FinCoNet
INTERNATIONAL FINANCIAL CONSUMER PROTECTION ORGANISATION

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CONTENTS

Welcome to the FinCoNet Newsletter

Welcome to the fourth and final edition of the FinCoNet Newsletter for 2018.

2018 has been another very successful year for FinCoNet, with the publication of the FinCoNet *Supervisory Toolbox*, the *Digitalisation of Short-term, High-cost Consumer Credit Consultation Paper* and the *Report on Practices and Tools Required to Support Risk-Based Supervision in a Digital Age*.

Once again, we thank all FinCoNet Members, Associates and Observers for their involvement in the FinCoNet Standing Committees that manage these work streams, and in anticipation of their ongoing support of all FinCoNet activities into 2019.

In Focus

FinCoNet 2018 Annual General Meeting

On 6-7 November 2018, FinCoNet members gathered in Brasilia, Brazil, for the 2018 FinCoNet Annual General Meeting (AGM). The AGM, hosted by the Central Bank of Brazil (BCB), was held concurrently with BCB's fourth Financial Citizenship Forum, and was followed by an international seminar on supervisory perspectives regarding open banking on 8 November. The seminar addressed developments, issues and challenges relating to open banking.

During the 2018 AGM, FinCoNet members approved the release of a new report, by Standing Committee 4, on *Practices and Tools Required to Support Risk-based Supervision in the Digital Age* and a consultation paper by Standing Committee 2 on *Guidance to Supervisors on Digitalisation of Short-term, High-cost Consumer Credit*. Both are now live on FinCoNet's website. Members also approved public release of FinCoNet's online *Supervisory Toolbox*, a comprehensive resource for use by supervisory authorities, and others, from all over the globe.

Standing committees (SC) 5 and 6 each provided a look-ahead into their plans for 2019 and beyond. SC5 is focussed on financial advertising from a supervisory perspective, while SC6 is focussed on product governance and culture. SC6 is conducting its work collaboratively with the G20/OECD Task Force on Financial Consumer Protection (the Task Force), which marks the first joint exercise between the two organisations. Through this collaborative approach, FinCoNet and the Task Force will gain a holistic understanding of oversight frameworks for product governance and culture. SC5 and SC6 will publish their respective findings in 2019-2020. Members also learned that the 2019 AGM will be hosted by the Central Bank of Italy, in Rome, in November 2019.

Many thanks to the Central Bank of Brazil for hosting the 2018 FinCoNet AGM.

IAIS papers on digitalisation/FinTech and conduct of business

On 7 November 2018, the International Association of Insurance Supervisors (IAIS) adopted two papers in the area of digitalisation/FinTech and conduct of business:

- the Issues Paper on *Increasing Digitalisation in Insurance and its Potential Impact on Consumer Outcomes*

- the Application Paper on the *Use of Digital Technology in Inclusive Insurance*

The Issues Paper considers the impact of increasing use of digital technology in insurance from a conduct of business perspective, focusing on product design, marketing, sales and distribution aspects of the insurance value chain. In particular, the paper discusses robo advice and price-comparison websites.

The Application Paper provides guidance to supervisors, regulators and policymakers when considering, designing and implementing regulations and supervisory practices regarding the use of digital technology in inclusive insurance. The paper is a sequel to the Issues Paper on *Conduct of Business in Inclusive Insurance* and was undertaken at the request of insurance supervisors looking for guidance in the area of mobile phone insurance and other uses of digital technology. The paper addresses relevant issues across the Insurance Core Principles (IPCs) from an inclusive insurance perspective (supervision, licensing, governance, risk management, conduct of business and financial integrity).

These papers can be found on the IAIS website (**www.IAISweb.org**) under Supervisory Material.

For further information, please contact Peter van den Broeke at the IAIS Secretariat (**Peter.vandenBroeke@bis.org**).

CGAP publishes one-stop web page consolidating research on digital credit

The Consultative Group on Assisting the Poor (CGAP) is happy to announce publication of its new one-stop web page on digital credit. On this page experts and others can access a variety of resources and the results of CGAP's latest research on the subject: http://www.cgap.org/topics/collections/digital-credit

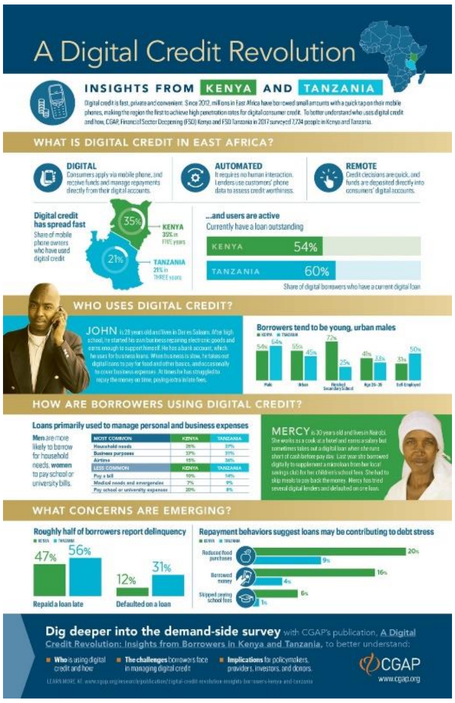
Of particular note is CGAP's working paper presenting the results of its demand surveys on digital credit in Kenya and Tanzania. This study contributes to international discussions on responsible digital finance, including those of the Global Partnership for Financial Inclusion (GPFI) and the efforts of the G20 to realize Principle 5 of the High-Level Principles for Digital Financial Inclusion.

