

**Consumer Finance Protection  
with particular focus on credit**

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## Foreword

At the Seoul Summit in November 2010, the G20 Leaders asked the Financial Stability Board (FSB) to work in collaboration with the Organisation for Economic Co-operation and Development (OECD) and other international organisations to explore, and report back by the November 2011 Summit, options to advance consumer finance protection.<sup>1</sup> At the request of the French Presidency, G20 Finance Ministers and Central Bank Governors subsequently complemented this call by asking “the OECD, the FSB and other relevant international organisations to develop common principles on consumer protection in the field of financial services by our October meeting.”<sup>2</sup>

To meet these G20 calls, the FSB led the preparation of the report, and the OECD led the development of the principles (see Annex J). FSB members agreed that the FSB report to Leaders would focus largely (but not necessarily exclusively) on the financial stability aspects of consumer finance protection, narrowly covering policies relating to consumer credit, including residential mortgages. The FSB also recognises that much work has already been done on consumer education by the OECD and in particular the OECD International Network for Financial Education (INFE);<sup>3</sup> hence, the report does not address financial education issues. In addition, the report does not address financial inclusion matters, since these issues are being addressed by other work streams reporting to the G20.<sup>4</sup> Meanwhile, the principles developed by the OECD are high-level and span the entire financial services sector.

The report largely draws on FSB members’ responses to a questionnaire sent to them in May 2011.<sup>5</sup> Information was collected from the OECD and other international bodies on international work completed or planned to strengthen consumer finance protection. Of particular relevance is work by the OECD Task Force on Financial Consumer Protection, under the Committee on Financial Markets<sup>6</sup> (see Annex K). Also helpful is the work of the World Bank’s Global Program on Consumer Protection and Financial Literacy as well as that of the Network of Financial Consumer Regulators (FinCoNet). In addition, the Secretariat met with consumer groups to better understand issues of concern to financial consumers, potential best practices and areas where international coordination might be helpful. A draft report was shared with these consumer groups for consultation and, where relevant, their views were incorporated into the report.

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<sup>1</sup> Leaders of the G20, “The Seoul Summit Document”, 11-12 November 2010, available at: [http://www.g20.org/Documents2010/11/seoulsummit\\_declaration.pdf](http://www.g20.org/Documents2010/11/seoulsummit_declaration.pdf), paragraph 41.

<sup>2</sup> Finance Ministers and Central Bank Governors of the G20, “Communiqué”, 18-19 February 2011, available at: [http://www.g20.org/Documents2011/02/COMMUNIQUE-G20\\_MGM%20\\_18-19\\_February\\_2011.pdf](http://www.g20.org/Documents2011/02/COMMUNIQUE-G20_MGM%20_18-19_February_2011.pdf), paragraph 6.

<sup>3</sup> The International Network on Financial Education comprises representatives from 88 countries, including all G20 and FSB member jurisdictions. Please see [www.financial-education.org](http://www.financial-education.org).

<sup>4</sup> Financial inclusion is being addressed by the G20 through the Financial Inclusion Action Plan. See Leaders of the G20, “Seoul Summit Annex II: Multi-year action plan on development”, 11-12 November 2010, available at: [http://media.seoulsummit.kr/contents/dlobo/E4.\\_ANNEX2.pdf](http://media.seoulsummit.kr/contents/dlobo/E4._ANNEX2.pdf).

<sup>5</sup> Indonesia has yet to submit their response to the questionnaire.

<sup>6</sup> The OECD Task Force on Financial Consumer Protection was established in October 2010 and participation in the OECD Task Force is open to OECD countries, all FSB members and relevant international organisations.

## Executive Summary

At the request of the G20, the Financial Stability Board (FSB) in cooperation with the Organisation for Economic Co-operation and Development (OECD) has taken forward work on consumer finance protection.<sup>7</sup> This FSB report focuses on issues related to consumer credit, including mortgages, credit cards, and secured and unsecured loans. Within this ambit, the report: (i) provides a global overview of policy initiatives completed or planned to strengthen consumer protection frameworks (section 2); (ii) presents a comprehensive picture of existing and evolving institutional arrangements (section 3); and (iii) reviews the work of regulators and prudential supervisors in various areas of consumer protection, including responsible lending practices, disclosure guidelines, product intervention, and complaints and dispute resolution (section 4). Drawing from the findings of a stock-taking exercise, the report presents internationally applicable lessons and identifies gaps where additional international work could help to advance consumer finance protection and financial stability (section 5).

In the wake of the global financial crisis, national and international efforts to strengthen consumer protection policies have intensified in order to promote financial stability. As the crisis showed, the effects of irresponsible lending practices can be transmitted globally through the sale of securitised risk, particularly mortgages which are by far the largest single credit for many consumers. FSB members have explored a number of different options for strengthening consumer protection frameworks, including establishing consumer protection authorities, implementing responsible lending practices, and intervening early in the product lifecycle. Even in jurisdictions where policy frameworks proved to be resilient during the crisis, reforms are underway. While it is essential to protect consumers' rights, it is also important to recognise the fact that these rights do come with consumer responsibilities.

The institutional arrangements for protecting consumers vary across the FSB membership, and generally range from a single agency responsible for both financial conduct and prudential matters; a "twin peaks" model of separate financial conduct and prudential regulators; to multiple agencies responsible for covering consumer protection (see section 3). The majority of FSB members view consumer protection and prudential supervision as complementary rather than competing objectives, and few jurisdictions have a mechanism in place to resolve any such conflicts. Further, in several jurisdictions, the protection of financial consumers is not an explicit goal; rather prudential supervisory measures are seen as protecting consumers indirectly and implicitly.

Initiatives to enhance oversight of consumer protection complement and balance work to strengthen the regulatory and supervisory frameworks for financial institutions. While the regulatory and supervisory approaches to protecting consumers vary across the FSB membership, a common practice is to focus on responsible lending practices, with varying degrees of emphasis on preventing over-indebtedness as well as strengthening disclosure guidelines (see section 4). Binding rules generally exist for the disclosure of product features and risks to borrowers. However, the disclosure of incentives arrangements are rare, and few

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<sup>7</sup> The FSB Charter includes consumer protection in the mandate of the FSB: "The FSB will promote and help coordinate the alignment of the activities of the SSBs to address any overlaps or gaps ... relating to prudential and systemic risk, market integrity and investor and consumer protection ..." (article 2(2)).

jurisdictions focus on assessing product suitability; indeed, indicators for identifying suitability are not well developed.

While progress to strengthen consumer protection frameworks is being made, with momentum being supported by a number of global initiatives, including through the INFE, OECD and World Bank, more work is needed to protect buyers of credit products. Based on the findings of this report, the following could help to advance consumer finance protection efforts:

1. **Call upon an international organisation of regulators to take the lead on global financial consumer protection efforts.** Numerous initiatives are underway at both the national and international level. While regulatory authorities typically lead domestic efforts, they largely sit outside international consumer protection dialogues. FinCoNet<sup>8</sup>, as the sole international organisation of consumer protection regulators, is a significant exception and is collaborating on the policy work of the OECD Task Force on Financial Consumer Protection. An international organisation with a clear mandate and adequate capacity could help maintain the international momentum on consumer protection; strengthen the connection with domestic developments; facilitate engagement with consumer advocacy groups and other stakeholders; and steer the work in a productive direction. Providing a global platform for consumer protection authorities to exchange views on experiences as well as lessons learnt from the crisis would help to strengthen consumer protection polices across the FSB membership and beyond. Further, potential gaps in regulatory and supervisory frameworks could be more readily identified and explored, such as the increasing use of the internet to sell credit products where jurisdictional issues exist.
2. **Launch work on institutional arrangements and, if appropriate, develop best practices to guide institutional reform.** Paying heed to the lessons from the global crisis, the institutional arrangements to protect consumers could be studied so as to ensure that clear mandates are established; accountability is clearly defined; and consumer protection authorities have the authority, capabilities, tools and resources to effectively and efficiently regulate and supervise the consumer finance market.
3. **Strengthen supervisory tools by identifying gaps and weaknesses.** Consumer protection authorities use a broad range of regulatory and supervisory tools, which generally include promoting responsible lending practices and providing disclosure guidelines. More work could be done to ensure consumer protection authorities are equipped with the necessary supervisory tools while at the same time ensuring that sufficient information is being provided to consumers. Some areas where more work might be needed are: (i) establishing indicators of unsuitable product features; (ii) aligning and disclosing incentive compensation arrangements; and (iii) evaluating the benefits of offering consumers and providers with benchmarks for financial products that can be used safely by a wide variety of unsophisticated users.

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<sup>8</sup> FinCoNet (formerly known as the International Forum for Financial Consumer Protection and Education) was created in 2003 as a forum for dialogue and exchange of information on financial consumer protection regulatory issues and market developments (including at that time financial education where this work has been subsumed by INFE). FinCoNet brings together public statutory agencies of various countries that have a particular interest and expertise in financial consumer protection supervision and regulation. FinCoNet's future mandate would intend to focus on supervisory issues not dealt with by existing standard setting bodies. This work would also complement OECD policy related work.

## 1. Introduction

Policies that protect the interests of consumers of financial products and services contribute to enhanced risk management by households, more competitive financial markets, and greater financial stability. This financial crisis demonstrated the desirability of strengthening such policies and ensuring that the use (or misuse) of individual financial products do not become a source of financial instability. National and international efforts have intensified to enhance consumer protection policies. The FSB took stock of these efforts with a focus on the financial stability aspects of consumer finance protection, narrowly covering policies relating to consumer credit (e.g. residential mortgages, credit cards, secured and unsecured loans). For purposes of this report, “consumer protection” refers narrowly to consumer credit matters.

At the centre of the crisis that began in 2007 were poorly underwritten residential mortgages. Mortgages are the single largest debt obligation of virtually all consumers that own a home. In some FSB member jurisdictions, where homeownership is high, residential mortgage debt outstanding can comprise more than 50 percent of national GDP.<sup>9</sup>

Credit cards are another common consumer product. Although credit card balances are relatively small compared with a mortgage loan, significantly more consumers have a credit card than a mortgage. Credit cards can contribute to over-indebtedness and may reflect consumer profligacy, but at the same time, certain credit card features can unknowingly ensnare consumers in a cycle of high-cost debt.

Consumer protection is not about protecting consumers from bad decisions but about enabling consumers to make informed decisions in a marketplace free of deception and abuse. Financial education, financial literacy and consumer protection policies should form the foundation of any regulatory and supervisory framework for protecting consumers particularly amid efforts to expand financial inclusion by reaching “unbanked” customers.

Despite the relevance of financial education, financial literacy and financial inclusion in protecting consumers, these areas are not covered within this report given that other international efforts are already underway, particularly by the G20 Global Partnership for Financial Inclusion, the developing and emerging market’s Alliance for Financial Inclusion (AFI), the World Bank Group, INFE, and the OECD.

This report on consumer protection provides: (i) a global overview of policy initiatives completed or planned to strengthen consumer protection frameworks (see section 2); (ii) presents a comprehensive picture of existing and evolving institutional arrangements (see section 3); and (iii) reviews the work of regulators and prudential supervisors in various areas of consumer protection, including responsible lending practices, disclosure guidelines, product intervention and complaints and dispute resolution (see section 4). Drawing from the findings of the stock-taking exercise, the report presents internationally applicable lessons and identifies gaps where additional international work could help to advance consumer finance protection and financial stability (see section 5).

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<sup>9</sup> Source: World Bank.

## **2. Consumer protection frameworks in the area of credit**

Protection of financial consumers is a relevant part of public policy frameworks across the FSB membership and in most jurisdictions is enshrined in legislation or regulatory and prudential structures. In such cases, laws provide broad powers to consumer protection authorities to develop policies and practices to promote consumer protection and to take specific action in the financial sector. The most common elements of consumer finance protection frameworks include disclosure and transparency; financial education; fair treatment; and dispute resolution mechanisms. Some jurisdictions also aim to protect consumers from over-indebtedness by placing a floor on minimum household earnings to qualify for an unsecured loan, including credit cards.

Few FSB members face significant challenges arising from cross-border differences in policy frameworks as many jurisdictions require foreign consumer credit providers to be licensed and regulated locally. In these instances, the interests of domestic consumers are generally protected irrespective of the origin and domiciliation of consumer credit providers. A more exacting stance is taken in Saudi Arabia, where foreign companies are not allowed to offer consumer credit products. Although cross-border differences in policy frameworks reportedly pose few challenges to national efforts, two observations were made that could be relevant for other jurisdictions. First, Canada observed that the use of foreign third-party service providers may present some complications. For example, when the Canadian arm of a US-based consumer credit provider uses the same third-party service provider for the US business to produce disclosure documents for the Canadian market, there is a higher potential for errors and omissions when requirements are different, thereby increasing the risk of non-compliance with the Canadian rules. And second, the UK observed that the increasing use of the internet to sell credit products could be a potential source of problem as it leads to uncertainty in the presiding jurisdiction when seeking recourse. This problem would be compounded if there are differences in the underpinning regulatory systems.

### **2.1 Lessons from the crisis**

The global financial crisis highlighted the resilience of many consumer protection frameworks as evidenced by the relative lack of consumer credit issues in some jurisdictions. For instance, the crisis had less impact on Australia's financial system which can be attributed to several factors, including the architecture of the financial regulatory regime and oversight role of the Australian Securities and Investments Commission (ASIC) and the Australian Prudential Regulation Authority (APRA). Australia's regulatory architecture and arrangements include a strong regulatory regime and licensing system as well as a Product Disclosure Statement (PDS) which requires highlighting the downside of riskier product offerings. Disclosure laws in Australia may have acted as a deterrent for the marketing arms of global investment banks (many of which have extensive operations in Australia) to bring riskier products to consumers in Australia. The effectiveness of the regulatory framework also reflects ASIC's supervisory tools and methods, which includes 'shadow shopping' initiatives, development of a consumer education website, and formation of a specific compliance and surveillance directorate. Underscoring these supervisory activities is a significant record in law enforcement.

