

UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

UNCTAD



MULTI-YEAR EXPERT MEETING ON TRADE, SERVICES AND DEVELOPMENT

Fourth Session

Geneva, 18–20 May 2016

**Regulatory Issues for Consumer Protection
in Digital Financial Services**

SESSION # 4



UNITED NATIONS
UNCTAD

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UNCTAD Multi Year Expert Meeting on Trade in Services

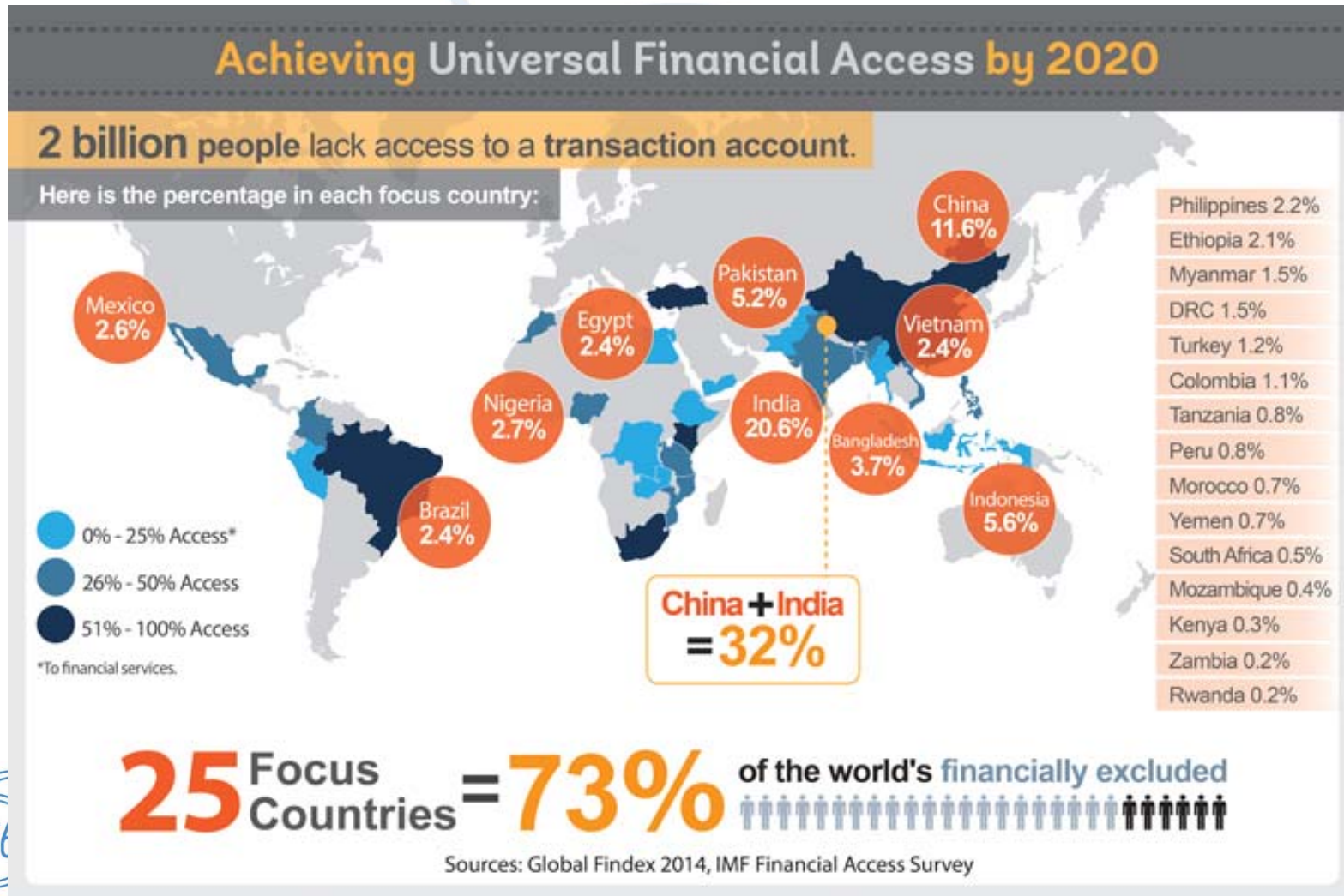
**Regulatory Issues for Consumer Protection
in Digital Financial Services**

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The Problem: Financial Inclusion?



