

**Ad Hoc Expert Meeting on Financial Consumer Protection**

**Palais des Nations, Geneva**

**27 November 2023**

**Financial Consumer Protection:  
Seeking Synergy, Managing Trade-offs**

*Presentation*

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# Financial Consumer Protection: Seeking Synergy, Managing Trade-offs

UNCTAD Consumer Protection Expert Group

Geneva, November 27 2023

# Agenda

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Unlocking Public and Private  
Finance for the Poor

1. UNCDF Policy Accelerator
2. Framing the challenge for consumer protection in the digital economy
3. Absence of clear, universal standards
4. Case Study: Digital Public Infrastructure
5. Questions to consider

# UNCDF – Policy Accelerator



**Technical Cooperation program** within UNCDF that works with LICs governments to define, design and implement policies and regulations that address the needs of millions of marginalized people in the **transition to the digital economy.**

**United Nations Capital Development Fund:**  
UN's flagship catalytic financing entity for the world's 46 Least Developed Countries (LDCs)  
*UNCDF works to invest and catalyse capital to support these countries in achieving sustainable growth and inclusiveness envisioned by 2030.*



FACILITATE THE POLICY DEVELOPMENT PROCESS: FROM DISCOVERY TO DESIGN TO IMPLEMENTATION



ENSURE GOVERNMENT FOCUS ON EXCLUDED PEOPLE IN THE TRANSITION TO THE DIGITAL ECONOMY



BUILD CAPACITY, SHARE PRACTICAL TOOLS, AND SUPPORT THE VOICES OF KEY STAKEHOLDERS, INCLUDING CUSTOMERS AND PRIVATE SECTOR

# What we do

## TECHNICAL ASSISTANCE

- **Sustained assistance**, workshops, and research for policy reforms
- Address **barriers faced by women** through regulatory enablers, such as licensing models and consumer protection.
- Provide regulators with **approaches and tools**
- Promote **gender-disaggregated data**
- Capacity building for **women** regulators and policymakers
- Raising issue of **gender parity** in dialogue with the private sector

## TARGETED ADVOCACY

- Connect 14 African countries, 4 regions, and industry partners → **global network to address local needs**
- Leverage knowledge from global partners To address regulators' **risks & limitations**
- Targeting **country-specific** financial inclusion issues
- Key influencers & decision-makers enable
- **Local level research** of specific constraints women face in the economy, to promote policy changes