Consumer protection frameworks in several other jurisdictions also proved effective and many attribute the resilience of their financial systems to prudential requirements on lending

activities which helped to prevent excessive borrowing by consumers and irresponsible lending by financial institutions (see section 4 for discussion on lending practices). For instance, Singapore imposes loan-to-value (LTV) limits and bans certain types of mortgage products (e.g. interest-absorption, interest-only) so as to encourage financial prudence among property purchasers in a rising property market. Further, in order to prevent over-indebtedness, Singapore imposes a statutory limit on the quantum of unsecured loan (i.e. two or four times the borrower's monthly income, depending on the individual's income level). Hong Kong also imposes prudential requirements on residential mortgage lending by, for example, imposing caps on LTV ratios of 70 percent and debt-servicing-ratios of 50 percent.

Canada made several changes to its mortgage insurance guarantee framework in 2008, 2010 and 2011. These changes for government-insured mortgages include: (i) reducing the maximum amortisation period; (ii) requiring higher minimum down payments; (iii) establishing minimum credit scores for borrowers; (iv) introducing new loan documentation standards; (v) requiring borrowers to meet higher qualification standards under debt service tests; (vi) reducing the maximum amount for refinancing; (vii) requiring higher minimum down payments for non-owner occupied properties; and (viii) withdrawing government insurance backing on lines of credit secured by homes, such as home equity lines of credit.

## **2.2 Efforts to strengthen consumer protection frameworks**

In the wake of the financial crisis, FSB members explored a number of different options for strengthening consumer protection, including establishment of consumer protection authorities, implementation of responsible mortgage lending practices, and product intervention, including product design. Examples of substantial reforms underway in each of these areas are set out below, but it is important to note that many other FSB members are implementing reforms – even in those jurisdictions where existing frameworks proved to be effective during the crisis.

### ***Establishment of consumer protection authorities***

The crisis in the US subprime mortgage market highlighted that weaknesses in the US regulatory and supervisory framework allowed financial firms to offer risky products to consumers with inadequate disclosure of the risks, use third party agents (mortgage brokers) that lacked appropriate oversight, and repackage the resulting debt into poorly understood structured securities. The crisis highlighted the fact that weaknesses or regulatory gaps with respect to non-bank entities within a financial system can significantly impact consumer protections. These weaknesses, in part, reflected the lack of ability to substantially regulate in the area of individual and household borrowing by some agencies. The US enacted the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act) to address many of the weaknesses identified, including but not limited to:

- Overlapping consumer finance protection functions dispersed among seven different financial regulators undermined accountability.
- Opaque product risks and intermediaries' incentives hindered consumers' ability to make informed decisions.



The Dodd-Frank Act substantially consolidated core consumer protection functions from seven banking and financial regulators into one agency, the Consumer Finance Protection Bureau (CFPB).

### ***Implementation of responsible mortgage lending practices***

The most common reforms are taking place in the area of responsible mortgage lending practices. The global financial crisis brought into focus how the effects of irresponsible lending practices can quickly spread beyond national borders through the global distribution of securitised risks particularly in mortgage loans. Changes in this area are occurring across the European Union and in the US with particular focus on assessing a borrower's ability to repay the mortgage loan.<sup>10</sup>

In March 2011, the European Commission adopted a proposal for a Directive on credit agreements related to residential property. The objectives of the proposal are twofold. First, it aims to create an efficient and competitive single market for consumers, creditors and credit intermediaries with a high level of protection by fostering consumer confidence, customer mobility, cross-border activity of creditors and credit intermediaries. Second, the proposal seeks to promote financial stability by ensuring that mortgage credit markets operate in a responsible manner. The proposal complements the Consumer Credit Directive (CCD) adopted in 2008, which aims to provide a high level of consumer protection and to promote the development of the internal market for consumers. It has been transposed by the vast majority of the Member States<sup>11</sup> and it allows consumers to enjoy more transparency by setting harmonised rules in advertising, pre-contractual and contractual information. The provisions of the CCD standardise the information which is provided to consumers including, for example, the Annual Percentage Rate of Charge, which enables consumers to compare and make more informed choices for credit products.

Since 2005, the UK FSA has been analysing the UK mortgage market and released its Mortgage Market Review in 2009<sup>12</sup> which was followed by a consultation document in 2010<sup>13</sup> on responsible lending. The mortgage market review identified a number of issues, many of which have been highlighted by the financial crisis and involves enhancements to regulatory requirements intended to ensure responsible lending. And in the US, CFPB will take up a proposal from the Federal Reserve Board to implement a statutory mandate to require creditors assess a borrower's ability to repay a mortgage before making the loan and establish minimum mortgage underwriting standards.<sup>14</sup>

### ***Product intervention***

A transformation is underway in the UK supervisory and regulatory framework for consumer finance protection. Reforms of the UK system of financial regulation are planned and the

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<sup>10</sup> The FSB is developing internationally-agreed principles for sound residential mortgage underwriting practices, which are available for public consultation and can be found at [http://www.financialstabilityboard.org/publications/r\\_111025b.pdf](http://www.financialstabilityboard.org/publications/r_111025b.pdf).

<sup>11</sup> The Member States of the European Union which are FSB members include: France, Germany, Italy, the Netherlands, Spain and the United Kingdom.

<sup>12</sup> [http://www.fsa.gov.uk/pubs/discussion/dp09\\_03.pdf](http://www.fsa.gov.uk/pubs/discussion/dp09_03.pdf).

<sup>13</sup> [http://www.fsa.gov.uk/pubs/cp/cp10\\_16.pdf](http://www.fsa.gov.uk/pubs/cp/cp10_16.pdf).

<sup>14</sup> <http://www.federalreserve.gov/newsevents/press/bcreg/bcreg20110419a1.pdf>.

Financial Services Authority (FSA) will be disbanded and a new system will be established comprised of more specialised and focused regulators:

- the Financial Policy Committee (FPC): a macro-prudential regulator within the Bank of England to monitor and respond to systemic risks.
- the Prudential Regulation Authority (PRA): a subsidiary of the Bank of England, supervising deposit takers, insurers and a small number of significant investment firms.
- the Financial Conduct Authority (FCA), responsible for regulating conduct in retail and wholesale markets, supervising the trading infrastructure that supports those markets, and for the prudential regulation of firms not prudentially regulated by the PRA.

The FCA will take over the FSA's responsibility for consumer protection in relation to first-charge mortgage lending and, in future, second-charge mortgage lending. It is proposed that the FCA will have a single strategic objective of 'protecting and enhancing confidence in the UK financial system'. This will be complemented by three operational objectives which set out how the FCA may go about protecting and enhancing confidence, one of which is securing an appropriate degree of protection for consumers. In recognition of the role that effective competition can play in delivering the right outcome for consumers, it is proposed that the FCA will also have a duty to, so far as is compatible with its strategic and operational objectives, discharge its general functions in a way which promotes competition. Some of the FCA's focus will be on developing a new, more proactive and interventionist approach to retail conduct regulation with a focus on preventing consumer detriment. The previous approach of relying solely on disclosure of information and supervision at the point of sale was seen as having limited effectiveness. In particular, when poor conduct is discovered, significant detriment can already have occurred, causing losses to consumers and damage to confidence. The new proactive approach is intended to address the 'root causes' of consumer detriment such as poor products or inappropriate business models and incentive structures within firms. This will include earlier intervention in the product lifecycle, with a greater willingness to challenge the way that firms design and distribute products and services aimed at retail customers, although consumer protection around the point of sale will remain essential. The FCA's approach was set out by the FSA in a document published in June 2011.<sup>15</sup>

### **2.3 Consumer advocacy**

In order to maintain effective and robust consumer protection frameworks, national authorities need to understand the consumer perspective. Maintaining strong links with consumer groups can also help support a proactive approach to regulation by offering an early warning of potential risks to consumer protection. To achieve this, many FSB members have established a formal process for engaging consumer groups. In these jurisdictions, organisational bodies are established to advise government agencies on financial policies from a consumer and user perspective.<sup>16</sup> Such advisory bodies are generally comprised of

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<sup>15</sup> [http://www.fsa.gov.uk/pubs/events/fca\\_approach.pdf](http://www.fsa.gov.uk/pubs/events/fca_approach.pdf).

<sup>16</sup> Australia, European Union, France, Russia, Hong Kong, UK and US.

representatives from both consumer and investor organisations and individual members, and advise on policies and activities as well as consumer research and education projects. How governments engage with consumer groups varies across the membership. For instance, the French Autorité de Contrôle Prudentiel (ACP) must officially consult Comité Consultatif du Secteur Financier (CCSF), which is comprised of consumer organisations representatives in France, before it can adopt recommendations and positions in the consumer protection field. In Russia, the Advisory Council for Consumer Protection operates as a permanent advisory body within the Federal Service for Consumer Rights Protection and Human Well-being. The Advisory Council is composed of representatives of public consumer organisations and conducts regularly scheduled meetings and publishes its decision on the Rospotrebnadzor website.<sup>17</sup>

In the UK, the Enterprise Act of 2002 allows designated consumer bodies to submit ‘super complaints’ to the Office of Fair Trading (OFT), the competition regulator, where they consider whether the structure of a market or the conduct of those operating in it appears to be significantly harming the interests of consumers. The OFT is required to respond within 90 days, setting out whether it agrees with the consumer group’s analysis and setting out what action it intends to take.

And in the US, consumer advocacy organisations have a formal advisory role in at least three ways. First, under federal rulemaking procedures, proposed regulations issued by the CFPB, as well as those issued by other federal agencies, are published in the Federal Register for a formal comment period. Consumer organisations and individuals, as well as business, may provide comments in that process. Second, the CFPB has established an Office of Community Affairs. This office meets regularly with consumer groups, civil rights organisations, and other stakeholders to discuss the spectrum of relevant consumer financial protection issues. The Office of Community Affairs works to create a feedback loop between consumer advocacy organisations and the CFPB, sharing all input and perspectives from the field with appropriate CFPB policy teams. Third, the CFPB will establish a Consumer Advisory Board, which will include consumer protection experts, to advise, consult with, and provide information to the CFPB. In addition to these formal channels, the CFPB will have multiple outreach and program initiatives to reach consumers and those who assist them, including offices focusing on military service members and their families, older Americans, students, and lower income consumers.

### **3. Institutional structure and responsibilities**

Under the United Nations Guidelines for Consumer Protection, governments should provide or maintain adequate infrastructure to develop, implement and monitor consumer protection policies.<sup>18</sup> How national authorities have set up regulatory and supervisory oversight of consumer protection policies ranges from a single agency responsible for both financial conduct and prudential matters, a “twin peaks” model of separate financial conduct and prudential regulators, to spreading responsibility across multiple agencies. Regardless of the

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<sup>17</sup> Rospotrebnadzor is Russia’s federal service for the Oversight of Consumer Protection and Welfare which was established to oversee and enforce the Law on Protection of Consumers’ Rights.

<sup>18</sup> [http://www.un.org/esa/sustdev/publications/consumption\\_en.pdf](http://www.un.org/esa/sustdev/publications/consumption_en.pdf).

institutional arrangement, it is essential for consumer protection authorities to have a clear mandate, with the necessary authority to fulfil their mandates. They should have clear and objectively defined responsibilities, and appropriate governance; operational independence; accountability for their activities; adequate powers and resources; and redress mechanisms. They also need the ability and willingness to take enforcement actions, act as a credible deterrent against poor practice and support policy initiatives. A comprehensive picture of existing and evolving institutional arrangements for each of these areas is discussed below.

### **3.1 Institutional arrangements**

In many jurisdictions, the financial conduct regulator resides in the same agency as the prudential supervisor, although the two functions are commonly performed by separate units within the agency (see Annexes A - D). In these jurisdictions, the safety and soundness of the banking system is considered hand-in-hand with consumer finance protection. Policy objectives often include the safety of depositors' funds and stability of the banking system, which are viewed as the foundation of consumer finance protection. However, in several jurisdictions, the protection of financial consumers is not an explicit goal; rather, prudential supervisory measures are seen as protecting consumers indirectly and implicitly. For instance, in Germany, the Federal Financial Supervisory Authority (BaFin) is responsible for ensuring financial institutions are in compliance with banking regulations which include the interests of investors and consumers, but consumer protection is not an explicit objective. BaFin's primary objective is to ensure the proper functioning, stability and integrity of the German financial system.

Several jurisdictions have a "twin peaks" model; that is, there is a consolidated regulator of markets, conduct and consumer/investor protection, separate from the (consolidated) prudential supervisor for banking and insurance. Other than the financial conduct regulators, government ministries are often involved, in particular to put in place the legislative frameworks for consumer protection. The responsibilities of the financial conduct regulators usually include enforcing consumer protection laws, handling consumer complaints, conducting financial education, enhancing disclosure, and undertaking related research. For example, in Canada, the Office of the Superintendent of Financial Institutions (OSFI) is charged with the prudential regulation of financial institutions, while the Financial Consumer Agency of Canada (FCAC) oversees the consumer provisions as set out in the financial institution statutes. The FCAC also provides consumers with accurate and objective information about financial products and services, and informs consumers of their rights and responsibilities when dealing with financial institutions.

There are also cases where the responsibility for consumer finance protection is spread across a number of agencies. Responsibility is usually assigned based on factors such as business segments (e.g. insurance, capital markets, banking, size of business). In the US, consumer finance protection responsibilities are divided among a number of federal government agencies, including the CFPB – the lead regulator for consumer finance protection, as well as the Federal Trade Commission (FTC), which has enforcement jurisdiction over consumer transactions that do not involve a regulated financial institution.<sup>19,20</sup> There is some overlap in

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<sup>19</sup> Note that the CFPB has jurisdiction over a number of institutions that are not regulated financial institutions, including, for example, mortgage market participants, payday lenders and private student lenders.

the powers of the CFPB and the FTC, as both have the authority to enforce federal consumer financial laws and rules issued by the CFPB against non-depository entities. Both agencies also have the authority, with respect to such non-depositories, to enforce rules issued by the FTC with respect to unfair or deceptive practices. In addition, there are some overlapping responsibilities with respect to the supervision of depository institutions for compliance with federal consumer financial laws, as well as the enforcement of such laws. For example, the CFPB may participate, on a sampling basis, in consumer law examinations of smaller depository institutions that are performed by the prudential supervisors, and the prudential supervisors retain backup consumer law enforcement authority with respect to large depository institutions.

