



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

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



## G20 Background

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- 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

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- 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





## G20 Background

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- 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

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- 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

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- 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





# Effective Approaches

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# Effective Approaches

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## Disclosure and Transparency

- Key Information
- Conflicts of Interest
- Provision of Advice
- Consumer Research

## Responsible Business Conduct

- Best Interest
- Assessing Consumer Needs
- Staff Training
- Remuneration Structures

## Complaints Handling and Redress

- Complaints Handling and Redress Mechanisms
- Internal Complaints Handling
- Alternative Dispute Resolution (ADR) Mechanisms
- Complaints Data





## Process

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- 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





## Process

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- 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

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- 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





## An example of an Underlying Assumption

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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.





## An Example of a Common Approach

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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.





## An example of an Emerging Approach

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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.





## Key Messages

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- 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 considered in isolation but used and drawn upon as an integrated resource





## Conclusion

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- 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