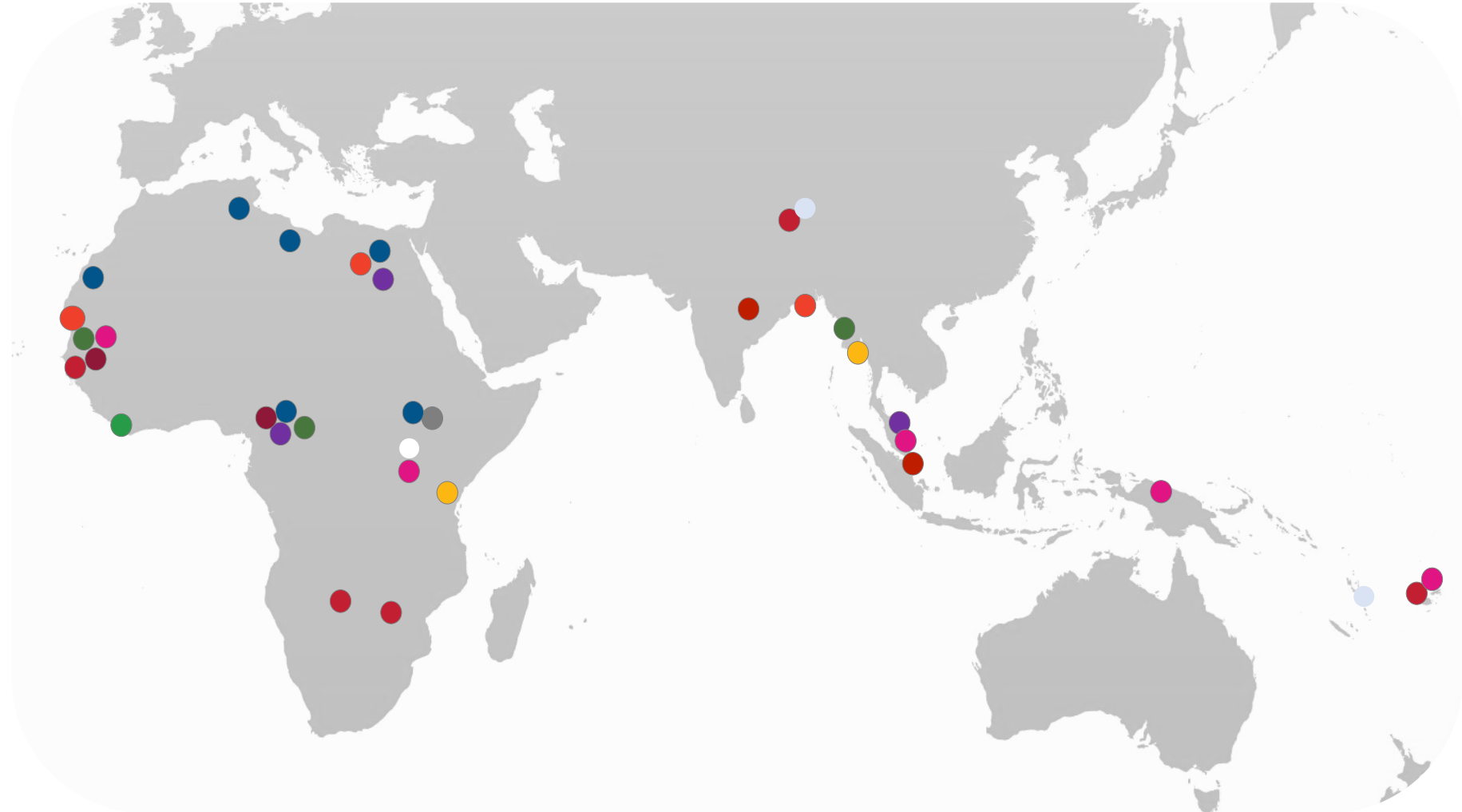
## CAPACITY BUILDING

- **Develop training resources for Francophone markets** putting them at a disadvantage compared to Anglophone markets
- **Develop knowledge tools** in French to build capacity among policymakers and regulators,
- Translation and development of, **online training modules, leadership programs, and training toolkits**
- Explore **adapting the global DFS reference guide** for civil law contexts
- Make all resources **publicly available**

# Where we work

## 30+ Ongoing Policy and Regulatory Cooperation Projects

- Interoperability of payments
- Digital Financial Services
- Digital Identity
- Data Automation (RegTech)
- Consumer Protection
- Regional Harmonization
- Remittances /FX
- Sandbox/Innovation Office
- AML/CFT
- Capacity Building
- Financial Health