### **3.2 Competing objectives between market conduct and prudential supervision**

Most FSB jurisdictions view consumer protection and prudential supervision as complementary rather than competing objectives. It is clear that both consumer protection and prudential supervision have a shared interest in minimising the risks to financial stability. Few jurisdictions noted having a mechanism in place to resolve any conflicts in objectives and some noted that such conflicts have yet to be identified. The exceptions are in Canada, and India where conflicts are resolved by the Reserve Bank of India (RBI) through the forum of Customer Service Committee meetings, which is comprised of all the regulatory departments within the RBI, the Banking Codes and Standards Board of India, the Indian Banks Association, representatives of Credit Information Bureaus and the Banking Ombudsmen. In Canada, policy-makers and regulators coordinate action and resolve conflicts through the Senior Advisory Committee (SAC) meetings, whose memberships consists of the Superintendent of OSFI, the Commissioner of the FCAC, the Chairman of the Board of the Canada Deposit Insurance Corporation (CDIC), the Senior Deputy Governor of the Bank of Canada, and is chaired by the Deputy Minister of Finance. SAC is a coordinating mechanism that meets regularly to discuss public policy issues regarding Canada's financial sector including the existing legislature and regulatory environment. Meanwhile, in the UK, it is proposed that the new regulatory structure will introduce the ability of the prudential regulator (the PRA) to veto a decision from the consumer protection regulator (the FCA) in some circumstances. Consumer groups have called for any exercise of this veto to be subject to an independent inquiry to ensure that its use does not distort competition or create moral hazard.

In many jurisdictions where multiple agencies are responsible for consumer finance protection, the agencies have established coordination mechanisms. For example, the agencies in Brazil have entered into an agreement for the exchange of information and technical and institutional support, with the objective of promoting coordinated actions regarding consumer protection. In the US, the CFPB has entered into information-sharing agreements with the

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<sup>20</sup> The others are the Federal Reserve (FED), Office of Comptroller of Currency (OCC) and the Federal Deposit Insurance Corporation (FDIC) which supervises for consumer compliance for institutions under \$10 billion; the Securities and Exchange Commission (SEC) and Commodity Futures Trading Commission (CFTC) which protect investors; the Department of Housing and Urban Development (HUD), which enforces certain aspects of home mortgage lending; the Department of Labor (DOL), which regulates employer pension plans; the Department of Education (DOE), which has some oversight responsibility over student lending; and the Farm Credit Administration (FCA), which oversees nonbank lending to farmers.

federal prudential supervisors, as well as a number of state banking and financial regulators. The Dodd-Frank Act also requires additional agreements with respect to the overlapping authorities of the CFPB and FTC. The CFPB and the prudential regulators are also required to coordinate and consult with one another regarding examination, enforcement, and rulemaking matters.

### **3.3 Independence and accountability**

Regardless of the institutional arrangement, financial conduct regulators are generally accountable both to their governments and the public. It is common practice for the heads of financial conduct regulatory agencies to be appointed by their government or heads of state. In many jurisdictions, including Canada, Italy and the UK, financial conduct regulators are required to report annually to their parliaments. Many also issue annual reports as well as other ad-hoc public reports on consumer credit issues. In the US, the CFPB is required to report semi-annually to Congress and the President on consumer problems and complaints within the consumer financial services market and CFPB's actions and rules.

Although most financial conduct regulators are answerable to their governments, they still enjoy operational independence and budgetary autonomy. Many of them are funded by the license fees collected from regulated firms but there are cases, such as in Australia and Mexico, where the financial conduct regulators are funded by their respective governments. Where consumer protection responsibilities reside within the central bank, funding is largely obtained from central banking revenues such as dividends and interests.

Notwithstanding their operational independence, it is uncommon for financial conduct regulators to have independent rule-making authority included in their mandates. The CFPB in the US is one exception, having been established under the Dodd-Frank Act as an independent bureau with autonomous rule-writing authority. The CFPB has authority to promulgate and revise rules for the major federal consumer financial statutes and to restrict through rules unfair, deceptive and abusive practices in connection with consumer financial products or services. This is consistent with the long standing U.S. approach to implementing regulations by financial services regulators.

In other jurisdictions (Germany, Mexico) the financial conduct regulators can set and change rules, but only with governmental approval or upon delegation of powers from the government.

### **3.4 Enforcement authorities**

In the event of a contravention of their consumer protection guidance or regulations, financial conduct regulators are usually empowered to take a broad range of actions. However, the menu of specific options available to each financial conduct regulator varies from jurisdiction to jurisdiction. Notwithstanding the differences, there are usually options that address contraventions of different severities. These can range from public reprimands and warnings to statutory fines and revocation of licenses for both businesses and individuals. In the more serious cases, the wrongdoers, including individual staff, could also be referred to the police for criminal investigations and prosecution.

When consumer protection issues arise outside the regulatory and supervisory perimeter, the general consumer protection laws apply. However, financial conduct regulators could provide input to government policy so as to widen the financial conduct regulators' influence if necessary. In Australia, the Treasury consults ASIC on matters regarding its regulatory responsibilities. ASIC refers to the Treasury policy issues including those that currently fall outside the regulatory perimeter but in ASIC's view may merit further analysis. On issues that have international relevance, ASIC may engage with its overseas counterparts and/or other international organisations. In Canada, the FCAC engages its regulatory and policy counterparts in order to harness the tools and influence that each regulatory body possesses to achieve their consumer protection objectives. The FCAC would also use moral suasion to motivate the institution to change its behaviour.

#### **4. Regulatory and supervisory frameworks**

Much work is underway to strengthen the regulatory and supervisory frameworks for financial institutions, and such initiatives need to be complemented with effective oversight of consumer protection policies. Policies designed to improve the resiliency of the financial system need to also consider the possible consequent flow of risks to households and their ability to absorb or manage such risks.<sup>21</sup> In order to understand regulatory and supervisory approaches to protecting consumers, the FSB took stock of existing oversight practices in various areas of consumer protection, including responsible lending practices; disclosure guidelines; product intervention; and complaints and dispute resolution.

##### **4.1 Promoting responsible lending practices**

By-and-large, the boundaries of responsible lending are defined by consumer protection laws, industry codes of conduct and regulatory requirements (e.g. on disclosure and assessment of suitability). In several jurisdictions (Canada, Hong Kong, Russia, Turkey), regulations are augmented by industry-established codes of conduct that promote responsible lending practices. In Hong Kong, the industry Code of Banking Practice includes provisions that promote and provide relief against excessive interest charges and extortionate terms. Although the Code is a non-statutory one issued by the industry on a voluntary basis, the HKMA requires consumer credit providers in Hong Kong to conduct self assessments of compliance with the Code and to ensure that areas of non-compliance are identified and promptly rectified. In Turkey, there are similar codes of conduct, but these are enforceable with administrative fines, and where necessary, voiding of the related contracts.

Prudential tools are also used in a number of jurisdictions (Australia, Canada, Hong Kong, Switzerland) such as credit underwriting standards to indirectly influence consumer credit providers to lend responsibly. These prudential requirements include guidelines on credit underwriting practices and credit risk management, as well as limits on LTV ratios, cash rebates, interest/repayment holidays and debt servicing ratios.

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<sup>21</sup> International Monetary Fund, 2005, *Global Financial Stability Report*, pages 63-64. The report can be found at <http://www.imf.org/external/pubs/ft/gfsr/2005/01/pdf/chp3.pdf>.

The common objectives of responsible lending practices are to prevent over-indebtedness, ensure consumers have the capacity to repay, and protect consumers from unfair selling practices. While it is essential to protect consumers' rights, it is also important to recognise the fact that these rights do come with consumer responsibilities.

### ***Prevention of over-indebtedness***

The key measures being used to prevent over-indebtedness are suitability assessments and statutory limits for credit that are linked to income levels. In several jurisdictions, prevention and the identification of over-indebtedness is set out in legislation. For instance, in Australia, the National Consumer Credit Protection Act 2009 (CCA) mandates suitability assessments on consumers' abilities to repay and alignment of the product with the objectives of the consumer. Civil, criminal or administrative remedies are available to ASIC if a consumer credit provider breaches the provisions of the CCA. If a consumer has been sold an unsuitable product, the consumer can also seek injunction against the provider from collecting more interest payments, and seek compensation for the loss or damage due. In a number of jurisdictions (China, Germany, Hong Kong, Singapore), consumer credit providers are also required to conduct checks with credit registers to assess the credit worthiness of borrowers.

### ***Assessment of consumers' borrowing capacity***

Credit registers are an important tool to assess a consumers' borrowing capacity and their effectiveness hinges on the quality of borrower information that is collected.<sup>22</sup> In this respect, most jurisdictions have existing standards to ensure the accuracy and timeliness of information collected by the credit registers, as well as to safeguard the privacy of the information possessed by the credit registers (see Annex H).

While the objective of high quality borrower information is usually achieved through a mixture of self-regulation and legislation, requirements for privacy protection are more often promulgated through laws and regulations. In Australia, for example, the Credit Reporting Code of Conduct requires consumer credit providers and credit registers to ensure that only permitted and accurate information is included in an individual's credit information file, and the Privacy Act limits access to a credit file held by a credit register.<sup>23</sup> Generally only consumer credit providers may obtain access and only for specified purposes. Real estate agents, debt collectors, employers and general insurers are barred from obtaining access. In Mexico, credit registers need to obtain a consumer's authorisation for releasing information on his/her credit history and it would be a criminal offence if credit histories were released without prior authorisation of the consumer.

In many jurisdictions, there are provisions to ensure that consumers understand and have access to the information recorded about them. In Canada, the authorities have put in efforts to ensure that consumers have access to information recorded about them by credit registers, understand how to access their credit reports at little to no cost, know their rights and

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<sup>22</sup> See the World Bank consultative report General Principles for Credit Reporting Consultative, which can be found at [http://siteresources.worldbank.org/FINANCIALSECTOR/Resources/GeneralPrinciplesforCreditReporting\(final\).pdf](http://siteresources.worldbank.org/FINANCIALSECTOR/Resources/GeneralPrinciplesforCreditReporting(final).pdf).

<sup>23</sup> The Credit Reporting Code of Conduct is issued under the Privacy Act which provides safeguards for individuals in relation to consumer credit reporting. The Code supplements the Privacy Act on matters of details not addressed by the Act.



responsibilities in the context of their credit information collected, and understand how they can correct erroneous information on their credit history. In Hong Kong, consumers can also access their personal credit information recorded by credit registers at a low cost and correct their individual credit data if it is inaccurate.

### ***Protection from unfair selling practices***

To protect consumers from unfair selling practices, India has established detailed guidelines for marketing/selling agents and recovery agents, setting out the due diligence criteria to be used when recruiting these agents, and the training and counselling to be provided before the agents are allowed to start business. Some jurisdictions, such as Singapore, also impose restrictions on the marketing of credit cards (i.e. prohibiting the setting up of temporary locations to receive credit card applications to prevent hard-selling). In Mexico, consumer credit providers are required to supply an offer binding on the provider for 20 days, so that the consumer has time to study and compare the offer before making a decision. Cooling-off periods are also required in some jurisdictions, such as South Africa and the US. Brazil prohibits any contractual clauses that create disproportionate benefits for consumer credit providers, as well as debt collection practices that might result in public embarrassment of consumers.

## **4.2 Disclosure and transparency**

Disclosure guidelines exist in all jurisdictions, albeit in varying degrees with respect to the scope and enforceability of the guidelines (see Annexes E, F, and G). While most jurisdictions have established binding rules for the disclosure of product features and risks to borrowers, guidelines for the disclosure of incentives are less common; required in Australia and South Africa; Japan has voluntary guidelines for the disclosure of incentives. The use of sales targets and remuneration structures rewarding sales are counterproductive to the aim of providing consumers with accurate and trustworthy information and increase the risk that products are being sold to customers who do not have the capacity to repay. The inherent problem of mis-selling is not solved by defining advice standards and information provisions and compensation practices should be aligned with the appropriate incentives.

The effectiveness of disclosure practices for consumer credit is usually tested through supervisory examinations, investigation of complaints, consumer surveys and focus groups. Less commonly used tools include self-assessments, mystery shopping and commissioned research. Only Hong Kong requires self-assessments of compliance with the Code of Banking Practice (CoBP) which sets out the disclosure requirements. The HKMA will then follow up with the rectification of weaknesses noted. In addition, the HKMA has also commissioned a mystery shopping programme to independently assess banks' compliance with the CoBP.

The common disclosure requirements on product features include effective costs, loan tenors and amortisation methods for mortgages. The disclosure requirements for borrowers' risks usually cover the penalties for pre-payment of mortgages; risks of repossession of underlying goods/property being financed and interest rates changing over time; and liabilities regarding unauthorised use of credit cards. For instance, in Brazil, for residential mortgages, consumer credit providers need to provide detailed information on the outstanding debt balance and remaining term of the contract; contractual interest rates (nominal and effective); value of insurance premiums, detailed by type of insurance. Consumer credit providers also need to

disclose the total effective cost of the loan, which should take into account all costs incurred by the borrower, including fixed or floating interest rates, taxes, fees and other related expenses. In Canada, the *Cost of Borrowing Regulations* require financial institutions to provide clear information in mortgage contracts through a “summary box” that sets out key product features, such as the annual percentage rate, the amortization period and a description of prepayment penalty charges.

A few jurisdictions have adopted the non-statutory approach for the disclosure of product features and risks to borrowers. In Hong Kong, the related guidelines are set out in the Code of Banking Practice (CoBP), issued jointly by the industry associations and endorsed by the HKMA. Although the CoBP is issued on a voluntary basis, consumer credit providers are expected to observe the CoBP requirements, and any non-compliance will be taken seriously by the HKMA. Within the European Union, the current disclosure guidelines relating to residential mortgages are in the form of a non-binding *Voluntary Code of Conduct on Pre-contractual Information for Home Loans*. However, that will be replaced by a proposed binding *Directive on Credit Agreements relating to Residential Property* currently under discussion in the European Parliament and Council of the European Union, if it is adopted.

### **4.3 Product intervention/regulation**

Product intervention can take a number of forms including controlling marketing and promotions, regulating terms and conditions, and product intervention at the 'manufacturing' stage. Product intervention/regulation is practised to different extents across the FSB membership. In its strictest form, authorities (China, Saudi Arabia) review and approve each product before being launched; other product regulation measures include restrictions on product features and requirements for pre-notification of new products.