http://www.cgap.org/sites/default/files/publications/Working-Paper-A-Digital-Credit-Revolution-Oct-2018.pdf

CGAP also published a slide deck with the results of a market monitoring exercise piloted with the Bank of Tanzania. It analyzed transactional and demographic data collected from digital credit providers. This slide deck accompanied the first of several blog posts synthesizing results of both consumer surveys and provider data on digital credit. http://www.cgap.org/blog/its-time-slow-digital-credits-growth-east-africa

The infographic below presents a summary of the consumer survey results:

http://www.cgap.org/research/infographic/digital-credit-revolution-insights-kenya-and-tanzania



Current issues forum

French financial supervisors are taking action to prevent the poor marketing of financial products to ageing people in a vulnerable situation

Contributor: Jade Al Yahya, Autorité de contrôle prudentiel et de résolution, Banque de France

In France, financial sector supervision is carried out by two distinct authorities. On the one hand, the French Prudential Supervision and Resolution Authority (ACPR) is responsible for the supervision of the banking and insurance sectors, with a view to upholding customers' interests and maintaining the stability of the financial system. On the other hand, the French Financial Markets Authority (AMF) regulates the players and products of the French financial markets. It also ensures investors receive proper information, and safeguards investments in financial products.

Financial consumer protection thus represents a major crosscutting issue for both authorities.

To carry out this common mission, ACPR and AMF work together through a “Joint Unit”, created in 2010. It coordinates the two authorities’ monitoring activities and supervision priorities[1]. Through this close collaboration, the two authorities enhance the oversight of financial product marketing in France, identifying risks to consumers as early as possible and pushing financial-sector professionals to take consumer interests into account.

In 2016, the Joint Unit started focusing on marketing practices aimed at vulnerable populations, in order to understand the difficulties and specific risks these populations face in a constantly evolving financial environment.

After a first study on the relationship between protected adults and financial institutions, the Joint Unit has undertaken more extensive work on the subject of aging consumers[2]. It chose to focus on this particular demographic group for several reasons. First, the elderly population is growing[3]. Second, the wealth of older people is generally higher than that of the average population, thanks to asset accumulation throughout their lives; financial stakes are therefore particularly significant among this group. Finally, through their monitoring and inspection actions, ACPR and AMF have observed that aging people are often the target of scams or unfair or abusive marketing practices.

Thus, the objective of ACPR and AMF is to prevent poor marketing practices aimed at older consumers.

One initial finding, through an inventory and analysis of existing socio-demographic, psychological and legal data, was that there is no commonly accepted definition of an "elderly person". Also, one main conclusion

[1] The Joint Unit also set up a single point of contact for fielding customer queries via the “Assurance Banque Épargne Info-Service” website (https://www.abe-infoservice.fr/) and helpline.

[2] For the purposes of this study, the Joint Unit decided to focus on the sub-segment of ageing people already retired and over 70 years old.

[3] The proportion of French people over the age of 75 will rise from 9% in 2020 to almost 15% in 2040.

is that old age and vulnerability are not synonymous–some people over 70 years of age are completely autonomous, while others are more fragile or dependent. Therefore, it is impossible to define a “threshold age” at which a person would be systematically considered incapable of agreeing to a contract and/or otherwise protecting his or her own financial interests; doing so would risk accusations of ageist discrimination. Age is not a reliable indicator of a person's abilities.

However, aging is usually accompanied by an impairment of certain cognitive faculties such as perception, attention, concentration, or memory, which can render the elderly vulnerable to abuse.

This is a sensitive subject. Criteria determining vulnerability (which would foster increased vigilance in protecting the elderly) cannot be limited to age; other objective criteria must be found.

The Joint Unit found that existing protection mechanisms mainly apply to people whose vulnerability is already known and legally declared. People in the "grey area"[4], who do not have their full capabilities but whose fragility has not yet been detected, receive no special protection.

The Working Group supplemented its findings with information gathered in meetings with market players, in order to understand how, in practice, the industry identifies and manages the vulnerable-elderly consumer segment. The interviews showed the Joint Unit that the financial industry already takes some measures to limit the risks of poor marketing (e.g., age-specific marketing limits; procedures such as automatically scheduling an appointment when a client reaches age 79 to take stock of their current situation and future needs; and training and support of financial advisors). However, many questions remain unanswered regarding the management of customers in the "grey area".

To comprehend more fully the impact of aging on financial decision making and to help the industry grasp this clientele’s specificities, the Joint Unit engaged in a partnership with a researcher specialized in economics of ageing[5].