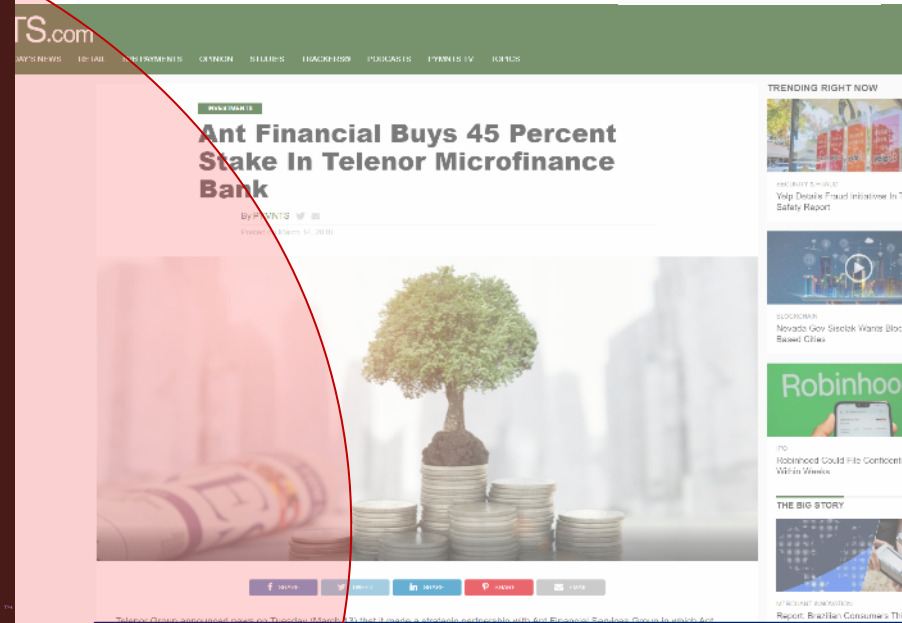
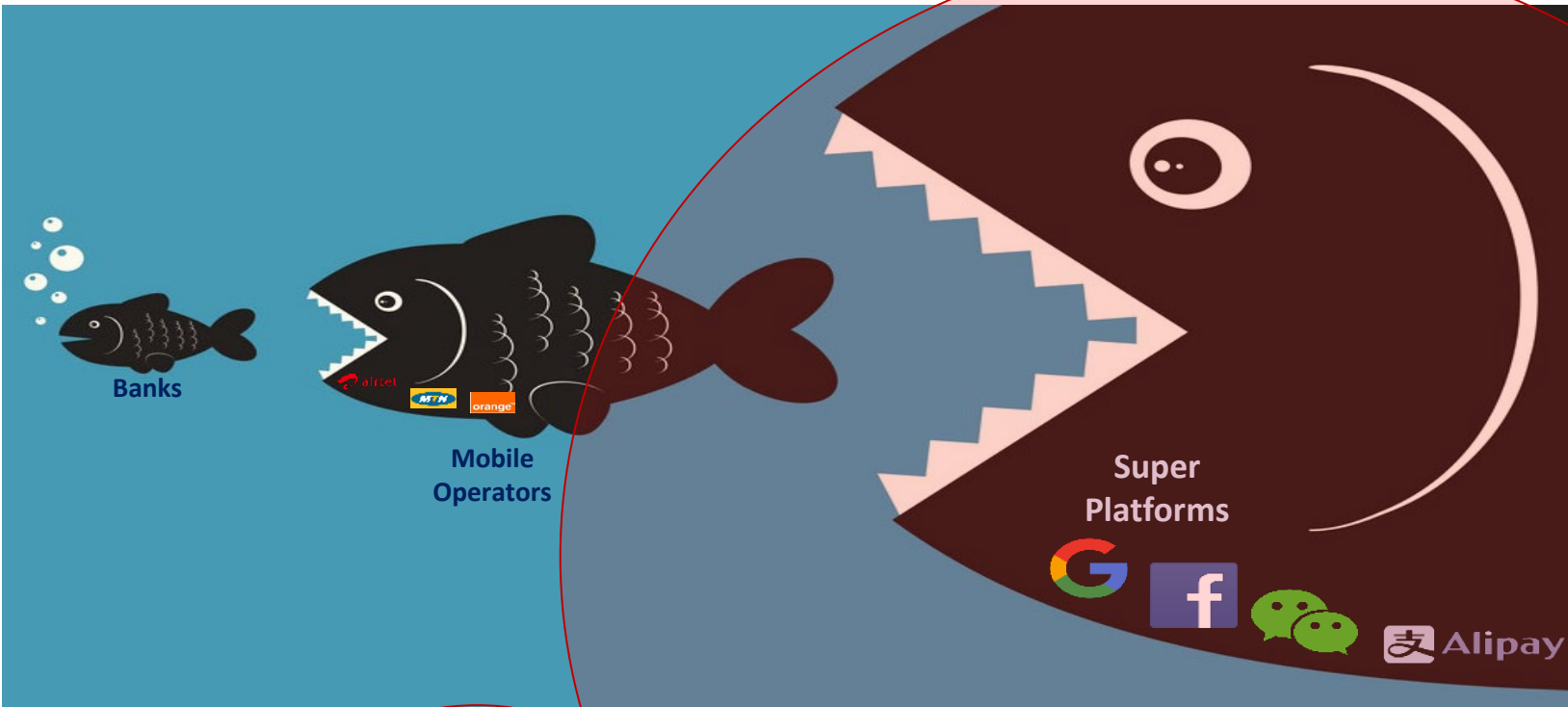


