FINCONET
INTERNATIONAL FINANCIAL CONSUMER PROTECTION NETWORK

Supervisory Institutional Arrangements & Tools Working Group

(Working Group #1)

Update on Work to Date

November 13, 2013
FinCoNet Meeting
Lisbon Portugal

Work Program Objectives

- Undertake an in-depth **stocktaking and analytical exercise to identify effective approaches** that will assist market conduct supervisors in relation to this principle.

- Explore how market conduct supervisors can most **effectively carry out their responsibilities** and help ensure financial consumer protection, **regardless of the type of institutional arrangements** in their jurisdiction.

- Support consumer protection authorities to help ensure they have the **necessary supervisory tools** to address specific emerging consumer protection issues or concerns

- Direct particular attention toward **potential consumer protection supervisory deficiencies** relating to responsible lending and other issues

- Look into **good practices and initiatives that may offer promising solutions** for the oversight of marketing and selling practices in the financial markets in the future.

Assumptions

- **Not all supervisory bodies are alike** – work has been done by the OECD and World Bank to identify institutional arrangement models that reflect many of the arrangements of most market conduct/financial consumer protection supervisors

- **Arrangements will have strengths and weaknesses** – benefit in understanding what these are – not trying to assess what model is better than another

- **Arrangements often not the decision of the supervisory agency** – policy decisions on the type of arrangements not easily changed

Assumptions

- **Supervisors will have a different tool to undertake their supervisory wor**k – tools may be defined somewhat by their arrangements, but there is generally more flexibility in establishing supervisory toolboxes

- **Members would benefit from information on different tools** used by supervisors in other jurisdictions and experiences in using them (effectiveness, applicability to different issues/institutions, etc.)

- Our work would focus on **the banking and credit sector** as set out in the FinCoNet Work Plan

Desired Deliverables

1. **Stock-take of institutional arrangements in different jurisdictions – undertake a process for jurisdictions to self-identify using arrangements models.**
   - This would provide a baseline for other deliverables
   - Should extend beyond the membership of FinCoNet to get a truer perspective of the various arrangements
   - Explore the possibility of working with the World Bank – through Global Survey Process – to meet this deliverable

2. **Undertake research to identify the strengths and weaknesses of the various models based on experiential information from different jurisdictions that represent different arrangement models**
   - Information could feed well into OECD Taskforce work on Principle #2 and could help guide jurisdictions that are looking for information to support policy decisions re: supervisory arrangements

Desired Deliverables

3. **Collect information from supervisory authorities regarding their oversight toolbox – including formal and informal compliance tools and enforcement tools that they have access to**

   - Assess what is the mix of tools that supervisors use to encourage and achieve compliance with the institutions they oversee
   - Assess what tools work best under a given institutional arrangement and to address particular issues that supervisory authorities my encounter or be asked to address (i.e. responsible lending; product suitability; etc.)
   - Possibly provide a compendium of tools that supervisory agencies could refer to help fill gaps or find more efficient methods to address issues

Accomplishments to date

- Since our last meeting we have been successful in cooperating with the Work Bank to deliver their first Global Survey on Financial Consumer Protection; including a specific question to address the first of our Work Plan deliverables

- Through this exercise we now have a baseline of countries that have self-identified which model of institutional arrangement they most identify with. We can use this information as the base for carrying out the work to meet our next two deliverables

- The Global Survey goes far beyond the specific deliverable we had set – good news is FinCoNet will have access to the data stemming from the survey – which could support other research we may wish to undertake

- We also have access to the comments that the World Bank received in the context for carrying out the Global Survey, which could provide an additional basis for interesting analysis

Moving Forward

- With the completing of this first phase of work, we can now begin to plan how the next phase of our work can be carried out

- The SIAT Working Group will have the opportunity to initiate our discussions on these next steps, and this will be crucial in order to keep this project moving forward. In particular, there is an need to do the following:

  – Reconfirm those members countries that wish to actively participate in delivering the elements of this research to ensure we have both the representatives and the resources to move forward (several people that had expressed an interest in this project have moved on so we are resource depleted)

Moving Forward

- Establish the key next steps that we will need to carry out in order to:
  - Coordinate the work of the group moving forward
  - Develop the data collection tool(s) and administer those tools to gather the information required
  - Undertake the necessary analysis of that information
  - Develop the required reports and communications

- Determine a reasonable scope for the next phase of work based on the resources that are available – for example, we can reach out to a sample of supervisors from the Global Survey groupings; or we could target tools relevant to specific supervisory issues; we could consider taking a case studies approach, etc.

- Assess whether there are partnership opportunities that would facilitate our work, and if so determine who with be the key liaison with those partners
  - E.g., World Bank; OECD Taskforce on Financial Consumer Protection; others?