This third part of the work is based on the SHARE database[6], which contains anonymized micro-data from a sample of 80,000 Europeans aged 50+. The data describes the subjects’ physical and mental health, cognitive abilities, employment, financial situation, and family. By cross-referencing this data, researchers hope to identify vulnerability markers—other than age—that are specific to the elderly.

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[4] Since protection mechanisms already exist for people whose vulnerability is legally declared (e.g. legal guardianship for adults), the Joint Unit focused its work on the "grey area" and on the way advisors can ensure that informed consent is given when financial products are purchased by a person evolving from a state of full intellectual and cognitive capacity to one of diminished capacity.

[5] Eric Bonsang is associate professor of Economics at University Paris-Dauphine. He is a fellow of the Robert N. Butler Columbia Aging Center (Columbia University), the Research Centre for Education and the Labour Market (ROA, Maastricht University), and the Network for Studies on Pensions, Aging and Retirement (Netspar). He is Associate Editor of Ageing & Society and the Journal of the Economics of Aging. His current research interests focus on economics of ageing, health economics, applied microeconometrics, and labour and demographic economics (https://leda.dauphine.fr)

[6] The Survey of Health, Ageing and Retirement in Europe (SHARE) is a multidisciplinary and cross-national panel database of micro data on health, socio-economic status and social and family networks of a sample of individuals aged 50 or older (more than 297,000 interviews). SHARE covers 27 European countries and Israel.

Also, a predictive model, which could be a complementary tool for professionals to objectify the detection of vulnerability[7], is currently under development by the partner university.

This cross-disciplinary study led to the elaboration of a discussion paper[8], which is intended to serve as a basis for debate and food for thought, and which has just been submitted to public consultation[9], so that each interested stakeholder can give input on these issues. The aim is to encourage dialogue on possible solutions to better protect older people.

In 2019, the subject of the protection of ageing people will remain a priority theme of reflection and action for ACPR and AMF. A second phase of the research project will be initiated; it will aim at testing the predictive model with real data provided by voluntary financial institutions. In the longer term, it is envisaged to raise the various stakeholders' awareness on these issues, by way of doctrine, targeted communication or educational tools.

Ultimately, the ambition is to provide professionals with a set of good practices and reflexes to detect the signs of vulnerability and avoid, as far as possible, the marketing of inadequate or inappropriate products and services to ageing people in a vulnerable situation.

ASIC puts spotlight on rapidly growing buy-now-pay-later industry

Contributors: Laura Dunbabin and Chris Green, Australian Securities and Investments Commission

The Australian Securities and Investments Commission (ASIC) has released Report 600, its first review of the rapidly growing buy-now-pay-later-industry. The review of this diverse and evolving market has found that buy-now-pay-later arrangements are influencing the spending habits of consumers, especially younger consumers.

A buy-now-pay-later arrangement allows consumers to purchase and obtain goods and services immediately, paying for that purchase over time. Some buy-now-pay-later providers offer fixed-term contracts of up to 56 days for amounts up to AUD$2,000, while others offer a line of credit for amounts up to AUD$30,000.

ASIC found the following:

- The number of consumers who have used buy-now-pay-later has increased five-fold, from 400,000 to 2 million, over the financial years 2015-2016 to 2017-2018.
- The number of transactions has increased from about 50,000 during the month of April 2016, to 1.9 million in June 2018.

[7] Multi-variate quantitative analyses on the SHARE database will be carried out, the ambition being to develop a predictive model that will allow basing the assessment of vulnerability on objective criteria.

[8] https://acpr.banque-france.fr/sites/default/files/medias/documents/181212_rapport_acpr_amf.pdf

[9] The public consultation is currently in progress for a two-month period of time, until mid-February 2019.

- At 30 June 2018, there was AUD$903 million in outstanding buy-now-pay-later balances.
- The typical buy-now-pay-later consumer is young with 60 percent of users aged between 18 to 34 years. We found that buy-now-pay-later arrangements can cause some consumers to become financially overcommitted and liable to paying late fees.
- One in six users had become overdrawn, had delayed bill payments, or had borrowed additional money because of the buy-now-pay-later arrangement.

Most consumers believe these arrangements allow them to buy more expensive items than they could otherwise, and to spend more than they normally would. Providers use behavioural techniques that can influence consumers to make a purchase without carefully considering the costs.

Given the potential risks to consumers, ASIC supports extending the proposed product intervention powers[1] to all credit facilities regulated under the ASIC Act. Product intervention powers will provide ASIC with a flexible tool kit to address emerging products and services such as buy-now-pay-later arrangements. This will ensure ASIC can take appropriate action where significant consumer detriment is identified.

Background

Buy-now-pay-later arrangements allow consumers to defer payment for purchases from participating merchants and obtain the goods and services immediately.

Under the arrangement, consumers are generally not charged interest. However, some arrangements have an establishment fee and account-keeping fees. Consumers may also be charged a fee if they miss a payment.

Buy-now-pay-later arrangements are available from a range of merchants. For example, these arrangements could be used to finance high-value purchases such as solar power products, health services, travel and electronics. Buy-now-pay-later arrangements are also available for everyday, smaller-value purchases from retailers.