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# **Framing the challenge: Why regulating the Digital Economy is hard**

And why consumer protection matters

# FinTechs: New actors require new standards



130million  
users



42mil



950 million  
users





# Regulatory Architecture of FinTech: Overlapping domains and Need for harmonisation



Traditional 'mobile money' ecosystem

## Cybersecurity

## Channel/Data Access

## Digital ID

### Service Channel

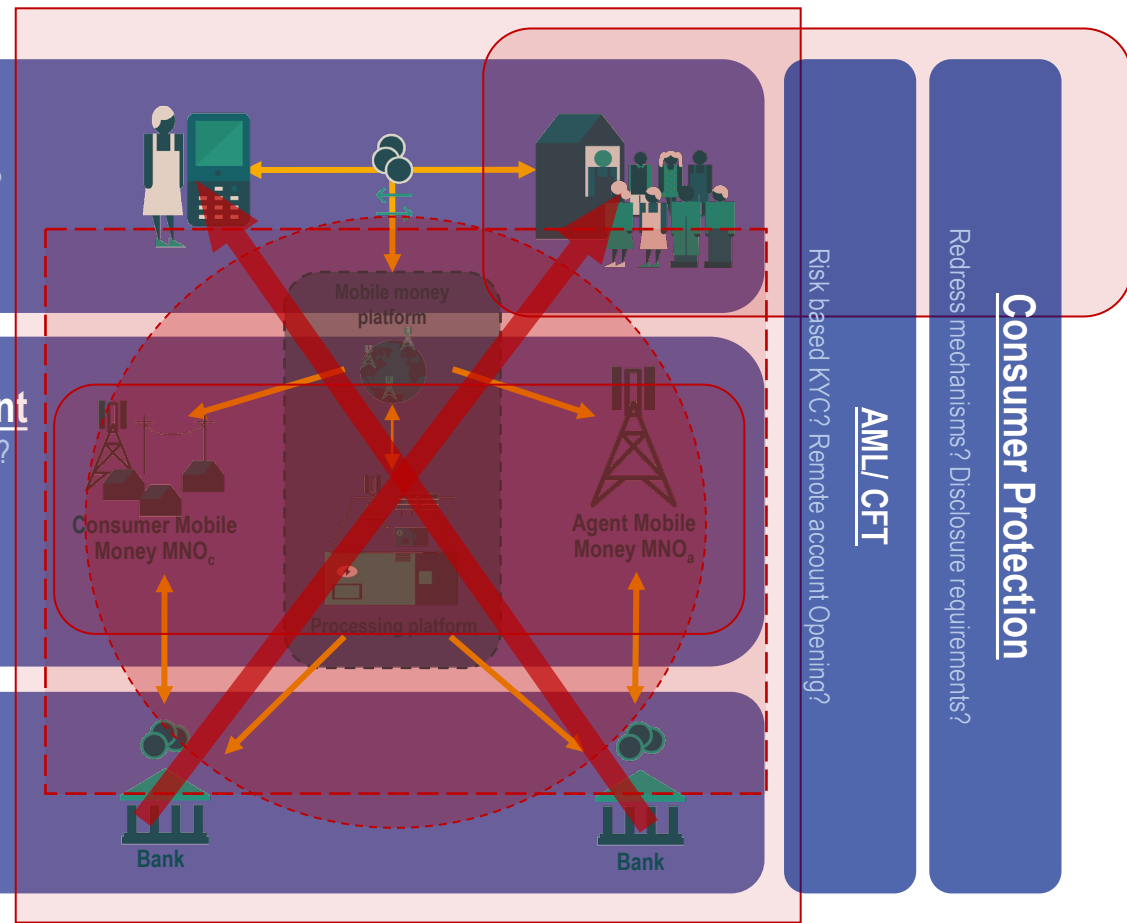
- Outsourcing rules?
- Who can be an agent?
- Who can use agents?
- What conditions?

### Payment Instrument

- Who can be an issuer?
- What conditions?
- Processing location?
- Use of mobile?
- Rules for cards?

### Store of Value

- Where are funds held?
- Which entities?
- What legal treatment?