Most jurisdictions are working to enable consumers to make better informed consumer credit decisions in a safer marketplace. They are strengthening consumer education and consumer protection, and disclosure requirements for both basic and complex products. For instance, in Canada, through consumer education initiatives, consumers are provided material that explains in clear and simple language the features, risks and costs of the various types of credit products. In Singapore, financial institutions are also expected to provide customers with clear, timely and accurate information. In Turkey, both the CBRT and other regulatory bodies pay special attention to increase awareness about risks on financial products, and provide warnings not only with press releases but also by regular reports, such as Financial Stability Report, Financial Markets Report and presentations to public by heads of regulatory bodies.

Some jurisdictions use indicators (Australia, Korea, the Netherlands, Saudi Arabia) to identify the suitability of consumer credit products. The indicators used vary; but in general, a product will be assessed to be unsuitable for individual or household borrowers if it:

- promotes irresponsible borrowing that may lead to over-indebtedness;
- is incompatible with the financial capacity, objectives and risk tolerance of the consumer;
- is sold without proper advice;

- contains unfair clauses, including limits in the scope of liabilities of consumer credit providers and prohibition of rights to cancel and terminate the contracts; and
- is sold without adequate disclosures of the product features and risks.

Other jurisdictions do not have explicit indicators (Brazil, Switzerland and Turkey) but look out for unsuitable products through their ongoing supervision and analyses of customer complaints. Typically, these jurisdictions also have disclosure and transparency requirements in place.

If unsuitable products are found to have been sold and marketed, most authorities are able to take some form of civil, criminal or administrative actions. These include directing the amendment of the product features, suspending/stopping the sale and marketing of the products, issuing public reprimand, imposing administrative fines and revoking licenses. As an example, the UK FSA fined a consumer credit provider and secured redress for over 46,000 mortgage customers for failings including excessive and unfair charges; proposing repayment plans that did not always consider a customer's individual circumstances and issuing repossession proceedings before fully considering all alternatives.<sup>24</sup> In Canada, while the FCAC is responsible for determining potential breaches of laws and regulations, its role does not include the determination of specific product suitability issues for individual consumers. The Canadian government has established a process for complaints handling and independent dispute resolution that is available to the consumers free of charge, and which could consider such matters as fairness and suitability. The FCAC would direct consumers to this process if necessary.

The degree to which enforcement actions and penalties can be imposed retroactively differs across jurisdictions. While regulatory actions can be taken usually only up to two years and six years after any contravention, in Canada and Australia respectively, there are no limits to the retroactive application of enforcement actions and penalties in China and Saudi Arabia.

Some jurisdictions (China, Mexico, Saudi Arabia and Switzerland) screen new products or those with innovative features to ensure consumer suitability. In Switzerland, for example, product regulation through the Federal Law on Consumer Credit has been successful in countering innovations which are judged unsuitable for consumers. Saudi Arabia requires consumer credit providers to seek its prior approval before offering any new product with features that are not currently available in the marketplace. This requirement has allowed SAMA to assess the proposed product to ensure that it is suitable for the local consumers. China, which has a similar requirement, found that an approval regime has helped counter innovations that are unsuitable for the local consumer.

In the jurisdictions where an approval regime for consumer credit products does not exist (Canada, Singapore, UK), the authorities often have the powers to intervene on a case-by-case basis if inappropriate products have been marketed and sold to consumers. For instance, the Canadian authorities have the capacity within their legislated powers to limit or cease the distribution of potentially harmful products, through Ministerial Directives, Cease and Desist orders, limitation of business powers. In these jurisdictions, usually the focus is the sales channels, disclosure, and product development process, rather than on the detailed product

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<sup>24</sup> <http://www.fsa.gov.uk/pages/Library/Communication/PR/2009/147.shtml>.

features. In Singapore, while the MAS does not judge the merits of financial products and services, financial institutions are expected to offer products suitable for their target customer segments, and properly disclose the features and risks of financial products to consumers. While the UK FSA currently focuses mainly on requirements for sales and marketing, it is now considering the extent to which it should engage in product intervention as the UK FSA now believes that it should include greater consideration on the way products are designed, sold and managed over their full life.

#### **4.4 Complaints and dispute resolution**

Redress mechanisms are necessary for consumers to voice their complaints to consumer protection authorities and public agencies have been set up in most jurisdictions. These agencies could be either dedicated units within financial conduct regulators, or third-party agencies such as independent arbitration centres or Ombudsman services. Notwithstanding the presence of the public agencies, many jurisdictions, including Canada, Argentina, and France have made it clear that the responsibility for resolution of complaints about products and services fall primarily on the consumer credit provider concerned. In Canada, each federally regulated institution is required by law to have internal procedures for handling consumer complaints to ensure that issues are addressed in an appropriate and timely manner. These institutions are also members of third-party dispute resolution bodies that provide Ombudsman services to address individual consumer complaints. In Argentina, the authorities will intervene to request corrective measures or impose penalties on the consumer credit provider concerned, only when there is contravention of laws or regulations.

Information on the avenues and processes for reporting complaints about consumer credit products are widely available. In addition to the websites and educational material distributed by financial conduct regulators, many jurisdictions, such as Canada and India have required consumer credit providers to make available information about the applicable complaints resolution process on their websites and marketing materials and at their business locations. In India, for example, it is mandatory for all banks to display at each of their branches the details of the officer responsible for handling customer complaints.

##### ***Analysis of complaints***

Statistics and analyses on consumer complaints are published on the websites and/or annual reports of most financial conduct regulators and other public agencies handling consumer complaints. One exception is Saudi Arabia, where complaints related information is used solely to inform supervisory and regulatory actions, and not made publicly available. By-and-large, the publicly available complaint statistics and analyses are provided at an aggregated level; no information is published about specific consumer credit providers.

Many jurisdictions found that statistics and analyses on complaints have been useful in the identification of systematic problems with consumer credit products or consumer credit providers. For instance, in China, analysis of complaints data has helped the authorities uncover irregularities in the banking sector. In Australia, statistical analyses of complaints data are used to identify emerging trends for the purpose of designing the necessary surveillance processes. In Japan, information is collected broadly from consumers. The JFSA established the Counselling Office for Financial Services Users in 2005, which hears the voice of consumers and provides it as an input to the JFSA's supervision. In Brazil, Italy,

Japan and Mexico, the authorities also use information on consumer complaints to identify areas of focus in their supervision programs.

### ***Alternative dispute resolution mechanisms***

In general, alternative dispute resolution (ADR) mechanisms are relatively accessible to consumers (as regards costs and simplicity in process, etc) and operate independently from financial conduct regulators and individual consumer credit providers. The decisions of the ADR bodies are usually binding on the consumer credit provider, but not on the consumer who is able to seek alternative means of recourse if he/she is not satisfied with the outcome (Australia, Singapore). An exception is in Italy, where ADR decisions are not directly enforceable in courts; but if a firm does not voluntarily comply with the ADR decisions, that will be made known publicly. The appointment of arbitrators to the ADR bodies is used as a key device for assuring the independence and impartiality of the ADR mechanism. In this respect, some jurisdictions (Italy, Singapore) have put in place requirements to ensure that only qualified and independent parties are appointed as arbitrators. In Spain, the Ministry of Economy and Finance is working on modifying the legal framework of dispute resolution systems to improve their efficiency.

There are more than 750 ADR schemes with diverse characteristics in the European Union – they could be sector-specific or apply across different sectors; operate at national, regional or local levels; and be funded by the state or privately, or both. At present, although there is no European Union legislation for ADR schemes, the European Commission has established quality standards for ADR schemes in areas such as independence, transparency and effectiveness. For cross-border disputes within the European Union, the European Consumer Centres Network (ECC-Net) provides consumers with information and assistance in accessing an appropriate ADR scheme in another Member State. In addition, consumers could approach FIN-NET, which is a network of national ADR schemes that handle cross-border disputes between consumers and financial services providers.

In Canada, ADR organisations have integrated principles such as independence, impartiality and effectiveness into their individual terms of reference which shapes the way they operate. These principles stem from a framework that was developed by regulators and the individual ADR services. That framework sets out guidelines in seven key areas: independence, accessibility, scope of services, fairness, methods and remedies, accountability and transparency, and third-party evaluation.

In Singapore, the Financial Industry Disputes Resolution Centre (FIDReC) is an ADR scheme specialising in the resolution of disputes between consumers and financial institutions. Regulations are in place to safeguard the impartiality and effectiveness of the ADR process, while independence is achieved through FIDReC appointing independent adjudicators. FIDReC's ruling is final and binding on the financial institution but not on the consumer.

In Japan, the Financial Services Alternative Dispute Resolution was established in 2009. The members of the dispute resolution committees, which consist of specialists such as lawyers and judicial scriveners, propose the settlement plan. Independence and fairness of the system is ensured through designation and supervision of Dispute Resolution Organisations by the authority.

## 5. Conclusions

In the wake of the global financial crisis, national and international efforts have intensified to strengthen consumer protection policies to promote financial stability. As the crisis showed, the effects of irresponsible lending practices can quickly spread beyond national borders through the global distribution of securitised risk, particularly residential mortgages which by far are the largest single credit for most consumers. FSB members are using a number of different options for strengthening consumer protection frameworks, including establishing consumer protection authorities, implementing responsible lending practices, and intervening early in the product lifecycle. Even in jurisdictions where policy frameworks proved to be resilient, reforms are underway.

Changes in legislation, institutional arrangements, and regulation need to be supported by effective oversight. How regulators and supervisors are organising themselves to intensify their supervision of consumer credit products varies across the FSB membership, as well as the effectiveness of their supervisory tools and methods. Complementing national efforts are international initiatives, including consumer protection work on the agenda of the G20 French Presidency; the establishment of the OECD Task Force on Financial Consumer Protection; the expansion of the World Bank's Global Program on Consumer Protection and Financial Literacy to include implementation of financial consumer protection programs and development of good practices; and the refinement of FinCoNet's mandate to enhance its legitimacy. Indeed, the international community has increased their focus on consumer protection, recognising its role in promoting financial stability.

**A call upon an international organisation of regulators to take the lead on global financial consumer protection efforts could support international and national efforts underway.** Numerous initiatives are progressing at both the national and international level. While regulatory authorities typically lead domestic efforts, they largely sit outside international consumer protection dialogues. FinCoNet, as the sole international organisation of consumer protection regulators, is a significant exception and is collaborating on the policy work developed by the OECD Task Force on Financial Consumer Protection. An international organisation with a clear mandate and adequate capacity could help maintain the international momentum on consumer protection; strengthen the connection with domestic developments; facilitate engagement with consumer advocacy groups and other relevant stakeholders; and steer the work in a productive direction. Providing a global platform for consumer protection authorities to exchange views on experiences as well as lessons learnt from the crisis would help to progress the strengthening of consumer protection polices across the FSB membership and beyond. Further, potential gaps in regulatory and supervisory frameworks could be more readily identified and explored, such as the increasing use of the internet to sell credit products where jurisdictional issues exist.

The institutional arrangements for protecting consumers vary across the FSB membership, and generally range from a single agency responsible for both financial conduct and prudential matters; a "twin peaks" model; to multiple agencies responsible for covering consumer protection. Regardless of the institutional arrangement, it is essential for consumer protection authorities to have a clear mandate; independence and accountability; effective redress mechanisms; and the ability and willingness to take enforcement actions. Although the majority of FSB members view consumer protection and prudential supervision as

complementary rather than competing objectives, few jurisdictions have a mechanism in place to resolve any conflicts in objectives. Further, in several jurisdictions, the protection of financial consumers is not an explicit goal; rather prudential supervisory measures are seen as protecting consumers indirectly and implicitly. The experience in the US subprime mortgage market demonstrated the need for effective tools to regulate and supervise the whole consumer finance market; ensuring that some agency is sufficiently accountable for protecting consumers; and establishing a clear mandate for consumer protection authorities.

**The institutional arrangements for protecting consumers could be studied, and if appropriate, best practices could be developed to guide institutional reform.** Paying heed to the lessons from the global crisis, the institutional arrangements to protect consumers could be studied so as to ensure that mandates are established and clear; accountability is clearly defined; enforcement and penalty frameworks offer a credible deterrent against poor practices; and consumer protection authorities have the necessary tools and resources to effectively regulate and supervise the consumer finance market.

Much work is underway to strengthen the regulatory and supervisory frameworks for systemically important financial institutions, and such initiatives need to be complemented with effective oversight of consumer protection. Policies designed to strengthen the resilience of financial institutions need to also consider the consequent flow of risks to households. To ensure effective implementation of policies aimed at protecting consumers, relevant authorities should be adequately resourced. Without sufficient resources, the sustainability and effectiveness of any changes implemented would be undermined. Regulatory and supervisory approaches to protecting consumers vary across the FSB membership. Most jurisdictions focus on responsible lending practices, including the prevention of over-indebtedness as well as facilitating informed consumer decision making. Less attention is generally paid toward assessing product suitability or the suitability of product features. No jurisdiction requires a point of reference in the form of a simple credit product. While disclosure guidelines exist in all jurisdictions (except Indonesia), there are varying degrees of enforceability of the guidelines. Binding rules are common for the disclosure of product features and risks to borrowers but are rare for the disclosure of incentives.

**More work is needed to ensure consumer protection authorities are equipped with the necessary supervisory tools to identify gaps and weaknesses in consumer protection frameworks.** Consumer protection authorities use a broad range of regulatory and supervisory tools, which generally include promoting responsible lending practices and providing disclosure guidelines. More work could be done to ensure consumer protection authorities are equipped with the necessary supervisory tools while at the same time ensuring that sufficient information is being provided to consumers. Some areas where more work might be needed are: (i) establishing indicators of unsuitable product features; (ii) aligning and disclosing incentive compensation arrangements; and (iii) considering the potential value of providing consumers with basic product benchmarks.