These arrangements are not regulated under the *National Credit Act,* so there is no licensing requirement for providers. Nor are they obliged to comply with the responsible lending laws that prohibit a lender from providing credit that would be 'unsuitable' for the consumer. However, these arrangements are considered "credit facilities" under the ASIC Act, meaning that ASIC can take action where a buy-now-pay-later provider engages in conduct that is misleading or unconscionable.

ASIC's review

ASIC undertook a proactive review of these arrangements to develop a broad understanding of this growing industry and to identify potential risks to consumers. The review examined six providers, four of which are part of larger ASX-listed companies. The buy-now-pay-later arrangements reviewed were: Afterpay, zipPay, Certegy Ezi-Pay, Oxipay, BrightePay and Openpay.

To better understand how this industry is working in practice, ASIC considered qualitative and quantitative data from July 2016 to June 2018. We also relied on independent consumer research from a survey of 600 randomly selected consumers who had recently used a buy-now-pay-later arrangement. ASIC also tested each provider's performance in terms of transparency, dispute resolution and

[1] Draft legislation introduced by the Australian government in 2018.

hardship. As a result, all the providers have made improvements to their products, to protect consumers. For example, all the providers are now members of the new independent dispute resolution body, the Australian Financial Complaints Authority, and all of them are reviewing their standard contracts to identify any potentially unfair terms.

ASIC will continue to collect data to monitor the adequacy of consumer protection in this sector and to review changes made by buy-now-pay-later providers.

ASIC's MoneySmart website explains how buy-now-pay-later services work and how consumers can avoid getting into financial trouble when using them.

Bank of Russia introduced Basic Standard for Insurance Customer Protection

Contributor: Daria Silkina, Bank of Russia

In the second half of 2018, the Bank of Russia approved the Basic Standard for Insurance Customer Protection. The Standard enhances the protection of the rights and interests of individuals and legal entities that receive financial services provided by members of self-regulatory organisations uniting insurance companies.

The standard lays out key principles of insurance consumer protection and establishes requirements with which insurance companies must comply.

The standard includes:

- requirements setting forth the minimal amount of information insurers must provide to customers
- principles and the procedure for the providing information to insurance customers, which includes that on the insurance company website
- principles for advertising insurance companies' operations, including specifics regarding advertising on insurance company websites
- rules for interaction between the insurance company and insurance customers related to the execution, amendment and performance of insurance contracts
- service standards concerning accessibility and the equipment in insurance companies' offices
- requirements for the staff of insurance companies and their agents that interact directly with insurance customers
- the procedure for handling insurance customers' complaints; methods to enforce the customer's right to out-of-court settlement
- the procedure to ensure members of self-regulatory organisations comply with the Standard's requirements

The Standard establishes limitations on insurance company operations, which aim to protect consumers. The key limitations are as follows:

I. The obligation to provide additional information upon the execution of an investment life insurance contract, viz.:

1) about risks related to this contract

2) notice of non-guaranteed income under this contract, as well as the statement that income under certain contracts may be different from that under contracts of this type based on their past performance

3) about the procedure for redemption amount calculation, identifying the

redemption amount to be returned based on the duration of the contract in question and the period wherein the contract was terminated

4) about the procedure for the accrual of investment income, including that on investment targets

5) about the period wherein the redemption amount under a contract of this type cannot be returned to the policy holder in the event of its early termination at the request of the insurance customer

II. The requirement that the insurance company communicate, by telephone or other means specified in the insurance contract, to the insurance customer within the period when the latter is entitled to withdraw from the insurance contract, resulting in a refund of the insurance premium. This requirement stems from the need to obtain the insurance customer's confirmation that he/she understands the insurance contract terms and conditions (including limitations related to prior termination of the insurance contract).

III. The scope of application of the Standard as regards insurance agents' operations.

Assessment of institutional policy on the relationship with financial consumers

Contributor: Central Bank of Brazil (BCB)

Brazil has made significant progress in implementing an important consumer-protection regulation, enacted two years ago, to improve financial institution conduct across the country.

The National Monetary Council (CMN) enacted Resolution 4,539 (in Portuguese) in November 2016. It requires financial-industry compliance with principles of ethics, responsibility, transparency and diligence, fostering the convergence of interests between providers and consumers, and consolidating the Brazilian financial system's image of credibility, security and competence (see FinCoNet Newsletter March 2017).

Enactment was initially followed by a one-year grace period, during which each financial institution (FI) was to produce policies consolidating guidelines, strategic objectives and organizational values. In this phase, the BCB closely monitored FIs' policies development.

Once the resolution came into force in November 2017, the BCB immediately assessed the adequacy of those FIs' policies against a specific set of criteria.

Now, as 2018 draws to a close, the BCB can report on its assessment of the gap analysis conducted by each FI, and the action plans developed to address those gaps, the quality of associated indicators and the work of the FIs' compliance function and its internal auditors.

Overview

The Resolution promotes FI organizational culture that encourages a cooperative and balanced relationship with customers, striving to treat them fairly and equitably throughout the relationship, which covers pre-contractual, contractual and post-contractual duties.