ITU FG Digital Financial Services

Main Aims

- Promote dialogue between Financial/Telco regulators
- Raise awareness re role DFS to promote Financial Inclusion and linkage to UN SDGs
- Clarify regulators roles and responsibilities in DFS
- Provide recommendations on selected policy and regulatory issues

ITU FG Digital Financial Services



BILL & MELINDA
GATES foundation



Better Than Cash
Alliance



ITU FG Digital Financial Services

Unique Forum

Bring together regulators and players
from

telecom and financial services sectors



Regulatory Objectives

- Enhance usage
- Create the consumer experience
- Enhance trust in the system

Main Topics

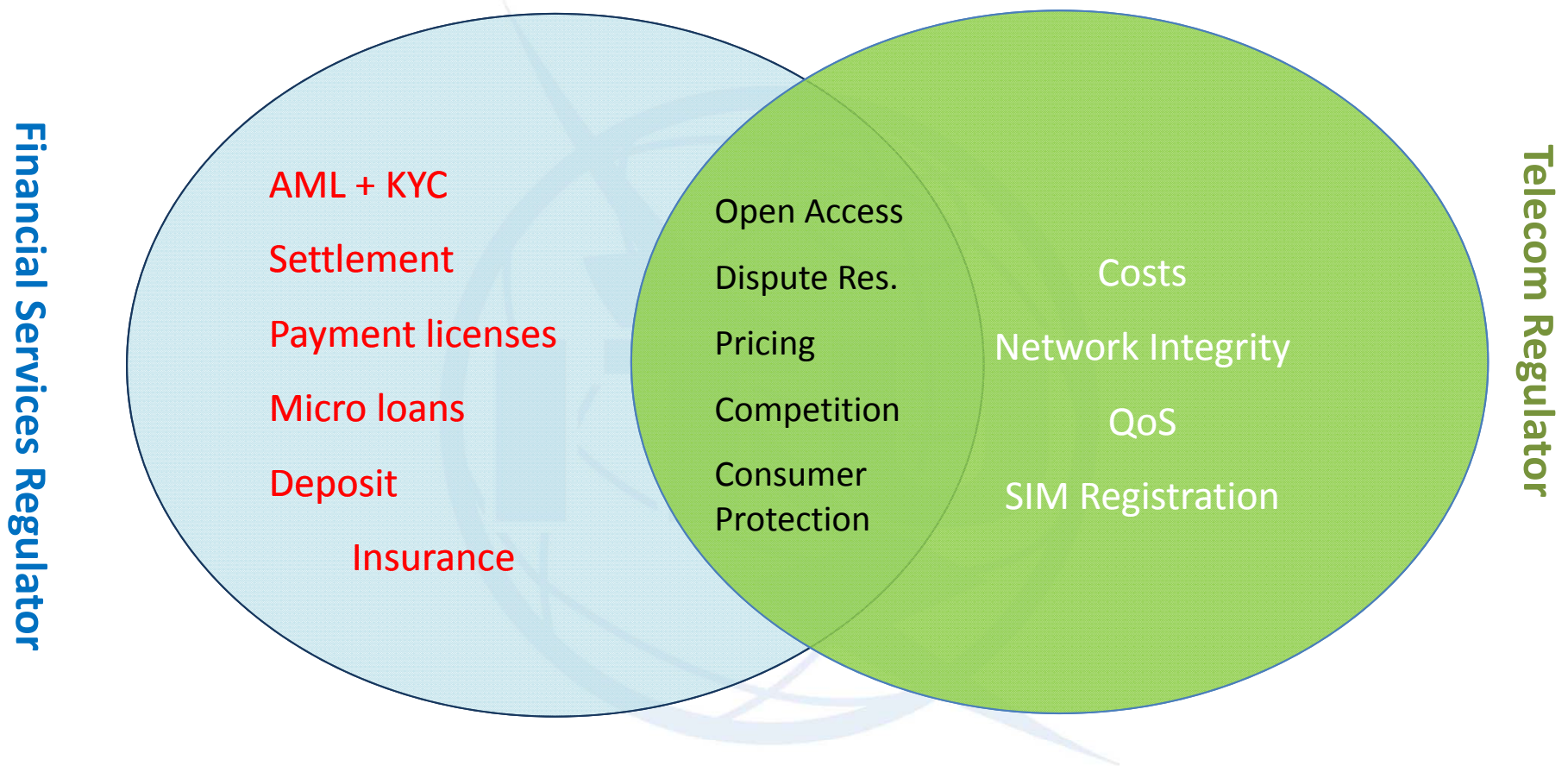
DFS Ecosystem

Interoperability

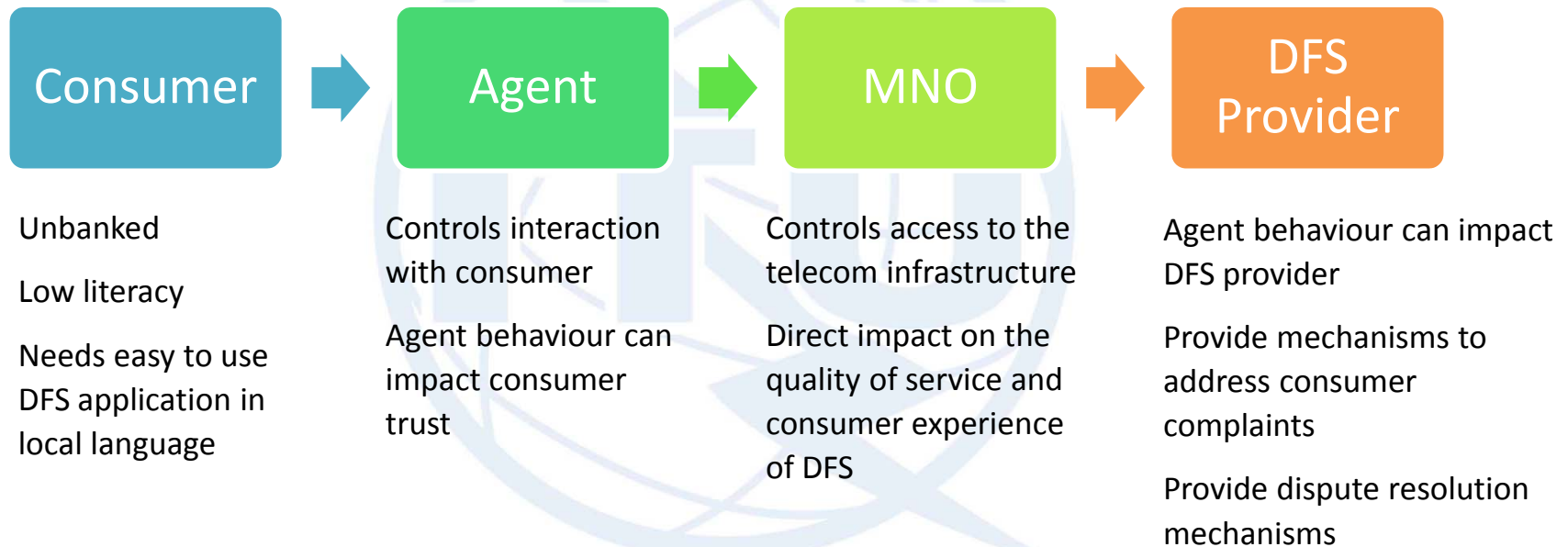
Consumer
Experience and
Protection

Technology,
Innovation and
Competition

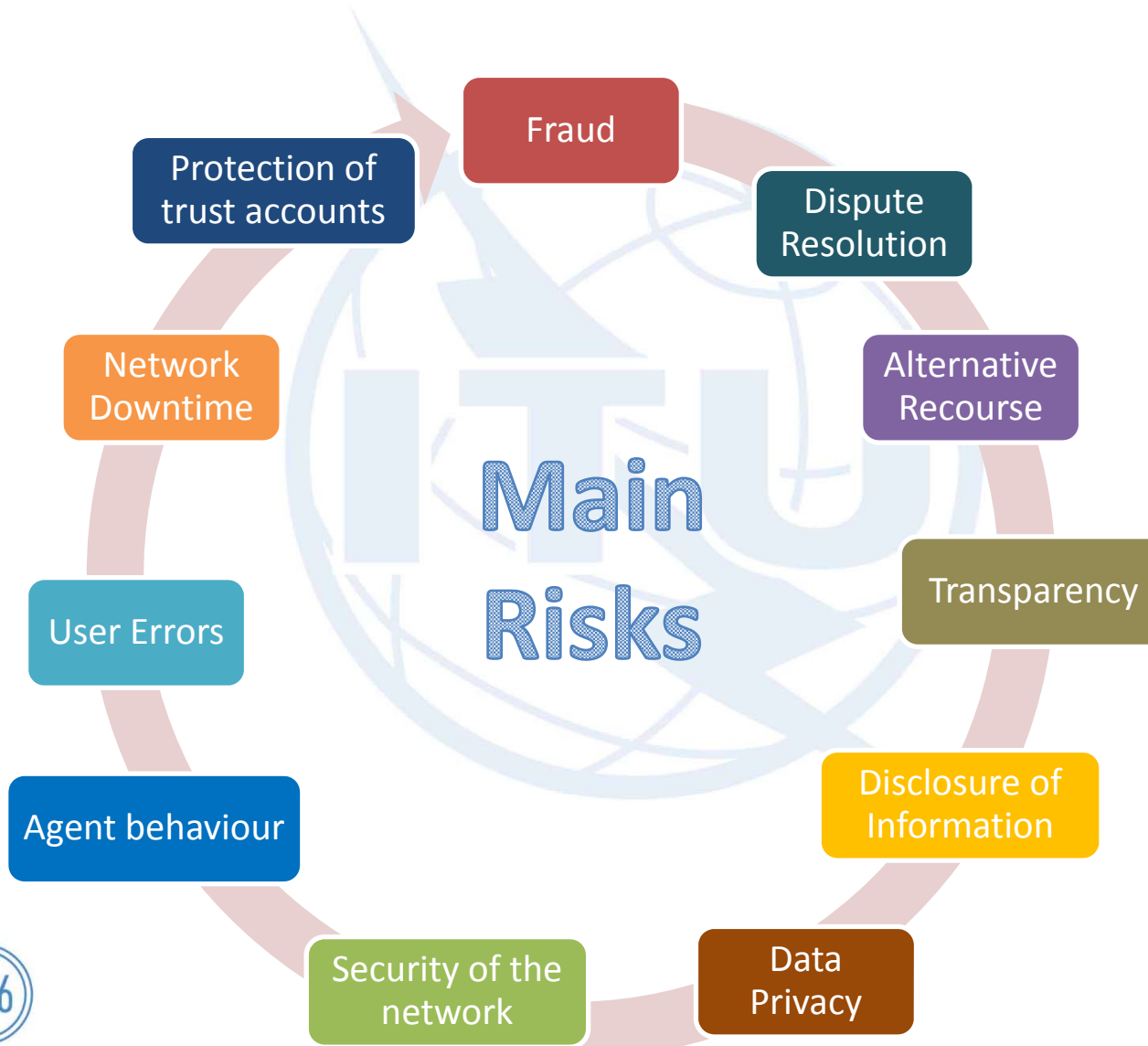
Regulatory Overlap In DFS



DFS Value Chain Players



Consumer Protection Issues



Consumer Experience and Protection WG

- Regulatory Review of Consumer Protection Framework
 - Conducted by University of Washington
 - Covered 22 developing countries
 - Analysed the regulation and mobile money guidelines
- Regulatory principles for Consumer Protection