## Annexes

### Annex A: Regulatory and supervisory agencies – mortgages

	Mortgages					
	Financial conduct regulator			Prudential supervision		
	Banks	Non-banks	Brokers	Banks	Non-banks	Brokers
<b>Argentina</b> <sup>25</sup>	BCRA	MEPF	None	BCRA, through the SEFyC	NA	None
<b>Australia</b>	ASIC	ASIC	ASIC	APRA	ASIC	ASIC
<b>Brazil</b>	BCB	BCB	BCB	BCB	BCB	BCB
<b>Canada</b>	FCAC	FCAC or provincial regulator	Provincial regulator	OSFI	OSFI or provincial regulator	NA
<b>China</b>	CBRC			PBOC CBRC		
<b>France</b>	ACP DGCCRF			ACP		
<b>Germany</b>	BaFin Bundesbank	BaFin	NA	BaFin Bundesbank	BaFin	NA
<b>Hong Kong</b>	HKMA	HK Police (enforcement of the Money Lenders Ordinance only)	NA	HKMA	NA	NA
<b>India</b>	RBI	NHB	NA	RBI	HNB	NA
<b>Italy</b>	BDI	BDI	NA	BDI	BDI	NA
<b>Japan</b> <sup>26</sup>	JFSA	JFSA	JFSA	JFSA	JFSA	JFSA
<b>Korea</b>	FSC FSS	FSC FSS	FSC FSS	FSC FSS	FSC FSS	FSC FSS

<sup>25</sup> Argentina: MEPF refers to the Domestic Trade Secretariat at the Ministry of Economy and Public Finance; SEFyC (Superintendencia de Entidades Financieras y Cambiarias) is the supervisory body of banking activity which is a decentralised entity of the BCRA with its own powers, depending on the BCRA for its budget and subject to audits as the BCRA may order.

<sup>26</sup> Japan: The JFSA is the main regulator of consumer credit originated by non-banks, but other regulators include the Ministry of Land, Infrastructure, Transport and Tourism and the Ministry of Agriculture, Forestry and Fisheries.



	Mortgages					
	Financial conduct regulator			Prudential supervision		
	Banks	Non-banks	Brokers	Banks	Non-banks	Brokers
<b>Mexico</b>	BDM Condusef	BDM Condusef	BDM Condusef	CNBV	CNBV	CNBV
<b>Netherlands</b>	AFM	AFM	AFM	DNB	DNB	DNB
<b>Russia</b>	Rospotreb- nadzor	Rospotreb- nadzor	Rospotreb- nadzor	CBR		FFMS
<b>Saudi Arabia</b>	SAMA	NA	NA	SAMA	NA	NA
<b>Singapore<sup>27</sup></b>	MAS	MAS	NA	MAS	MAS	NA
<b>South Africa</b>	NCR	NCR	NCR	SARB		
<b>Spain</b>	Finance Ministry, BDE	Finance Ministry, Ministry of Health, Social policy and Equality	Finance Ministry, Ministry of Health, Social policy and Equality	BDE	Regional consumer authorities	Regional consumer authorities
<b>Switzerland</b>	FINMA	NA	NA	FINMA	NA	NA
<b>Turkey<sup>28</sup></b>	MCT BRSA CBRT			BRSA		
<b>UK</b>	FSA (first charge OFT(second charge)	FSA (first charge) OFT(second charge)	FSA(first charge) OFT(second charge)	FSA	FSA	FSA
<b>USA</b>	CFPB; Federal banking regulators; State regulators	CFPB Federal banking regulators State banking regulators FHFA	CFPB; State regulators	Federal banking regulators State banking regulators FHFA		

<sup>27</sup> Besides supervising banks, MAS also supervises other categories of financial institutions (e.g. finance companies) that grant mortgages, secured personal loans and unsecured personal loans as part of their businesses. There are limits on the loans that financial institutions may give. For the personal loans market, there are other entities that are regulated by other government agencies, rather than MAS. For instance, moneylenders are licensed by the Registry of Moneylenders under the Singapore Law Ministry.

<sup>28</sup> The CBRT determines the reference interest rate and index to be used in variable rate housing finance contracts according to the Law No.4077.

## Annex B: Regulatory and supervisory agencies – credit cards

	Credit cards			
	Financial conduct regulator		Prudential supervision	
	Banks	Non-banks	Banks	Non-banks
<b>Argentina</b> <sup>29</sup>	BCRA	BCRA MEPF	BCRA, through the SEFyC	BCRA, through the SEFyC
<b>Australia</b>	ASIC	ASIC	APRA	ASIC
<b>Brazil</b> <sup>30</sup>	BCB	BCB	BCB	BCB
<b>Canada</b>	FCAC	FCAC or provincial regulator	OSFI	OSFI or provincial regulator
<b>China</b>	CBRC		PBOC CBRC	
<b>France</b>	ACP DGCCRF		ACP	
<b>Germany</b>	BaFin Bundesbank	BaFin Bundesbank	BaFin Bundesbank	
<b>Hong Kong</b>	HKMA	HK Police (for enforcement of MLO only)	HKMA	NA
<b>India</b>	RBI	RBI	RBI	RBI
<b>Italy</b>	BDI	BDI	BDI	BDI
<b>Japan</b> <sup>31</sup>	JFSA (cashing) METI (shopping)	JFSA (cashing) METI (shopping)	JFSA	JFSA
<b>Korea</b>	FSC FSS	FSC FSS	FSC FSS	FSC FSS
<b>Mexico</b>	BDM Condusef	BDM Condusef	CNBV	CNBV
<b>Netherlands</b>	AFM	AFM	DNB	DNB
<b>Russia</b>	NA	NA	CBR	

<sup>29</sup> Argentina: MEPF refers to the Domestic Trade Secretariat at the Ministry of Economy and Public Finance; SEFyC (Superintendencia de Entidades Financieras y Cambiarias) is the supervisory body of banking activity which is a decentralised entity of the BCRA with its own powers, depending on the BCRA for its budget and subject to audits as the BCRA may order.

<sup>30</sup> Brazil: For credit cards, BCB is the regulator for financial institutions and DPDC is the regulator for non-financial institutions.

<sup>31</sup> Japan: The JFSA is the main regulator of consumer credit originated by non-banks, but other regulators include the Ministry of Land, Infrastructure, Transport and Tourism and the Ministry of Agriculture, Forestry and Fisheries.

	Credit cards			
	Financial conduct regulator		Prudential supervision	
	Banks	Non-banks	Banks	Non-banks
<b>Saudi Arabia</b>	SAMA	NA	SAMA	NA
<b>Singapore<sup>32</sup></b>	MAS	MAS	MAS	NA
<b>South Africa</b>	NCR	NCR	SARB	
<b>Spain</b>	Finance Ministry BDE	BDE	BDE	BDE
<b>Switzerland</b>	FINMA	Cantonal authority	FINMA	Cantonal authority
<b>Turkey<sup>33</sup></b>	MCT BRSA CBRT		BRSA CBRT	
<b>UK</b>	OFT	OFT	FSA	
<b>USA</b>	CFPB Federal banking regulators State banking regulators	CFPB; Federal banking regulators; State regulators	Federal banking regulators State banking regulators	

<sup>32</sup> Besides supervising banks, MAS also supervises other categories of financial institutions (e.g. finance companies) that grant mortgages, secured personal loans and unsecured personal loans as part of their businesses. There are limits on the loans that financial institutions may give. For the personal loans market, there are other entities that are regulated by other government agencies, rather than MAS. For instance, moneylenders are licensed by the Registry of Moneylenders under the Singapore Law Ministry.

<sup>33</sup> For credit cards, the BRSA has full responsibility in terms of financial conduct regulation and prudential supervision. Based on the Bank Cards and Credit Cards Law, the CBRT is authorized to determine the maximum contractual and delay interest rates and publish and declare the determined rates once every three months.

## Annex C: Regulatory and supervisory agencies – personal loans (secured)

	Secured			
	Financial conduct regulator		Prudential supervisor	
	Banks	Non-banks	Banks	Non-banks
<b>Argentina</b> <sup>34</sup>	BCRA	MEPF	BCRA, through the SEFyC	NA
<b>Australia</b>	ASIC	ASIC	ASIC	ASIC
<b>Brazil</b>	BCB	BCB	BCB	BCB
<b>Canada</b>	FCAC	FCAC or provincial regulator	OSFI	OSFI or provincial regulator
<b>China</b>	CBRC		PBOC CBRC	
<b>France</b>	ACP DGCCRF		ACP	
<b>Germany</b>	BaFin Bundesbank	BaFin	BaFin Bundesbank	BaFin
<b>Hong Kong</b>	HKMA	HK Police (for enforcement of MLO only)	HKMA	NA
<b>India</b>	RBI	RBI	RBI	RBI
<b>Italy</b>	BDI	BDI	BDI	BDI
<b>Japan</b>	JFSA	JFSA	JFSA	JFSA
<b>Korea</b>	FSC FSS	FSC FSS	FSC FSS	FSC FSS
<b>Mexico</b>	BDM Condusef	BDM Condusef	CNBV	CNBV
<b>Netherlands</b>	AFM	AFM	DNB	DNB
<b>Russia</b>	Rospotrebnadzor	Rospotrebnadzor	CBR	
<b>Saudi Arabia</b>	SAMA	NA	SAMA	NA
<b>Singapore</b> <sup>35</sup>	MAS	MAS	MAS	MAS

<sup>34</sup> Argentina MEPF refers to the Domestic Trade Secretariat at the Ministry of Economy and Public Finance; SEFyC (Superintendencia de Entidades Financieras y Cambiarias) is the supervisory body of banking activity which is a decentralised entity of the BCRA with its own powers, depending on the BCRA for its budget and subject to audits as the BCRA may order.

<sup>35</sup> Besides supervising banks, MAS also supervises other categories of financial institutions (e.g. finance companies) that grant mortgages, secured personal loans and unsecured personal loans as part of their businesses. There are limits on the loans that financial institutions may give. For the personal loans market, there are other entities that are regulated by other government agencies, rather than MAS. For instance, moneylenders are licensed by the Registry of Moneylenders under the Singapore Law Ministry.

	<b>Secured</b>			
	<b>Financial conduct regulator</b>		<b>Prudential supervisor</b>	
	<b>Banks</b>	<b>Non-banks</b>	<b>Banks</b>	<b>Non-banks</b>
<b>South Africa</b>	NCR	NCR	SARB	
<b>Spain</b>	Finance Ministry BDE	Finance Ministry Ministry of Health, Social Policy and Equality, BDE	BDE	Regional consumption authorities
<b>Switzerland</b>	FINMA		FINMA	
<b>Turkey</b>	MCT BRSA		BRSA	
<b>UK</b>	FSA(first charge mortgages) OFT(second charge mortgages)	FSA(first charge mortgages) OFT(second charge mortgages)	FSA	
<b>USA</b>	CFPB; Federal banking regulators; State regulators	CFPB Federal banking regulators State banking regulators	Federal banking regulators State banking regulators	

## Annex D: Regulatory and supervisory agencies – personal loans (unsecured)

	Unsecured			
	Financial conduct regulator		Prudential supervisor	
	Banks	Non-banks	Banks	Non-banks
<b>Argentina</b> <sup>36</sup>	BCRA	MEPF	BCRA, through the SEFyC	NA
<b>Australia</b>	APRA	ASIC	APRA	ASIC
<b>Brazil</b>	BCB	BCB	BCB	BCB
<b>Canada</b>	FCAC	FCAC or provincial regulator	OSFI	OSFI or provincial regulator
<b>China</b>	CBRC		PBOC CBRC	
<b>France</b>	ACP DGCCRF		ACP	
<b>Germany</b>	BaFin Bundesbank	BaFin	BaFin Bundesbank	BaFin
<b>Hong Kong</b>	HKMA	HK Police (for enforcement of MLO only)	HKMA	NA
<b>India</b>	RBI	RBI	RBI	RBI
<b>Italy</b>	BDI	BDI	BDI	BDI
<b>Japan</b>	JFSA	JFSA	JFSA	JFSA
<b>Korea</b>	FSC FSS	FSC FSS	FSC FSS	FSC FSS
<b>Mexico</b>	BDM Condusef	BDM Condusef	CNBV	CNBV
<b>Netherlands</b>	AFM	AFM	DNB	DNB
<b>Russia</b>	Rospotrebnadzor	Rospotrebnadzor	CBR	
<b>Saudi Arabia</b>	SAMA	NA	SAMA	NA
<b>Singapore</b> <sup>37</sup>	MAS	MAS	MAS	MAS

<sup>36</sup> Argentina MEPF refers to the Domestic Trade Secretariat at the Ministry of Economy and Public Finance; SEFyC (Superintendencia de Entidades Financieras y Cambiarias) is the supervisory body of banking activity which is a decentralised entity of the BCRA with its own powers, depending on the BCRA for its budget and subject to audits as the BCRA may order.

<sup>37</sup> Besides supervising banks, MAS also supervises other categories of financial institutions (e.g. finance companies) that grant mortgages, secured personal loans and unsecured personal loans as part of their businesses. There are limits on the loans that financial institutions may give. For the personal loans market, there are other entities that are regulated by other government agencies, rather than MAS. For instance, moneylenders are licensed by the Registry of Moneylenders under the Singapore Law Ministry.

	Unsecured			
	Financial conduct regulator		Prudential supervisor	
	Banks	Non-banks	Banks	Non-banks
<b>South Africa</b>	NCR	NCR	SARB	
<b>Spain</b>	Finance Ministry BDE	Finance Ministry Ministry of Health, Social Policy and Equality, BDE	BDE	Regional consumption authority
<b>Switzerland</b>	FINMA	Cantonal authority	FINMA	Cantonal authority
<b>Turkey</b>	MCT BRSA		BRSA	
<b>UK</b>	OFT	OFT	FSA	
<b>USA</b>	CFPB; Federal banking regulators; State regulators	CFPB Federal banking regulators State banking regulators	Federal banking regulators State banking regulators	

## Annex E: The existence of disclosure guidelines about product features

	Residential mortgages	Personal loans secured	Personal loans unsecured	Credit cards	Other types of consumer credit
Argentina	✓	✓	✓	✓	
Australia <sup>38</sup>	✓	✓	✓	✓	✓
Brazil	✓	✓	✓	✓	✓
Canada	✓	✓	✓	✓	
China	✓	✓	✓	✓	
France	✓	✓	✓	✓	
Germany	✓	✓	✓	✓	No
Hong Kong <sup>39</sup>	✓	✓	✓	✓	
India	✓	✓	✓	✓	
Italy <sup>40</sup>	✓	✓	✓	✓	✓
Japan	✓	✓	✓	✓	
Korea	✓	✓	✓	✓	✓ (Equipment leasing, instalment financing)
Mexico	✓	✓	✓	✓	✓ (payroll loans)
Netherlands	✓	✓	✓	✓	
Russia	✓	✓	✓	✓	
Saudi Arabia	No	✓	✓	✓	NA
Singapore	✓	✓	✓	✓	
South Africa	✓	✓	✓	✓	
Spain	✓	✓	✓	✓	
Switzerland	No	No	✓	✓	✓ (leasing)
Turkey	✓	✓	✓	✓	✓ (leasing, factoring, lending by consumer finance companies)
UK	✓	✓	✓	✓	
USA	✓	✓	✓	✓	✓ (government-sponsored loan programs)

<sup>38</sup> Australia: The National Consumer Credit Act treats disclosure of all consumer credit products, including leases, mortgage and guarantees, in the same way and does not distinguish between residential mortgages, personal loans and credit cards.

