The G20/OECD High-Level Principles on Financial Consumer Protection

Mike Chapman
Senior Policy Expert
Financial Education and Consumer Protection Unit

Ad Hoc Expert Meeting on Consumer Protection
11 July 2013
Geneva

The views expressed are those of the author and do not necessarily reflect the views of UNCTAD
G20 Background

- February 2011 (French Presidency initiative) G20 Finance Ministers and Central Bank Governors call on the OECD to develop common principles on consumer protection in the field of financial services
- Developed by the Task Force on Financial Consumer Protection of the OECD Committee on Financial Markets (CMF)
- Principles endorsed by the G20 Leaders, Cannes Summit, November, 2011
G20 High-Level Principles

- Legal, Regulatory and Supervisory Framework
- Role of Oversight Bodies
- Equitable and Fair Treatment of Consumers
- Disclosure and Transparency
- Financial Education and Awareness
- Responsible Business Conduct of Financial Services Providers and Authorised Agents
- Protection of Consumer Assets against Fraud and Misuse
- Protection of Consumer Data and Privacy
- Complaints Handling and Redress
- Competition
Under the Mexican G20 Presidency an Action Plan of the G20/OECD Task Force to Develop Effective Approaches to Support the Implementation of the G20 High-Level Principles was endorsed by the G20 Leaders at the Los Cabos Summit, June, 2012.

The High-Level Principles were adopted by the OECD Council as a Recommendation in July 2012.
G20 Background

- G20 Finance Ministers and Central Bank Governors meeting Moscow, February 2013

“We look forward to an update report on the work undertaken by the G20/OECD Task Force to support the implementation of the G20 High Level Principles on Financial Consumer Protection by the St. Petersburg Summit.”
Effective Approaches

• Effective Approaches of interest to both developed and emerging economies
• They span across all financial services sectors – including banking and credit; securities; investment; insurance and pensions
• Designed to assist regulators, supervisors, policy makers and financial services providers enhance financial consumer protection, while taking into account specific jurisdictional circumstances
Priority Principles

Effective Approaches

Disclosure and Transparency

Complaints Handling and Redress

Responsible Business Conduct
## Effective Approaches

<table>
<thead>
<tr>
<th>Disclosure and Transparency</th>
<th>Responsible Business Conduct</th>
<th>Complaints Handling and Redress</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Key Information</td>
<td>• Best Interest</td>
<td>• Complaints Handling and Redress Mechanisms</td>
</tr>
<tr>
<td>• Conflicts of Interest</td>
<td>• Assessing Consumer Needs</td>
<td>• Internal Complaints Handling</td>
</tr>
<tr>
<td>• Provision of Advice</td>
<td>• Staff Training</td>
<td>• Alternative Dispute Resolution (ADR) Mechanisms</td>
</tr>
<tr>
<td>• Consumer Research</td>
<td>• Remuneration Structures</td>
<td>• Complaints Data</td>
</tr>
</tbody>
</table>


Aim to identify and present a broad range of effective approaches

- Common approaches applied already in a broader range of jurisdictions
- Emerging approaches that are more recently implemented in a few jurisdictions

The effective approaches will be presented principle by principle

The effective approaches are illustrative
Country representative to act as Vice Chair for each of the priority principles
- Spain Vice Chair for Principle 4
- Netherlands Vice Chair Principle 6
- India Vice Chair for Principle 9

Task Force agreed to form sub groups to work with the Vice Chairs
Process

• Survey of Task Force Members (over twenty responses from G20, FSB and OECD economies)

• Information was complemented by factual information gained through an informal consultation with key stakeholders – including World Bank and CGAP
The principle of responsible business conduct is important in order to ensure that financial services providers and authorised agents act fairly, honestly, professionally and with due skill, care and diligence when dealing with consumers. Duty of care is necessary in addition to improved transparency because consumers have bounded rationality and therefore cannot be expected to always make decisions that are in their own best interest.
Financial services providers and authorised agents assess the needs, financial situation, attitude to risk and interests of different types of consumers, particularly more vulnerable consumers in order to determine whether the proposed financial product is appropriate for them taking into account their needs and their financial situation. The information required by the financial services provider or by the authorised agent is proportionate according to the nature (e.g. from the banking, insurance or securities sector) and complexity of the product concerned.
Disclosure is not a sufficient solution for all conflicts of interest. In some cases, more stringent measures can be considered; the law and/or regulators/supervisors may consider the banning or restriction of commission payments or other types of incentives on the selling of certain financial products and services.
Ensuring trust and confidence in the financial system
Facilitate access to appropriate and affordable financial products and services
Works best when supported/complemented by financial inclusion and financial education
G20/OECD High Level Principles interconnected
Effective approaches should not be consider in isolation but used and drawn upon as an integrated resource
Conclusion

- Holistic approach
- Principles cross sectoral
- Only international instrument on Financial Consumer Protection
- Task Force works to avoid duplication — e.g. SSB Sub Group
- Key lesson learnt — no need to reinvent the wheel