This regulation is also intended to increase transparency and assist in assessing the suitability of offered products and rendered services, requiring financial institutions to establish target markets for products and services in their portfolio, taking into account their characteristics and complexity levels. Additionally, each FI must define relevant roles and responsibilities; the policy must be approved by the board of directors and must be subject to periodic review.

Grace period Nov. 2016-Nov. 2017

During the grace period between Nov.2016-Nov.2017, the BCB ensured that FIs established governance mechanisms to guarantee the policy's effectiveness and the adequacy of related routines and procedures. This included disseminating the policy among the institution's ranks, training employees and authorized agents, and requirements for the compliance and internal-audit functions.

The end of grace period – Nov.2017

At the end of the grace period in November 2017, the BCB performed its first assessment of FI policies adequacy. For that, the BCB established a set of objective and subjective criteria to check policy compliance against the characteristics required under the Resolution.

Objective criteria included assessing the FI's elaboration, implementation and management of the policy. Subjective criteria assessed whether a policy adhered to the principles defined in the Resolution.

The BCB selected a sample of 18 FIs, including five systemically important financial institutions (SIFIs), which represent more than 95 percent of retail banking activities in Brazil, to assess their policies based in the criteria established. The outcome of this assessment showed a high degree of FI compliance with the regulation, and some opportunities for improvement. Supervisors acted on flaws and deficiencies identified and FIs promptly addressed them.

Year one: Nov. 2017—Nov. 2018

In 2018, with the FI policies in place, the BCB has taken a new step to ensure the regulation is adequately implemented by FIs. This phase was developed through a detailed questionnaire distributed to the selected FIs. It has included information on gap analysis conducted by each FI, as well as the action plans developed to address those gaps, the quality of associated indicators associated and work conducted by the compliance and internal-audit functions.

The work was based on FI information on the following:

- self-assessment on the current policy implementation stage
- vision of the future, considering the anticipated challenges
- gaps detected
- compliance indicators
- effectiveness indicators
- targets and timeframes

The two main objectives here were to verify whether the policy and its implementation were connected to the FI's corporate strategy, and whether the prioritized actions and indicators were bound to the identified gaps. The work also provides an overview of complex policy implementation, as each large FI handles hundreds of multi-area initiatives across the organization.

The outcomes are interesting and useful. Each FI identified a number of strategic gaps; some absence of prioritization and indicators; inconsistency between gaps and indicators; and even a lack of action plans for each identified gap. Based on this report, BCB's supervisors have demanded each FI improve their analysis and the list of issues they will address by the first half of 2019 (initiatives, projects and goals to be pursued). Implementation of these initiatives will ensure that policies are actually put into practice and that their adoption delivers an actual change in the organizational culture and mindset, as prescribed by each policy.

The Federal Financial Supervisory Authority (BaFin) reviews compliance with Payment Accounts Act

Contributor: Dorothee Kohleick, Federal Financial Supervisory Authority (BaFin), Germany

The last part of Germany's Payment Accounts Act entered into force in late October 2018. This article looks at BaFin survey data, and reviews the question of a "reasonable fee" for basic payment accounts; this issue is still under debate.

Background

All consumers in Germany have a right to a basic payment account and to assistance from banks when switching accounts. These principles have been set out for roughly two years in the *Payment Accounts Act* (Zahlungskontengesetz, or ZKG), which transposes the *European Payment Accounts Directive* into German law.

By giving all consumers the right to a basic payment account, lawmakers aim to enable them to participate fully in economic and social life. Under the ZKG, all banks offering payment accounts to consumers must also offer basic payment accounts.

Banks are complying with their obligations

BaFin's recent survey, as of 30 June 2018, reveals that about1,300 credit institutions in Germany offer basic payment accounts. Consumers submitted more than 566,000 applications to open a basic payment account between the date on which the new rules came into force (18 June 2016) and 30 June 2018. Institutions refused just under 15,000 such applications. Approximately 540,500 basic payment accounts were opened. As at 30 June, there were just under 497,000 basic payment accounts in existence.

If a bank refuses to open a basic payment account, the consumer concerned can apply to BaFin for administrative proceedings to be opened (documents available in German only). BaFin will then examine whether the bank was entitled to refuse to open the basic payment account and will order the bank to open it if no legal grounds for the refusal exist.

Roughly 580 consumers submitted such applications to BaFin in the period under review. BaFin was able to help about 200 of them effectively obtain a basic payment account. In these cases, the institutions had rejected the consumers' applications without a recognised reason. In 22 cases, BaFin formally ordered the banks concerned to open a basic payment account. In the remaining cases, the banks had already responded to the consultation with BaFin and had changed their decision.

BaFin received roughly 320 consumer complaints relating to basic payment accounts (see info box "Basic payment accounts–two years on").

Relative to the more than half-million applications for basic payment accounts, the number of consumer issues was small in terms of applications refused, complaints and applications to BaFin to open administrative proceedings. The data show the institutions are generally complying well with their obligations under the ZKG (see the December 2017 edition of the BaFinJournal --available in German only).