<sup>39</sup> Hong Kong: Industry-agreed standards.

<sup>40</sup> Italy: The regulation on disclosure applies to all kinds of credit products, including leasing and other types of loans.



## Annex F: The existence of disclosure guidelines about risks to the borrower

	Residential mortgages	Personal loans secured	Personal loans unsecured	Credit cards	Other types of consumer credit
<b>Argentina</b>	✓	✓	✓	✓	
<b>Australia<sup>41</sup></b>	✓	✓	✓	✓	✓
<b>Brazil</b>	✓	✓	✓	✓	
<b>Canada</b>	✓	✓	✓	✓	
<b>China</b>	✓	✓	✓	✓	
<b>France</b>	No	✓	✓	✓	
<b>Germany</b>	✓	✓	✓	✓	No
<b>Hong Kong<sup>42</sup></b>	✓	✓	✓	✓	
<b>India</b>	✓	✓	✓	✓	
<b>Italy<sup>43</sup></b>	✓	✓	✓	✓	✓
<b>Japan</b>	✓	✓	✓	✓	
<b>Korea</b>	✓	✓	✓	✓	✓ (equipment leasing, instalment financing)
<b>Mexico</b>	✓	✓	✓	✓	✓ (payroll loans)
<b>Netherlands</b>	✓	✓	✓	✓	✓
<b>Russia</b>	No	No	No	No	
<b>Saudi Arabia</b>	No	✓	✓	✓	NA
<b>Singapore</b>	✓	✓	✓	✓	
<b>South Africa</b>	✓	✓	✓	✓	
<b>Spain</b>	No	✓	✓	✓	
<b>Switzerland</b>	No	No	✓	✓	✓ (leasing)
<b>Turkey</b>	✓	✓	✓	✓	✓ (leasing, factoring, lending by consumer finance companies)
<b>UK</b>	✓	✓	✓	✓	
<b>USA</b>	✓	✓	✓	✓	

<sup>41</sup> Australia Providers must give an information statement to consumers before they enter a credit contract, which applies to all consumer credit products including leases, mortgages and guarantees.

<sup>42</sup> Hong Kong: Industry-agreed standards.

<sup>43</sup> Italy: The regulation on disclosure applies to all kinds of credit products, including leasing and other types of loans.

## Annex G: Disclosure about incentives tied to certain products

	Residential mortgages	Personal loans secured	Personal loans unsecured	Credit cards	Other types of consumer credit
<b>Argentina</b>	No	No	No	No	No
<b>Australia<sup>44</sup></b>	✓	✓	✓	✓	✓
<b>Brazil</b>	No	No	No	No	No
<b>Canada</b>	No	No	No	No	No
<b>China</b>	No	No	No	No	No
<b>France</b>	No	✓	✓	✓	No
<b>Germany</b>	✓	✓	✓	✓	✓
<b>Hong Kong</b>	No	No	No	No	
<b>India</b>	NA	NA	NA	NA	NA
<b>Italy</b>	No	No	No	No	
<b>Japan<sup>45</sup></b>	✓	✓	✓	✓	
<b>Korea</b>	No	No	No	No	
<b>Mexico</b>	No	No	No	No	No (payroll loans)
<b>Netherlands</b>	✓	No	No	No	
<b>Russia</b>	No	No	No	No	
<b>Saudi Arabia</b>	No	No	No	No	NA
<b>Singapore</b>	No	No	No	No	
<b>South Africa</b>	✓	✓	✓	✓	
<b>Spain</b>	No	No	No	No	
<b>Switzerland</b>	No	No	No	No	No (leasing)
<b>Turkey</b>	No	No	No	No	No
<b>UK</b>	✓	✓	✓	✓	
<b>USA</b>	✓	No	No	No	No

<sup>44</sup> Australia Credit guides must set out an overview of the commission arrangements between the credit distributors and the credit originators.

<sup>45</sup> Japan: The guidelines are voluntary and self-regulation of Japan Bankers Association.

## Annex H: The existence of standards to ensure the integrity of credit registers

	Ensure reliability of the information collected	Ensure timely correction of inaccurate information recorded	Protect the privacy of the information recorded	Ensure borrowers understand and have access to information recorded
Argentina	✓	✓	✓	✓
Australia	✓	✓	✓	✓
Brazil	✓	✓	✓	✓
Canada	✓ (provincially regulated)	✓ (provincially regulated)	✓ (provincially regulated)	✓ (provincially regulated)
China	✓	✓	✓	✓
France	NA	NA	NA	NA
Germany	✓	✓	✓	✓
Hong Kong	✓	✓	✓	✓
India	✓	✓	✓	✓
Italy	✓	✓	✓	✓
Japan	✓	✓	✓	✓
Korea	✓	✓	✓	✓
Mexico	✓	✓	✓	✓
Netherlands	✓	✓	✓	✓
Russia	NA	NA	NA	NA
Saudi Arabia	✓	✓	✓	✓
Singapore	✓	✓	✓	✓
South Africa	✓	✓	✓	✓
Spain	✓	✓	✓	✓
Switzerland	✓	✓	✓	✓
Turkey	✓	✓	✓	✓
UK	✓	✓	✓	✓
USA <sup>46</sup>	✓	✓	✓	✓

<sup>46</sup> United States: No federal law exists requiring that borrowers understand the information recorded about them. The federal FCRA requires that each consumer be able to obtain annually, for free, a credit report from each of the three national credit registers in the US.

## **Annex I: Questionnaire on consumer finance protection**

This questionnaire is being circulated to FSB national members to collect input for a report to the G20 Leaders on options to advance consumer finance protection.<sup>47</sup> As agreed by the FSB Plenary, the report will focus largely (but not necessarily exclusively) on the financial stability aspects of consumer finance protection. The report will cover policies relating to consumer credit, including mortgages and home loans. The report will not address financial inclusion or investor protection issues.

A draft of the report will be sent to the FSB Consultative Group on Consumer Finance Protection in late July for comments, a revised draft will be reviewed by the Plenary at its October meeting, and the final report will be published ahead of the November 2011 G20 Summit.

### ***Submission of responses***

Members are encouraged to submit a consolidated national response, covering all national agencies involved in consumer finance protection.

Please return the completed questionnaire to the FSB Secretariat by **Friday, 3 June 2011**. The FSB Secretariat is available to clarify any issues about this questionnaire and about the FSB's mandate in this area.

### ***Disclosure of responses***

The information provided will be shared with all other FSB members that complete the questionnaire. In addition, please indicate whether the information provided can be disclosed publicly in the report to the G20 Leaders:

- Public:** all of the information provided can be disclosed publicly.
- Restricted:** some of the information provided can be disclosed publicly. Please specify what information is not to be disclosed publicly.
- Anonymised:** the information provided can be included in the report but without the name of the institution or country that it pertains to.

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<sup>47</sup> At the Seoul Summit in November 2010, the G20 Leaders asked the FSB “to work in collaboration with the OECD and other international organizations to explore, and report back by the next summit, on options to advance consumer finance protection through informed choice that includes disclosure, transparency and education; protection from fraud, abuse and errors; and recourse and advocacy.” See Leaders of the G20, “The Seoul Summit Document”, 11-12 November 2010, available at: [http://www.g20.org/Documents2010/11/seoulsummit\\_declaration.pdf](http://www.g20.org/Documents2010/11/seoulsummit_declaration.pdf), paragraph 41.

## ***Definitions***

Definitions often differ across jurisdictions. For the purposes of this questionnaire, please use the following definitions:

consumer credit:	credit to individuals and households, comprising residential mortgages, home loans, credit cards, overdrafts, personal loans (secured and unsecured), and instalment or revolving credit.
consumer credit providers:	any firm involved in the provision of consumer credit, either directly as an originator (eg, banks and non-banks) or indirectly as a distributor (eg, brokers).
consumer finance:	see consumer credit. For the purposes of this questionnaire, consumer finance is regarded as synonymous with consumer credit.
credit register	agency that collects, rates and reports information about the credit history of borrowers. Also known as credit reporting agencies or credit bureaus.
financial conduct regulators:	government agencies responsible for regulating the conduct of consumer credit providers. For the purposes of this questionnaire, consumer financial protection agencies are regarded as financial conduct regulators.
financial consumer	individuals and households.
prudential supervisors:	government agencies responsible for supervising the safety and soundness of financial institutions.

## 1. Policy framework for consumer finance protection

- 1.1. **Overall approach:** Please describe your jurisdiction's overall approach to protecting the interests of individual and household borrowers: for example, policy objectives, specific versus general legislation, rules versus principles.
- 1.2. **Lessons from the crisis:** During the global financial crisis that began in 2007, what aspects of the policy framework in your jurisdiction proved most effective in protecting the interests of individual and household borrowers? What weaknesses in the framework were revealed by the crisis?
- 1.3. **Reforms:** Please summarise any initiatives either implemented or planned to strengthen the policy framework for protecting the interests of individual and household borrowers. Please explain whether these initiatives were motivated by the experience during the global financial crisis or other recent events.
- 1.4. **Competing objectives:** How are objectives relating to consumer finance protection and the safety and soundness of financial institutions balanced within your jurisdiction? Please explain what arrangements are in place to resolve conflicts between consumer finance protection objectives and prudential objectives.
- 1.5. **Consumer groups:** Do consumer advocacy organisations in your jurisdiction have a formal advisory role on policies related to consumer finance protection? Please explain.

## 2. Structure and responsibilities

- 2.1. **Consumer financial protection agencies:** Please identify all regulatory and supervisory agencies in your jurisdiction that have responsibility for consumer finance protection.
- 2.2. **Regulatory and supervisory agencies:** For each of the consumer credit products listed in the table below, please identify the agencies in your jurisdiction responsible for: (a) regulating the conduct of consumer credit providers; and (b) supervising the safety and soundness of consumer credit providers. Where responsibility is shared, please name all agencies involved.

**Table 2.2: Regulatory and supervisory agencies**

<b>Consumer credit product</b>	<b>Financial conduct regulation</b>	<b>Prudential supervision<sup>1</sup></b>
Mortgages <sup>2</sup> : originated by banks originated by non-banks originated by brokers		
Personal loans: originated by banks <sup>3</sup> (secured) originated by non-banks <sup>4</sup>		
Personal loans: originated by banks <sup>4</sup> (unsecured) originated by non-banks <sup>4</sup>		
Credit cards: issued by banks issued by non-banks		
Other types of consumer credit (please specify)		

<sup>1</sup> If there are consumer credit providers that are not prudentially supervised (eg, retail merchants), please indicate not applicable (NA). <sup>2</sup> Residential mortgages. <sup>3</sup> Including overdrafts. <sup>4</sup> Including auto loans and instalment or revolving credit extended by retail merchants.

- 2.3. **Objectives and mandate:** For each agency named in the response to question 2.1, please describe the mandate of the agency, including whether the mandate includes the following: (a) advocacy and research; (b) financial product safety or suitability; (c) financial education; and (d) disclosures. Please identify any legal responsibilities that overlap with those of other agencies.
- 2.4. **Organisational structure:** If any of the agencies named in the response to question 2.1 have responsibility for both financial conduct regulation and prudential supervision, please describe how financial conduct regulation is organised: for example, as a separate division, or co-existing with prudential supervision.
- 2.5. **Independence and accountability:** For each agency named in the response to question 2.1, please describe the agency's relationship to the government, including the following arrangements: (a) appointment of the agency's head; (b) budgetary independence and origin of the agency's funding; (c) authority to set and change rules without government approval; and (d) public reports.
- 2.6. **Coordination:** Please explain any institutional arrangements for facilitating coordination among the agencies named in the response to question 2.1: for example, exchange of information, joint decision-making, or common policy actions.
- 2.7. **Enforcement authority:** For each agency named in the response to question 2.1, please describe what actions the agency can take to ensure compliance with its regulations or guidance: for example, removing a financial institution's licence, imposing financial

penalties, mitigation, sanctions, restitution to the consumer, or requiring disgorgement of profits earned from breaching regulations.

- 2.8. **Identification of issues:** What tools are available to financial conduct regulators to help identify emerging issues in consumer finance protection: for example, consumer complaints to an agency or consumer advocacy group, research groups within an agency or consumer advocacy group, or the authority to collect information from consumer credit providers?
- 2.9. **Regulatory perimeter:** What tools are available to financial conduct regulators to address consumer finance protection issues that arise outside the regulatory and supervisory perimeter?

### 3. Disclosure

- 3.1. **Disclosure guidelines:** For questions 3.1.1 to 3.1.3, please indicate whether guidelines exist that address how consumer credit providers should disclose information to individual and household borrowers. In your response, please explain whether the guidelines are voluntary (eg, industry-agreed standardised contracts, agency recommendations) or binding (eg, regulations) and, where appropriate, please distinguish between disclosure guidelines for banks and non-banks.

#### 3.2. Disclosures about product features

<b>Consumer credit product</b> (for examples, see table 2.2)	<b>Guidelines?</b> <b>yes/no</b>	<b>Comments</b>
Residential mortgages		
Personal loans: secured		
Personal loans: unsecured		
Credit cards		
Other types of consumer credit (please specify)		



**3.3. Disclosures about risks to the borrower**

<b>Consumer credit product</b> (for examples, see table 2.2)	<b>Guidelines?</b> <b>yes/no</b>	<b>Comments</b>
Residential mortgages		
Personal loans: secured		
Personal loans: unsecured		
Credit cards		
Other types of consumer credit (please specify)		

3.4. **Disclosures about incentives:** Incentive practices that might encourage sales staff to promote one type of product over another: for example, whether a borrower is informed of any commission of sales-based remuneration that may benefit the seller of the credit product.