Several trade offs will impact the enabling environment

Innovation < > Protection

Scale < > Diversity

Usage < > Quality

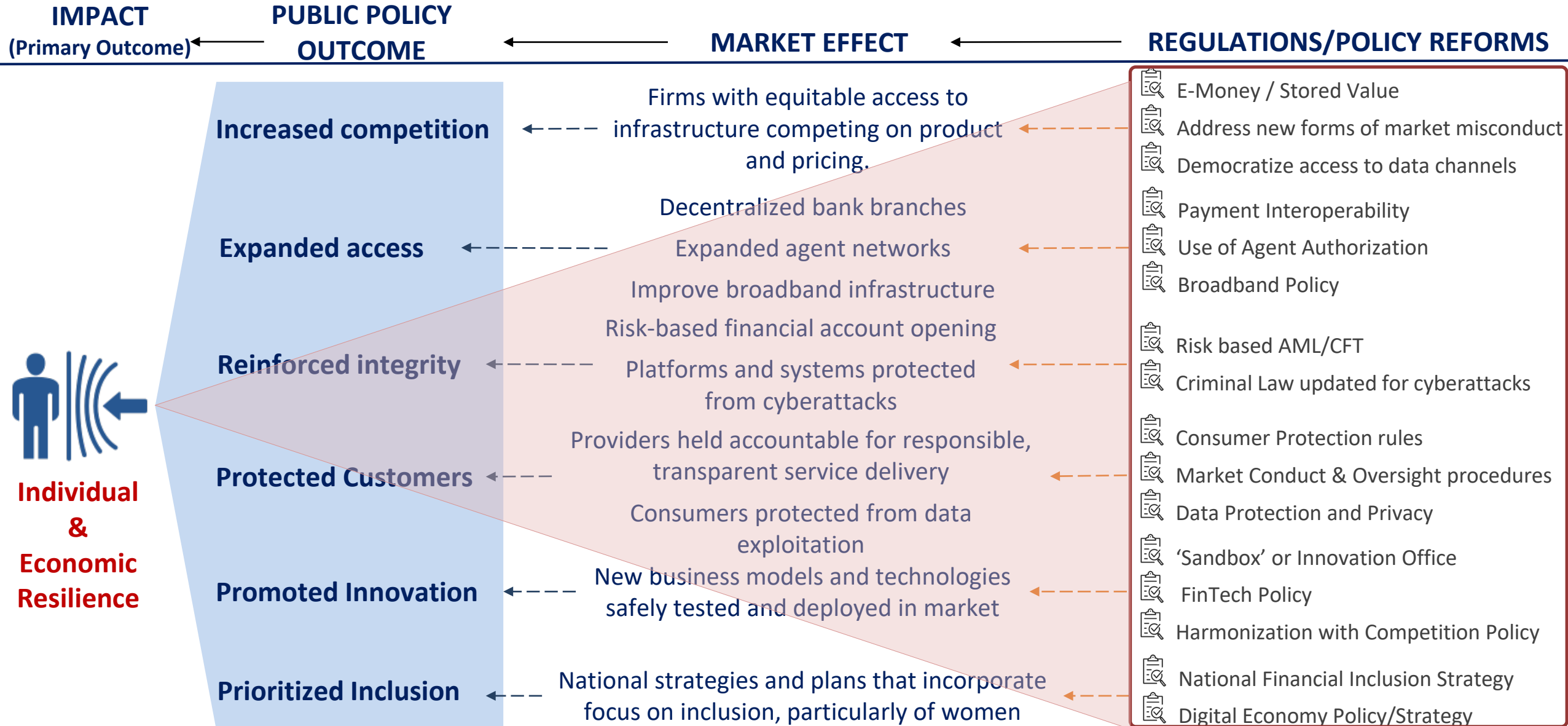


## Data Protection

## Competition

## Interoperability

# Suite of regulations required to drive impact



# FINANCIAL CONSUMER PROTECTION

*Regulators and policymakers are facing a rapidly changing digital economic landscape, while policies and regulations that protect users of DFS have not kept up with the increased risks for consumers...*



## Why is FCP relevant for reducing the gender gap?

By creating safeguards that **empower consumers** it is building trust in the formal financial system, resulting in:

- Higher quality products and services, especially for underserved groups
- More affordable and accessible DFS products
- Improved redress mechanisms for customer complaints

## How we work...

- Strengthening the collection, analysis and usage of **sex-disaggregated data** to identify current trends and address gaps
- Collecting, storing and managing **complaints** with a focus on gender to better understand main challenges **faced by female customers**
- Including **consumer voices** from policy design to implementation

PRIORITY

Making financial consumer protection a priority in the policy design process

REGULATION

Advice on rules and regulations

INCLUSION

Supporting the public and private sectors to inform policy design

MONITORING +  
SUPERVISION

Ensuring compliance and managing risks

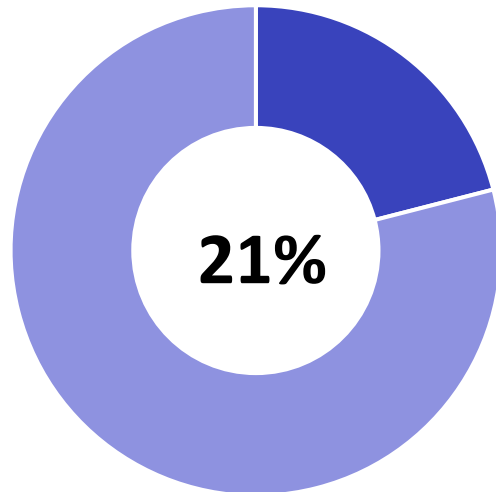
EMPOWERMENT

Capacity-building and evidence-based decision making

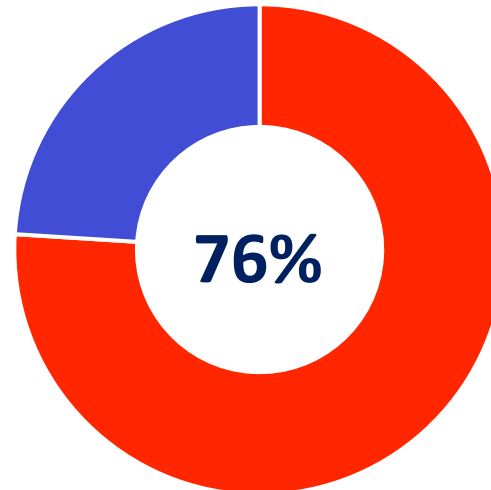
# Financial Consumer Protection is a priority

Over the past decade, the number of jurisdictions with consumer protection rules in place increased significantly

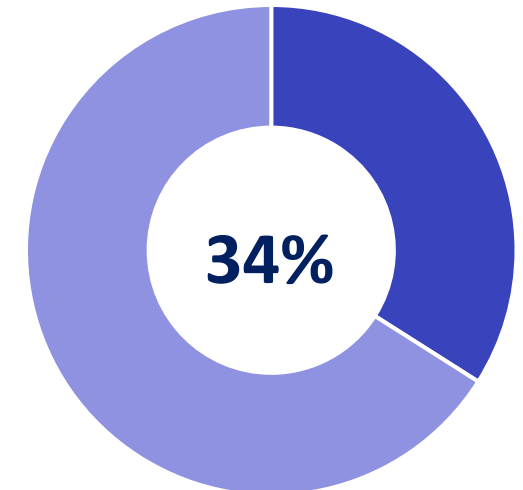
Percentage of jurisdictions with **standalone financial consumer protection laws in place**



Percentage of jurisdictions with consumer protection provisions in place **within other financial sector laws (e.g., banking law)**



Percentage of jurisdictions with general consumer protection laws in place that have **explicit references to financial services**



# Standards...Best Practice...Benchmarks

*\*We are here\**

*Financial Consumer Protection lacks universal standards,  
likely because of the rapid advance of digital services*

## BEST PRACTICE

A **best practice** describes the method that is most effective at delivering the desired outcome than other methods. Best practices specify what ought to be done without regard to whether or not it is actually done. . Generally, best practices are used as a starting point to define and develop standards.