Assistance in switching accounts

Payment service providers are obliged to facilitate account switching by consumers at the latters' request. They are to do so by transferring standing orders and other services to the new provider in an uncomplicated manner and by sharing information with them. Consumers took advantage of these rules 705,000 times between the date on which these rules came into force (19 September 2016) and 30 June 2018. In the same period, consumers submitted about120 complaints to BaFin relating to statutory assistance for switching accounts.

Financial literacy

Contributor: Bank of Mauritius

For the Bank of Mauritius (Bank), the decision to join FinCoNet was prompted by the Bank's ambition to roll out enhanced consumer protection programmes that would also embed international best practices.

After obtaining its status as a FinCoNet member in May 2016, the Bank embarked on the elaboration and subsequent roll-out of a comprehensive financial literacy programme, starting with the Bank of Mauritius Museum that was inaugurated on the 3rd of November 2017 by the Honourable Pravind Kumar Jugnauth, Prime Minister of the Republic of Mauritius. The Museum is a window on the country's economic history and on the significance of currency in the nation's economic life.

In March 2018, the Museum opened its doors to the public on a free of charge basis. The opening coincided with the launch of the Bank's financial literacy programme. The Bank also held public lectures on the economy, the evolution of the central bank and on monetary policy. These lectures were facilitated by staff of the Bank and by business professionals.

In line with the Bank's mandate to educate and protect consumers of financial and banking products, a refreshed financial literacy strategy and programme was rolled out in March 2018 in the context of the country's fiftieth independence celebrations. The new strategy takes into account the imperatives of equipping the adults of tomorrow as well as people nearing retirement age who need the necessary skills to avert scams and to understand the importance of budgeting, saving and investing.

Through information sessions conducted with museum visitors, including college and university students, the financial literacy programme has reached out to some 25,000 families. These sessions have helped the Mauritian central bank bring to the attention of citizens the basics of currency security features through the "Know Our Banknote" awareness initiative. Through interactive sessions with the Bank, citizens have become more conversant with the concepts of central banking and monetary policy and, more importantly, the importance of savings and safe investments.

In the same vein, the Bank launched an awareness campaign on the attractiveness of the secondary market and investment opportunities available for individuals. The Bank roped in commercial banks to bring customers' attention to the possibility of investing in risk-free instruments offering attractive yields. Market data in the wake of this initiative indicates a significant uptick regarding investment by individuals in instruments available on the secondary market. Investment by individuals in the secondary market increased from Rs1.8 billion as at end-December 2017 to nearly Rs6.0 billion at mid-November 2018.

With a view to ensuring savers can benefit from higher returns in the context of the rising yields on money market instruments since April 2018, the Bank has requested banks to increase their rates. Following this, a number of commercial banks responded positively, and bank customers can now benefit from more attractive savings deposit rates.

In line with its customer-centric philosophy, the Bank is also working on the introduction of commercial papers in Mauritius. This is expected to support the development of a vibrant bond market in Mauritius and allow issuers to diversify their sources of short-term borrowing while also ensuring price discovery. In this regard, the Bank issued a Guideline on Commercial Papers in June this year. The central bank is also encouraging corporates to consider issuing commercial papers, as this new type of instrument will benefit both issuers and local investors, especially given that the public can subscribe to these short-term money market instruments.

The Bank is also building on synergies with stakeholders to promote consumer education and financial inclusion. A team at the Bank is working on the elaboration and implementation of measures pertaining to financial inclusion. In parallel, the Bank has enlisted the Mauritius Bankers Association to increase awareness, not only of banking products and services available on the market, but also of consumer rights and obligations. The Bank also expects to benefit from the support of internationally recognised NGOs specialised in consumer education and financial inclusion.

The Bank is currently working on the next phase of its financial literacy programme. This will take the form of a country-wide outreach programme, which will be launched in 2019. The approach will include on-site, interactive sessions on financial literacy in colleges across Mauritius, and an app-based multi-media information dissemination.

National Payment Switch

The Bank has also been very active on the front of technology, especially with a view to creating an enabling payment environment for all market players and to help the country fully play its role as a regional financial hub. The Bank initiated its National Payment Switch (NPS) project in line with its policy to modernize the national payment system and to bring down transactional fees and other charges. The NPS provides a platform for the integration of all electronic payment transactions in Mauritius and improves payment-system cost-effectiveness. The NPS interfaces with local and mobile payment systems, points of sale, ATMs, and internet portals.

The switch has two features, namely:

- the Card Payment System, which will process and settle card payments irrespective of the channel used
- the Instant Payment System, which leverages on direct access to bank accounts to allow retail payments irrespective of the channel used

The switch has been launched on a pilot basis involving two banks and one non-bank institution and will be in fully-fledged operation by end-June 2019.

Instant Payment System (IPS)

The Bank is also incentivising banks to open up their core banking systems through application programming interfaces (APIs). APIs will allow instant access to bank accounts, whether for transactions or information. FinTechs are driving most innovation in payments; they want to leverage direct access to bank accounts in order to provide consumers with value-added services (e.g., budgeting tools) and this initiative will provide an opportunity for banks to collaborate with providers of emerging technologies.