<b>Consumer credit product</b> (for examples, see table 2.2)	<b>Guidelines?</b> <b>yes/no</b>	<b>Comments</b>
Residential mortgages		
Personal loans: secured		
Personal loans: unsecured		
Credit cards		
Other types of consumer credit (please specify)		

3.5. **Effectiveness of disclosures:** What tools are used in your jurisdiction to test the effectiveness of disclosure practices for consumer credit products: for example, focus groups, market surveys or mystery shoppers?

**4. Responsible lending practices**

- 4.1. **Definition:** Please explain how responsible lending practices are defined in your jurisdiction. Who defines these practices?
- 4.2. **Tools to promote responsible lending:** What tools are used to promote responsible lending practices by consumer credit providers: for example, codes of conduct, cooling off periods for credit product contracts, guidelines for assessing a borrower’s capacity to repay, or non-enforcement of contracts where credit was extended irresponsibly.
- 4.3. **Credit registers:** Where credit registers exist, please indicate whether standards are agreed for ensuring the integrity of the system to assess consumers’ capacity to take on financial commitments. In your response, please give examples of these standards: for example, code of conduct, non-binding guidelines, or regulations.

<b>Credit registers</b>	<b>Standards? yes/no</b>	<b>Comments</b>
Ensure the reliability of the information collected		
Ensure the timely correction of inaccurate information recorded		
Protect the privacy of the information recorded		
Ensure that borrowers understand and have access to the information recorded about them		

**5. Product regulation**

- 5.1. **Experience with product regulation:** Please explain the experience in your jurisdiction with product regulation: for example, how the objectives of product suitability, consumer choice, and product innovation are balanced; and whether product regulation has been successful in countering innovations which are unsuitable for individual or household borrowers.
- 5.2. **Pre-notification about new products:** Are consumer credit providers required to either inform an agency, seek authorisation, or solicit public consultation prior to launching a new credit product targeted at individual or household borrowers? Please explain.
- 5.3. **Simple credit products:** When targeting individual or household borrowers, are consumer credit providers either encouraged or required to offer simple credit products that provide a point of reference to help borrowers understand the features, risks and costs of more complex products? Please explain.
- 5.4. **Indicators of unsuitable products:** What factors or indicators do agencies consider to identify credit products or features that might not be suitable for individual or household borrowers?
- 5.5. **Actions against unsuitable products:** If an agency identifies a credit product or feature that is not suitable for individual or household borrowers, what actions is the agency authorised to take? What actions has the agency taken most often in the past? How far back in time can an agency’s redress actions be applied?
- 5.6. **Restrictions on products:** Please explain any restrictions or prohibitions on features of consumer credit products: for example, whether any features or combination of features are banned, or banned for some types of borrowers; and whether there are caps or other restrictions on the level of interest rates that can be applied to consumer credit products.
- 5.7. **Cross-border challenges:** Do cross-border differences in the policy framework for consumer finance protection, particularly with regard to product regulation, pose particular challenges in your jurisdiction? Please explain.

## 6. Complaints and dispute resolution

- 6.1. **Registration of complaints:** Which agencies are responsible for handling complaints about consumer credit products? How widely published is the method for making complaints?
- 6.2. **Information on complaints:** Are statistics and analyses on complaints about consumer credit products published? Is information on complaints about specific consumer credit providers published? If so, please provide the internet site or name of the report.
- 6.3. **Analysis of complaints:** To what extent are statistics and analyses on complaints used to identify systematic problems with consumer credit products or consumer credit providers?
- 6.4. **ADR mechanisms:** What alternative dispute resolution (ADR) mechanisms are available for resolving disputes about consumer credit products? Please describe briefly the ADR process, including how the independence, impartiality and effectiveness of the process are ensured.

## **Annex J: High-level Principles on Financial Consumer Protection**<sup>48</sup>

The high-level principles, prepared at the request of the G20, are designed to assist G20 countries and other interested economies to enhance financial consumer protection. The principles complement and do not substitute any existing international principles and/or guidelines. In particular they do not address sectoral issues dealt with by standard setter bodies such as BCBS, IAIS and IOSCO. These (non binding) principles will be applicable across all financial services sectors.

The OECD coordinating work on the principles was mainly channelled through the Task Force on Financial Consumer Protection of the Committee on Financial Markets which is open to all G20 and FSB members, and other relevant international organisations and standard setter bodies. Inputs on financial education issues were provided through the OECD International Network on Financial Education (INFE) which comprises representatives from institutions from 90 economies, including all G20 countries.

The Task Force held three physical meetings in April, June and September. But several rounds of written consultations have also been organised on different versions of the draft principles.

These consultations have included not only the members of the Task Force but also the members of a FSB consultative group, four OECD Committees, relevant international organisations, standard setter bodies and networks and consumer and industry associations.

A sixth version of the draft principles was circulated for public consultation until 31 August 2011. The consultation allowed numerous major stakeholders (governments, consumer and industry associations, trade unions and other relevant individual institutions) to provide further comments.

A seventh version was discussed by the Task Force on 14 September when final amendments by the Task Force were approved and confirmed through a written process. A final ninth version of the draft Principles was submitted to the Committee on Financial Markets (CMF) and the Financial Stability Board (FSB).

These High-level Principles on Financial Consumer Protection were endorsed by the G20 Finance Ministers and Central Bank Governors at their meeting on 14-15 October 2011.

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<sup>48</sup> <http://www.oecd.org/dataoecd/58/26/48892010.pdf>.

## FRAMEWORK

*Consumer confidence and trust in a well-functioning market for financial services promotes financial stability, growth, efficiency and innovation over the long term. Traditional regulatory and supervisory frameworks adopted by oversight bodies contribute to the protection of consumers – which is often and increasingly recognised as a major objective of these bodies together with financial stability. However, and while it already exists in several jurisdictions, additional and/or strengthened dedicated and proportionate policy action to enhance financial consumer protection is also considered necessary to address recent and more structural developments.*

*This renewed policy and regulatory focus on financial consumer protection results inter alia from the increased transfer of opportunities and risks to individuals and households in various segments of financial services, as well as the increased complexity of financial products and rapid technological change, all coming at a time when basic access to financial products and the level of financial literacy remain low in a number of jurisdictions. Rapid financial market development and innovation, unregulated or inadequately regulated and/or supervised financial services providers, and misaligned incentives for financial services providers can increase the risk that consumers face fraud, abuse and misconduct. In particular, low-income and less experienced consumers often face particular challenges in the market place.*

*In light of these issues, financial consumer protection should be reinforced and integrated with other financial inclusion and financial education policies. This contributes to strengthening financial stability. It is essential to protect consumers' rights while also recognising the fact that these rights do come with consumer responsibilities. This calls for legal recognition of financial consumer protection, oversight bodies with necessary authority and resources to carry out their mission, fair treatment, proper disclosure, improved financial education, responsible business conduct by financial services providers and authorised agents, objective and adequate advice, protection of assets and data including from fraud and abuse, competitive frameworks, adequate complaints handling and redress mechanisms and policies which address, when relevant, sectoral and international specificities, technological developments and special needs of vulnerable groups. This approach complements and builds upon financial regulation and supervision and financial governance.*

*In order to ensure effective and proportionate financial consumer protection regimes, it is important that all stakeholders participate in the policy making process.*

*The principles are addressed to G20 members and other interested economies and are designed to assist the efforts to enhance financial consumer protection. They are voluntary principles, designed to complement, not substitute for, existing international financial principles or guidelines. In particular, they do not address sector specific issues dealt with by the relevant international organisations and the financial standard setters (such as BCBS, IAIS and IOSCO). Different kinds of transactions present different risk profiles. The principles may need to be adapted to specific national and sectoral contexts and should be reviewed periodically by relevant international bodies.<sup>49</sup> All G20 members and other interested economies should assess their national frameworks for financial consumer protection in the light of these principles and promote international co-operation to support the strengthening of financial consumer protection in line with, and building upon, the principles.*

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<sup>49</sup> This could, in particular, include voluntary peer reviews by OECD, FSB, World Bank and standard setting bodies such as BCBS, IAIS and IOSCO.

## PRINCIPLES

### 1. Legal, Regulatory and Supervisory Framework

Financial consumer protection should be an integral part of the legal, regulatory and supervisory framework, and should reflect the diversity of national circumstances and global market and regulatory developments within the financial sector.

Regulation should reflect and be proportionate to the characteristics, type, and variety of the financial products and consumers, their rights and responsibilities and be responsive to new products, designs, technologies and delivery mechanisms.<sup>50</sup> Strong and effective legal and judicial or supervisory mechanisms should exist to protect consumers from and sanction against financial frauds, abuses and errors.

Financial services providers and authorised agents<sup>51</sup> should be appropriately regulated and/or supervised, with account taken of relevant service and sector specific approaches.

Relevant non-governmental stakeholders – including industry and consumer organisations, professional bodies and research communities – should be consulted when policies related to financial consumer protection and education are developed. Access of relevant stakeholders and in particular consumer organisations to such processes should be facilitated and enhanced.

### 2. Role of Oversight Bodies

There should be oversight bodies (dedicated or not) explicitly responsible for financial consumer protection, with the necessary authority to fulfil their mandates. They require clear and objectively defined responsibilities and appropriate governance; operational independence; accountability for their activities; adequate powers; resources and capabilities; defined and transparent enforcement framework and clear and consistent regulatory processes. Oversight bodies should observe high professional standards, including appropriate standards of confidentiality of consumer and proprietary information and the avoidance of conflicts of interest.

Co-operation with other financial services oversight authorities and between authorities or departments in charge of sectoral issues should be promoted. A level playing field across financial services should be encouraged as appropriate. International co-operation between oversight bodies should also be encouraged, while specific attention should be considered for consumer protection issues arising from international transactions and cross-border marketing and sales.

### 3. Equitable and Fair Treatment of Consumers

All financial consumers should be treated equitably, honestly and fairly at all stages of their relationship with financial service providers. Treating consumers fairly should be an integral part of the good governance and corporate culture of all financial services providers and authorised agents. Special attention should be dedicated to the needs of vulnerable groups.

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<sup>50</sup> Where relevant, appropriate mechanisms should be developed to address new delivery channels for financial services, including through mobile, electronic and branchless distribution of financial services, while preserving their potential benefits for consumers.

<sup>51</sup> Authorised agents are understood to mean third parties acting for the financial services provider or in an independent capacity. They include any agents (tied and independent agents) brokers, advisors and intermediaries, etc.

#### **4. Disclosure and Transparency**

Financial services providers and authorised agents should provide consumers with key information that informs the consumer of the fundamental benefits, risks and terms of the product. They should also provide information on conflicts of interest associated with the authorised agent through which the product is sold.<sup>52</sup>

In particular, information should be provided on material aspects of the financial product. Appropriate information should be provided at all stages of the relationship with the customer. All financial promotional material should be accurate, honest, understandable and not misleading. Standardised pre-contractual disclosure practices (e.g. forms) should be adopted where applicable and possible to allow comparisons between products and services of the same nature. Specific disclosure mechanisms, including possible warnings, should be developed to provide information commensurate with complex and risky products and services. Where possible consumer research should be conducted to help determine and improve the effectiveness of disclosure requirements.

The provision of advice should be as objective as possible and should in general be based on the consumer's profile considering the complexity of the product, the risks associated with it as well as the customer's financial objectives, knowledge, capabilities and experience.

Consumers should be made aware of the importance of providing financial services providers with relevant, accurate and available information.

#### **5. Financial Education and Awareness**

Financial education and awareness should be promoted by all relevant stakeholders and clear information on consumer protection, rights and responsibilities should be easily accessible by consumers. Appropriate mechanisms should be developed to help existing and future consumers develop the knowledge, skills and confidence to appropriately understand risks, including financial risks and opportunities, make informed choices, know where to go for assistance, and take effective action to improve their own financial well-being.

The provision of broad based financial education and information to deepen consumer financial knowledge and capability should be promoted, especially for vulnerable groups.

Taking into account national circumstances, financial education and awareness should be encouraged as part of a wider financial consumer protection and education strategy, be delivered through diverse and appropriate channels, and should begin at an early age and be accessible for all life stages. Specific programmes and approaches related to financial education should be targeted for vulnerable groups of financial consumers.

All relevant stakeholders should be encouraged to implement the international principles and guidelines on financial education developed by the OECD International Network on Financial Education (INFE). Further national and international comparable information on financial education and awareness should be compiled by national institutions and relevant international organisations in order to assess and enhance the effectiveness of approaches to financial education.

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<sup>52</sup> Financial services providers and authorised agents should provide clear, concise, accurate, reliable, comparable, easily accessible, and timely written and oral information on the financial products and services being offered, particularly on key features of the products and (where relevant) on possible alternative services or products, including simpler ones, they provide. In principle, information should include prices, costs, penalties, surrender charges, risks and termination modalities.

## **6. Responsible Business Conduct of Financial Services Providers and Authorised Agents**

Financial services providers and authorised agents should have as an objective, to work in the best interest of their customers and be responsible for upholding financial consumer protection. Financial services providers should also be responsible and accountable for the actions of their authorised agents.

Depending on the nature of the transaction and based on information primarily provided by customers financial services providers should assess the related financial capabilities, situation and needs of their customers before agreeing to provide them with a product, advice or service. Staff (especially those who interact directly with customers) should be properly trained and qualified. Where the potential for conflicts of interest arise, financial services providers and authorised agents should endeavour to avoid such conflicts. When such conflicts cannot be avoided, financial services providers and authorised agents should ensure proper disclosure, have in place internal mechanisms to manage such conflicts, or decline to provide the product, advice or service.

The remuneration structure for staff of both financial services providers and authorised agents should be designed to encourage responsible business conduct, fair treatment of consumers and to avoid conflicts of interest. The remuneration structure should be disclosed to customers where appropriate, such as when potential conflicts of interest cannot be managed or avoided.

## **7. Protection of Consumer Assets against Fraud and Misuse**

Relevant information, control and protection mechanisms should appropriately and with a high degree of certainty protect consumers' deposits, savings, and other similar financial assets, including against fraud, misappropriation or other misuses.