## BENCHMARK

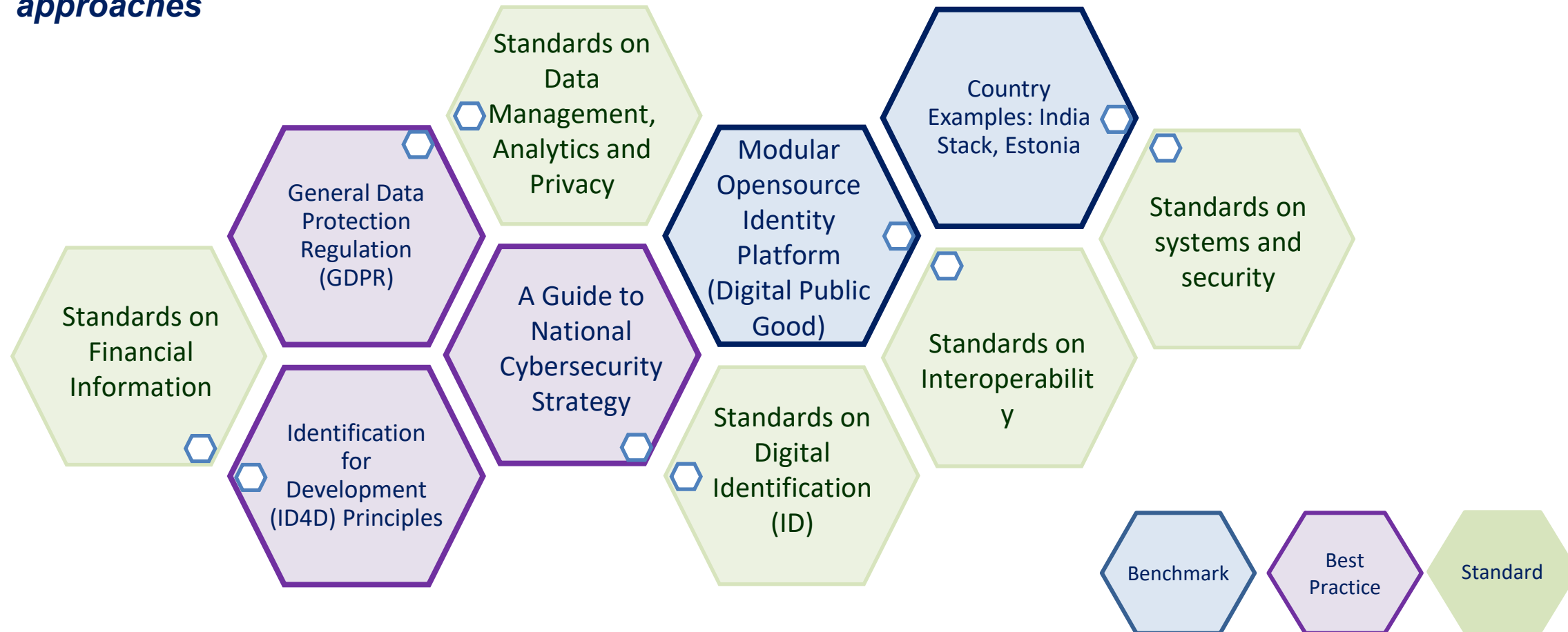
A **benchmark** is a level of quality that can be used as a standard against which to compare other things. This may be a good law, strategy or regulation or an example of how a country as implemented certain changes.

## STANDARD

A **standard** is an agreed upon set of guidelines that defines metrics for a desired outcome and identifies how tasks should be completed. Standards are written in terms that are general enough to allow for individuality and creativity, but specific enough to ensure consistency across a business. Standards are necessary when any level of risk is involved in the activity.

# A mosaic of standards, practices, and benchmarks

***Governing the Digital Economy lacks clear universal approaches***



# Case Study: Digital Public Infrastructure

Applying a consumer protection lens to the digital economy

# Case Study: Digital Public Infrastructure

## What is digital public infrastructure?

*Digital public infrastructure (DPI) refers to platforms such as identification (ID), payment and data exchange systems that help countries deliver vital services to their people.*