Consumers are becoming more tech-savvy and there is a growing demand for faster, more personalised, more accessible and cheaper payment services. The revolutionary open-banking system will enable real-time payments on a 24/7 basis and offer customers a plethora of new, convenient payment options. The benefits of the system will be multi-level. The availability of payment options will bring drastic change to the payment landscape and stimulate the growth of electronic payments while levelling the playing field for new competitors. Innovative operators will promote competition in the market to the benefit of users and the economy at large. The rapid change in the industry will compel banks to move away from traditional services and innovate their products and service offerings for an improved customer experience.

The instant payment system will benefit individuals and businesses. The value lies in the transition from batch processing to real-time transactions, which will positively impact the velocity of money moving through the economy. Another positive result will be a decrease in cash in circulation, and a significant decrease in the high cost and administrative implications for the Bank. The reduction in associated fees, and the convenience of ubiquitous access topayment services will motivate users to switch to electronic payments. The system will enable users to have an overview of their financial situation at any time and better manage their personal finances. Likewise, merchants also will have a better visibility and control over their cash flows. Merchants may also be prompted to offer their own electronic payment service to their customer bases, bypassing payment service fees.

The Bank remains committed to its objective of providing a safe, efficient payment environment in step with international trends, promoting economic development while safeguarding the consumer interests.

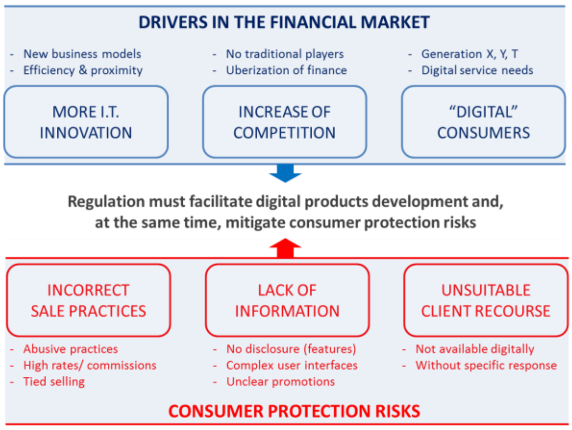
Superintendence of Banks, Insurance Companies and Private Pension Funds (SBS) of Peru adapts the market conduct regulation to protect financial consumers in the digital era

Contributor: Elias Vargas, SBS Peru

In 2017, Peru's Superintendence of Banks, Insurance Companies and Private Pension Funds (SBS) updated its regulatory framework on corporate governance and market conduct management for the financial system, pointing out that adequate market conduct should be an essential element of enterprise culture, its institutional policies and incentives. This new regulation includes objectives and principles of market conduct to ensure fair treatment of consumers through all the stages of product lifecycle. Even though this new regulation was an important milestone, SBS was aware it should address new drivers that are changing the financial market, in order to establish public policy.

Worldwide, technological innovations are transforming business models, increasing efficiency of internal processes and improving the value of products and services for users. In the same way, new technological developments are encouraging greater competition among suppliers due to the emergence of new players. Peru's financial system is undergoing this transformation, with a growing number of products and services offered through digital channels. These include retail loans, savings accounts, salary advances, fixed-term deposits and payment services. At the same time, new generations of consumers have emerged, "digital natives" who have their own expectations of financial products and services, and they are eager to make any transaction quickly by digital channels.

However, those drivers also generate new consumer protection risks, because they have the potential to influence the users' behaviour negatively, to intensify cognitive biases and to promote impulsive buying. It happens whether the user is not provided with enough information to make a responsible decision, or because a product can be bought with a single click. Thus, according to recent OECD studies, there is a concern among regulators globally regarding how to address consumer protection and market conduct in the digital environment, especially in terms of transparency and disclosure of information, business practices, and client recourse mechanisms. Moreover, it is challenging for consumers to make good decisions in the face of aggressive/tied sales practices or when they are offered products generally unsuited to a clientele. This can generate consumer over-indebtedness.



Taking that into account, in October 2018 the SBS modified its market conduct regulation for the financial system, allowing users to contract financial products in an agile and secure manner, through digital channels. Regulatory changes focused on three stages of the financial product lifecycle in terms of distribution: (i) contracting, (ii) execution, and (iii) cancellation.

FINANCIAL PRODUCTS LIFECYLE (DISTRIBUTION)

- During the contracting process, the financial institution must increase their security mechanisms for user identification and for product acceptance, using an authentication factor (e.g., biometrics) or a combination of factors. Likewise, financial institutions must provide users with the number of the SBS Resolution under which the general clauses of the contract were approved. This is to increase transparency and client confidence. Users can also demand a physical copy of the contract, if the document is signed in a bank branch through the intervention of an employee.
- While the contract is in effect, entities can communicate updates or changes to it using a wide range of physical or electronic channels, as long as the entity guarantees opportunity and accuracy in the information given to the users. Moreover, users can demand periodic information about their financial services (e.g., credit card and saving account statements) by electronic means; an entity must receive those demands through its main channels (branches, telephone or webpage).
- Finally, users can resolve their contracts any time in a simple way. The channels/means through which financial institutions sell contracted products must also be available for resolving contract disputes. Any operational or technological difficulty in ensuring this must be justified to the regulator, which will evaluate the reasons.