## **8. Protection of Consumer Data and Privacy**

Consumers' financial and personal information should be protected through appropriate control and protection mechanisms. These mechanisms should define the purposes for which the data may be collected, processed, held, used and disclosed (especially to third parties). The mechanisms should also acknowledge the rights of consumers to be informed about data-sharing, to access data and to obtain the prompt correction and/or deletion of inaccurate, or unlawfully collected or processed data.

## **9. Complaints Handling and Redress**

Jurisdictions should ensure that consumers have access to adequate complaints handling and redress mechanisms that are accessible, affordable, independent, fair, accountable, timely and efficient. Such mechanisms should not impose unreasonable cost, delays or burdens on consumers. In accordance with the above, financial services providers and authorised agents should have in place mechanisms for complaint handling and redress. Recourse to an independent redress process should be available to address complaints that are not efficiently resolved via the financial services providers and authorised agents internal dispute resolution mechanisms. At a minimum, aggregate information with respect to complaints and their resolutions should be made public.

## **10. Competition**

Nationally and internationally competitive markets should be promoted in order to provide consumers with greater choice amongst financial services and create competitive pressure on providers to offer competitive products, enhance innovation and maintain high service quality. Consumers should be able to search, compare and, where appropriate, switch between products and providers easily and at reasonable and disclosed costs.



## Annex K: List of selected policy guidance from international organisations<sup>53</sup>

### International

Organisation	Official instruments	Policy Proposals
<b>BIS</b> (Bank for International Settlements)	<ul style="list-style-type: none"> <li>• <i>Core Principles for Effective Banking Supervision (2006)</i></li> <li>• <i>General Principles for International Remittance Services (2007 with World bank)</i></li> <li>• <i>Core Principles for Effective Deposit Insurance Systems (2009 with IADI)</i></li> </ul>	<ul style="list-style-type: none"> <li>• <i>Customer Due Diligence for Banks (2001)</i></li> <li>• <i>Consolidated KYC Risk Management (2004)</i></li> <li>• <i>Compliance and Compliance function in Banks (2005)</i></li> <li>• <i>Customer Suitability in the Retail Sale of Financial Products and Services (2008, jointly with IOSCO, IAIS)</i></li> </ul>
<b>G20/FIEG</b> (Financial Inclusion Experts Group : sub-group of G20)	<ul style="list-style-type: none"> <li>• <i>Principles for Innovative Financial Inclusion (2010)</i></li> </ul>	
<b>IADI</b> (International Association of Deposit Insurers)	<ul style="list-style-type: none"> <li>• <i>Core Principles for Effective Deposit Insurance Systems (2009 with BIS)</i></li> </ul>	
<b>IAIS</b> (International Association of Insurance Supervisors)	<ul style="list-style-type: none"> <li>• <i>Principles for Conduct of Insurance Business (1999)</i></li> <li>• <i>Insurance Core Principles and Methodology (2003)</i></li> <li>• <i>Principles on the Supervision of Insurance Activities on the Internet (2004)</i></li> </ul>	<ul style="list-style-type: none"> <li>• <i>Guidance Paper on Public Disclosure by Insurers (2002)</i></li> <li>• <i>Guidance Paper on Preventing, Detecting, and Remediating Fraud in Insurance (2006)</i></li> <li>• <i>Customer Suitability in the Retail Sale of Financial Products and Services (2008, jointly with BIS, IOSCO)</i></li> </ul>
<b>IOPS</b> (International Organisation of Pensions Supervisors)	<ul style="list-style-type: none"> <li>• <i>Guidelines for Supervisory Intervention, Enforcement and Sanctions (2009)</i></li> <li>• <i>Principles of Private Pension Supervision (2010)</i></li> </ul>	<ul style="list-style-type: none"> <li>• <i>Information to members of DC Pension Plans : Conceptual Framework and International Trends (2008)</i></li> </ul>

<sup>53</sup> The list was discussed at the April 2011 meeting of the OECD Task Force on Financial Consumer Protection. The list is not exhaustive but illustrates the breadth of international work in the area of consumer protection.

Organisation	Official instruments	Policy Proposals
<b>IOSCO</b> (International Organisation of Securities Commissions)	<ul style="list-style-type: none"> <li>• <i>Objectives and Principles of Securities Regulation (2008)</i></li> <li>• <i>Methodology for Assessing Implementation of the IOSCO Objectives and Principles of Securities Regulation (2011)</i></li> </ul>	<ul style="list-style-type: none"> <li>• <i>Principles on Suspensions of Redemptions in Collective Investment Schemes, Report of the Technical Committee of IOSCO (2011)</i></li> <li>• <i>Principles on Point of Sale Disclosure, Report of the Technical Committee of IOSCO (2011)</i></li> <li>• <i>Guidelines for the Regulation of Conflicts of Interest Facing Market Intermediaries, Report of the Emerging Markets Committee of IOSCO (2010)</i></li> <li>• <i>Transparency of Structured Finance Products, Report of the Technical Committee of IOSCO (2010)</i></li> <li>• <i>Disclosure Principles for Public Offerings and Listings of Asset-Backed Securities, Report of the Technical Committee of IOSCO (2010)</i></li> <li>• <i>Protection of Minority Shareholders in Listed Issuers, Report of the Technical Committee of IOSCO (2009)</i></li> </ul>
<b>OECD</b> (Organisation for Economic Co-operation and Development)	<ul style="list-style-type: none"> <li>• <i>Recommendation concerning Disclosure Requirements and Procedures to be Applicable to all Publicly Offered Securities (1974)</i></li> <li>• <i>Recommendation concerning Regulations for the Public Offer and for Stock Exchange Listing or Quotation of Foreign Securities (1974)</i></li> <li>• <i>Recommendation concerning Consumer Protection in the field of Consumer Credit (1977)</i></li> <li>• <i>Guidelines on the Protection of Privacy and Transborder Flows of Personal Data (1980)</i></li> <li>• <i>Recommendation concerning guidelines for consumer protection in the context of electronic commerce (1999)</i></li> <li>• <i>Guidelines for the Security of Information Systems and Networks : Towards a Culture of Security (2002)</i></li> <li>• <i>Recommendation concerning Guidelines for Protecting Consumers from Fraudulent and Deceptive Commercial Practices across borders (2003)</i></li> <li>• <i>Principles of Corporate Governance (2004)</i></li> <li>• <i>Recommendation on Good Practices for Insurance Claim Management (2004)</i></li> <li>• <i>Guiding Principles for Regulatory Quality and Performance (2005)</i></li> <li>• <i>Recommendation on Guidelines for Insurers' Governance (2005)</i></li> <li>• <i>Recommendation on Principles and Good Practices on Financial Education and Awareness (2005)</i></li> <li>• <i>Core Principles of Occupational Pension</i></li> </ul>	<ul style="list-style-type: none"> <li>• <i>Electronic Funds Transfer : Plastic Cards and Consumer (1989)</i></li> <li>• <i>Improving Financial Literacy : Analysis of Issues and Policies(2005)</i></li> <li>• <i>Benefit Protection : priority credit rights for pension fund (2007)</i></li> <li>• <i>Annuities and Financial Education (2008)</i></li> <li>• <i>Financial Crisis : Deposit Insurance and Related Financial Safety Net Aspects(2008)</i></li> <li>• <i>Financial Turbulence : Some Lessons Regarding Deposit Insurance (2008)</i></li> <li>• <i>Improving Financial Education and Awareness on Insurance and Private Pensions (2008)</i></li> <li>• <i>Consumer Education : Policy Recommendations on Consumer Policy (2009)</i></li> <li>• <i>Financial Education and the Crisis (2009)</i></li> <li>• <i>Promoting Consumer Education: Trends, Policies and Good Practices (2009)</i></li> <li>• <i>Addressing Financial Consumer Protection Deficiencies in the Post Crisis Era (2010)</i></li> <li>• <i>Consumer Policy Toolkit (2010)</i></li> <li>• <i>Consumer Protection and Financial Innovation : A Few Basic Propositions (2010)</i></li> <li>• <i>Policy Handbook on Natural Hazard Awareness and Risk Reduction Education (2010)</i></li> <li>• <i>Protecting and Empowering Consumers in the Internet Economy Options for Advancing the Review of the 1999 OECD guidelines (2010)</i></li> <li>• <i>Guides to the Evaluation of Financial Education Programs (2011)</i></li> </ul>

Organisation	Official instruments	Policy Proposals
	<p><i>Regulation (2007)</i></p> <ul style="list-style-type: none"> <li>• <i>Recommendation on consumer dispute resolution redress (2007)</i></li> <li>• <i>Recommendation on Good Practices for Enhanced Risk Awareness and Education on Insurance issues (2008)</i></li> <li>• <i>Recommendation on Good Practices for Financial Education relating to Private Pensions (2008)</i></li> <li>• <i>Recommendation on Good Practices on Financial Education and Awareness relating to Credit (2009)</i></li> <li>• <i>Recommendation on a Policy Framework for Effective and Efficient Financial Regulation (2009)</i></li> <li>• <i>Declaration on Propriety, Integrity and Transparency in the Conduct of International Business and Finance (2010)</i></li> <li>• <i>Draft Guideline on Financial Education at School (2011)</i></li> </ul>	
<b>World Bank</b>	<ul style="list-style-type: none"> <li>• <i>General Principles for International Remittance Services (2007 with BIS)</i></li> </ul>	<ul style="list-style-type: none"> <li>• <i>Good practices for Consumer Protection and Financial Literacy in Europe and Central Asia : a diagnostic tool (2010)</i></li> <li>• <i>Consumer Protection and Financial Literacy : Lessons from Nine Country Studies (2010)</i></li> <li>• <i>Consultative Draft of Good Practices for Financial Consumer Protection (2011)</i></li> </ul>
UN (United Nations)	<ul style="list-style-type: none"> <li>• <i>UN Guidelines for the Regulation of Computerized Personal Data Files (1990)</i></li> <li>• <i>Guidelines for Consumer Protection (2003)</i></li> </ul>	
<b>Others</b>		<ul style="list-style-type: none"> <li>• <i>The Case for Financial Literacy in Developing Countries (2009, jointly by World Bank, OECD, DFID, CGAP)</i></li> </ul>

## Regional

Organisations	Official instruments	Policy proposals
<b>APEC</b> (Asia Pacific Economic Cooperation)		<ul style="list-style-type: none"> <li>• <i>APEC Policy Dialogue on Deposit Insurance : Key Policy Conclusions (2004)</i></li> <li>• <i>APEC Privacy Framework (2005)</i></li> </ul>
<b>ESMA</b> (European Securities and Markets Authority)	<ul style="list-style-type: none"> <li>• <i>Recommendations : Inducements under MiFID (2007)</i></li> <li>• <i>European Regime of Investor Protection : The harmonization of conduct of business rules (2002)</i></li> <li>• <i>Template for the Key Investor Information document (2010)</i></li> <li>• <i>Guide to Clear Language and Layout for the Key Investor Information document (2010)</i></li> <li>• <i>Guidelines – Transition from the Simplified Prospectus to the Key Investor Information document (2010)</i></li> <li>• <i>Guidelines – Selection and Presentation of Performance Scenario in the Key Investor Information document for structured UCITS (2010)</i></li> </ul>	<ul style="list-style-type: none"> <li>•</li> </ul>
<b>EU</b> (European Union)	<ul style="list-style-type: none"> <li>• <i>Directive on Insurance Agents and Brokers (1977)</i></li> <li>• <i>Directive on Unfair Terms in Consumer Contract (1993)</i></li> <li>• <i>Directive on Deposit Guarantee Schemes (2009)</i></li> <li>• <i>Directive on Protection of Individuals with regard to the Processing of Personal Data and on the Free Movement of such data (1995)</i></li> <li>• <i>Directive on Investor Compensation Schemes (1997)</i></li> <li>• <i>Directive on Protection of Consumers in Respect of Distance Contracts (1997)</i></li> <li>• <i>Directive on Reorganisation and Winding-up of Insurance Undertakings (2001)</i></li> <li>• <i>Directive concerning Life Assurance (2002)</i></li> <li>• <i>Directive Concerning Processing Personal Data and Protection of Privacy in the Electronic Communication Sector (2002)</i></li> <li>• <i>Directive on Insurance Mediation (2002)</i></li> <li>• <i>Directive on the Distance Marketing of Consumer Financial Services (2002)</i></li> <li>• <i>Markets in Financial Instruments Directive (2004/39/EC)</i></li> <li>• <i>Directive implementing Directive 2004/39/EC as regards organisational requirements and operating conditions for investment firms and defined terms</i></li> </ul>	<ul style="list-style-type: none"> <li>• <i>Policy statement : Nature and consequences of pyramid activities in life and accident insurance(1997)</i></li> <li>• <i>Recommendation on the Principles for Out-of-court Bodies involved in the Consensual Resolution of Consumer Disputes (2001)</i></li> <li>• <i>Green Paper on Retail Financial Services in the EU (2007)</i></li> <li>• <i>Proposal for Directive on Credit agreements relating to residential property (2011)</i></li> </ul>

Organisations	Official instruments	Policy proposals
	<p><i>for the purposes of that Directive (2006)</i></p> <ul style="list-style-type: none"> <li>• <i>Regulation implementing Directive 2004/39/EC as regards record-keeping obligations for investment firms, transaction reporting, market transparency, admission of financial instruments to trading, and defined terms for the purposes of that Directive (2006)</i></li> <li>• <i>Directive concerning Unfair Business-to-Consumer Commercial Practices in the internal market (2005) Directive on Misleading and Comparative Advertising (2006)</i></li> <li>• <i>Directive on Payment Services in the Internal Market (2007)</i></li> <li>• <i>Directive on Consumer Credit (2008)</i></li> <li>• <i>Directive on Undertakings in Collective Investments in Transferrable Securities (2009)</i></li> <li>• <i>Directive to Protect the Consumer in respect of Contracts negotiated away from Business Premises (1985)</i></li> <li>• <i>Directive on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (2009/65/EC)</i></li> <li>• <i>Regulation implementing Directive 2009/65/EC as regards key investor information and conditions to be met when providing key investor information or the prospectus in a durable medium other than paper or by means of a website</i></li> <li>• <i>Directive implementing Directive 2009/65/EC as regards organisational requirements, conflicts of interest, conduct of business, risk management and content of the agreement between a depositary and a management company (2010)</i></li> </ul>	