial Inclusion
- G20 High-Level Principles on Financial Consumer Protection
- A global Financial Consumer Protection Body?

Next Steps for Consumers

- A regional, self – regulatory, voluntary e-Payments Code of Conduct?
- Possibly covering critical consumer protection issues such as:
 - Disclosure of terms and conditions;
 - Notice of changes to terms and conditions (such as fee increases);
 - Provision of receipts and payments;
 - Responsibility for unauthorised transactions;
 - Mistaken payments;
 - Electronic contracting and provision of information; and
 - Confidentiality of customer information.

Resources

- **G20 Final High Level Principles on Financial Consumer Protection:** <http://www.oecd.org/dataoecd/58/26/48892010.pdf>
- **G20 Principles for Innovative Financial Inclusion:** <http://www.g20.utoronto.ca/2010/to-principles.html>
- **World Bank 2012 *Good Practices on Financial Consumer Protection***
<http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTFINANCIALSECTOR/0,,contentMDK:22876721~pagePK:148956~piPK:216618~theSitePK:282885,00.html>

Resources (cont.)

- **CGAP Branchless Banking Database:**
<http://www.nextbillion.net/blogpost.aspx?blogid=2161>
- **Supervising Non-Bank E-Money Issuers:**
<http://www.cgap.org/sites/default/files/CGAP-Brief-Supervising-Nonbank-Emoney-Issuers-Jul-2012.pdf>
- **Better Than Cash Alliance:** <http://betterthancash.org/>
- **Australia E Payments Code (commences March 2013):**
<http://www.asic.gov.au/asic/asic.nsf/byheadline/ePayments-Code>

QUESTIONS and DISCUSSION

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