SBS believes this update will improve the balance between innovation and consumer protection in the Peruvian financial system, reinforcing the country's regulatory framework once again.

Banco de Portugal provides a comparison website with information on fees charged for payment accounts

Contributor: Fernanda Matias, Banco de Portugal

On October 1, Banco de Portugal launched the Fees Comparator, a comparison tool available on the Bank Customer Website, which allows consumers to quickly and easily compare the most relevant fees charged for services linked to payment accounts. The Fees Comparator includes information on the fees charged by all institutions that provide those services.

The Fees Comparator aims to fulfil the requirements on comparison websites established by the Payment Accounts Directive.[1] Banco de Portugal was mandated to provide consumers with a comparison website enabling them to compare the fees charged, at least, for the most representative services linked to payment accounts.

With an ambitious agenda, Banco de Portugal developed the Fees Comparator featuring information on the fees charged for the most representative services. Banco de Portugal decided to cover a large number of services with the aim of providing consumers a comprehensive overview of the costs linked to payment accounts.[2] [3]

The fees presented in the Fees Comparator correspond to the maximum cost of each service that a financial institution can charge, irrespective of any exemptions or discounts. The fees must also include taxes, so that amounts payable by consumers correspond to the final costs. The purpose is to obtain information on the maximum amount that can be charged for each service, thereby allowing for an objective comparison of the fees applicable to the services in question in the worst case scenario.

The Fees Comparator presents a range of 93 fees provided by approximately 200 institutions and takes into account the marketing channels of each service: branches, ATMs, ATS, online, mobile, SMS, telephone with operator, telephone without operator or by post, as they very often outline different charges. The Fees Comparator also enables consumers to compare, by institution or service, the fees charged for the following services:

- maintenance of a basic bank account and a standard account;
- maintenance of a simple payment account (for example, a current account that is not packaged with other products or services);
- maintenance of package accounts (i.e. accounts that are subscribed in conjunction with other products and services, where the fee for maintaining the account covers the provision of all services);
- provision of debit and credit cards;
- provision of private credit cards (i.e. cards that can only be used in specific stores or department stores

[1] Article 7 of Directive 2014/92/EU of the European Parliament and of the Council, of 23 July 2014, on the comparability of fees related to payment accounts, payment account switching and access to payment accounts with basic features.

[2] The Payment Accounts Directive was transposed by Decree-Law No 107/2017, of 30 August 2017. The mandate given to Banco de Portugal is established in Article 11 of this Decree-Law.

[3] The most representative services linked to payment accounts were set out in Instruction of Banco de Portugal No 11/2018 of Banco de Portugal.

or to purchase a very limited range of goods and services);

- cash withdrawals;
- cash advance;
- requisition and delivery of crossed cheques, irrespective of the type of cheque (to the order of or/not to the order of);
- credit transfers;
- standing orders (i.e. regular transfers, of a fixed amount of money, from the consumer's account to another account).

For services such as package accounts, debit cards, credit cards and private credit cards, consumers can compare the cost charged for alternatives, on the basis of the most representative products offered by each institution.

With the Fees Comparator, consumers can sort and print their search results, download files with data on fees and record the fees charged by institutions.

The Fees Comparator does not recommend any product or service nor does it advise consumers on their purchase, since the provision of this type of services does not fall within the legal mandate assigned to Banco de Portugal.

To help consumers use the Fees Comparator, Banco de Portugal has uploaded a video on how to use this tool. Banco de Portugal also provides a glossary and a set of frequently asked questions, accessible via the buttons located on the bottom tool bar. For more information on the characteristics of the services included in the Fees Comparator, consumers can refer to the "i" icon associated with each service and to the fees and expenses leaflets of price lists, also available on the Bank Customer Website. Price lists are mandatory and must include the fees charged for all services provided by institutions.

By promoting transparency and comparability, the Fees Comparator is an important tool to help consumers make informed decisions about which services or payment accounts best suit their needs.[4]

The Fees Comparator falls within the banking conduct supervision mandate assigned to Banco de Portugal, and its implementation and day-to-day management is carried out by the Banking Conduct Supervision Department.

[4] The requirements applicable to the reporting of information on the Fees Comparator were set out in Instruction of Banco de Portugal No 19/2018.

FinCoNet

Established in 2013, FinCoNet is an international organisation of supervisory authorities responsible for financial consumer protection. It is a member-based organisation set up as a not-for-profit association under French law.

FinCoNet promotes sound market conduct and strong consumer protection through efficient and effective financial market conduct supervision.

Each member of FinCoNet has responsibility for and an interest in protecting the interests of consumers of financial services. FinCoNet seeks to enhance the protection of consumers, and to strengthen consumer confidence by promoting robust and effective supervisory standards and practices, and sharing best practices among supervisors. It also seeks to promote fair and transparent market practices and clear disclosure to consumers of financial services.

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