 - Compiled from issues identified in the regulatory review +
 - Best practices from international organizations (ie. World Bank, Alliance for Financial Inclusion, CGAP, Better than Cash Alliance, GSMA...)
 - Framework for regulators to introduce DFS consumer protection guidelines/regulation



Regulatory Review of Consumer Protection

- 5 countries (Bangladesh, Egypt, Nepal, Pakistan, and South Africa) specify a bank-led DFS model.
- 16 allow mobile money operators (MMOs) that are not tied to banks.
- In all 22 countries, a financial regulator (often the central bank) is involved in DFS regulation.
- Telecommunication regulators license MNOs, oversee aspects of market competition, and manage quality of service within DFS channels.
- 14 countries have a competition authority, eight of which are also responsible for consumer protection. 8 countries have separate consumer protection authorities.
- The DFS provider is responsible for costs from consumer financial losses or other harm in the event of
 - System malfunctions: in 7 countries,
 - Fraud: in 3 countries,
 - Agent misconduct: in 16 countries,
 - Transfer failures: in 3 countries.

Regulatory Review of Consumer Protection

- 18 countries have regulations that mandate transparent communication of costs associated with DFS, and 6 have regulations mandating regulator reviews of provider Terms & Conditions.
- 18 countries have regulations mandating security policies for DFS providers to reduce the risk of loss of funds or data,
- 6 countries had regulations for accessing consumer funds or data
- 9 countries had regulation which limits sharing of consumer data with third parties
- 10 countries had regulations mandating training for agents and employees of DFS providers
- 10 countries have regulations mandating specific mechanisms for consumers to report complaints.
- In 8 countries, regulations state that complaint channels should be free, and in 13 countries regulations specify maximum response times.
- 15 countries have regulations specifying alternative dispute resolution channels in case consumers are not satisfied with provider mechanisms.

Regulatory Principles For Consumer Protection in DFS

6 Pillars

1. Redress and dispute resolution mechanisms
2. Fraud prevention
3. Data protection and privacy
4. Information disclosure and transparency
5. Protection of funds
6. Encourage Competition



THANK YOU

More info: [ITU FG DFS Website](#)



Mechanisms for redress and dispute resolution

- Complaints policy and procedures
- Policy is clearly communicated
- Multiple recourse channels available
- Alternative Dispute Resolution Process
- Timeframe for Dispute Resolution Process
- Dedicated helpline
- Coordination between telecom and financial regulators
- Oversight of recourse system
- Capacity building for employees on handling disputes



Fraud Prevention



Data Protection and Privacy

- Encryption of Data
- Access restriction to consumer data
- Minimization of data collection
- Protection of personal data
- Clear policy on data collection and sharing

Information Disclosure and Transparency

- Transparency of fees
- Terms and conditions are transparent
- Cooling off period
- Notice period for changes to T&C and fees
- Financial literacy and consumer awareness
- Consumer helpline
- Prohibit misleading advertisements, sales
- Policy on dormant accounts

Protection of funds

- 100% of e-value stored in corresponding bank
- DFS funds connected to a trust account
- Diversification requirements
- Deposit insurance schemes

Competition

- Ease of account/provider switching
- Bundling and tie-ins not allowed
- Agent exclusivity
- Promote interoperable systems which are market driven
- Supervision of competition