Digital  
Public  
Infrastructure

Digital  
identification  
systems



*Identity verification of  
parties to digital  
transactions*

Digital  
payment  
systems



*Store and transfer of  
money and other  
tokens of value  
exchange*

Digital data  
exchanges



*Store and transfer  
of information*



# Financial Inclusion and Resilience in a Digital Economy: Critical role of infrastructure

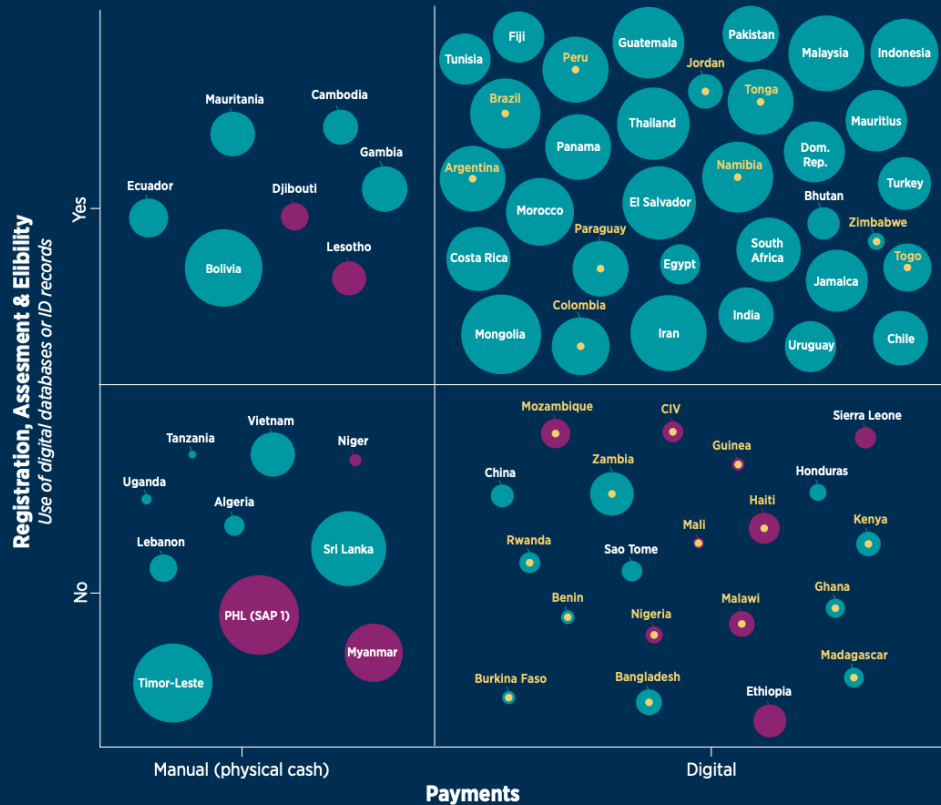


Impact Capital  
for Development

## Social Transfers during Covid-19 Pandemic

**FIGURE 2. Use of Digital Assets (Digitized Databases and ID Records) and Digital Payments in COVID-response Social Assistance Programs**

(SIZE: NUMBER OF INDIVIDUALS LIVING IN HHS COVERED BY THE PROGRAM)



**ID coverage:** ● Above 75% of adults ● Below 75% of adults | **Type of account:** ● Mobile money

## FinTech's played a key role in scaling digital infrastructure



Digital payment systems

Many large tech platforms provide payments at scale...



Digital identification systems

facilitate data exchange via API's...



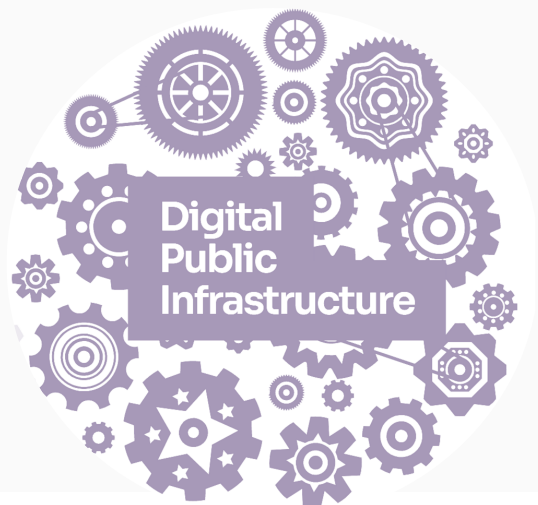
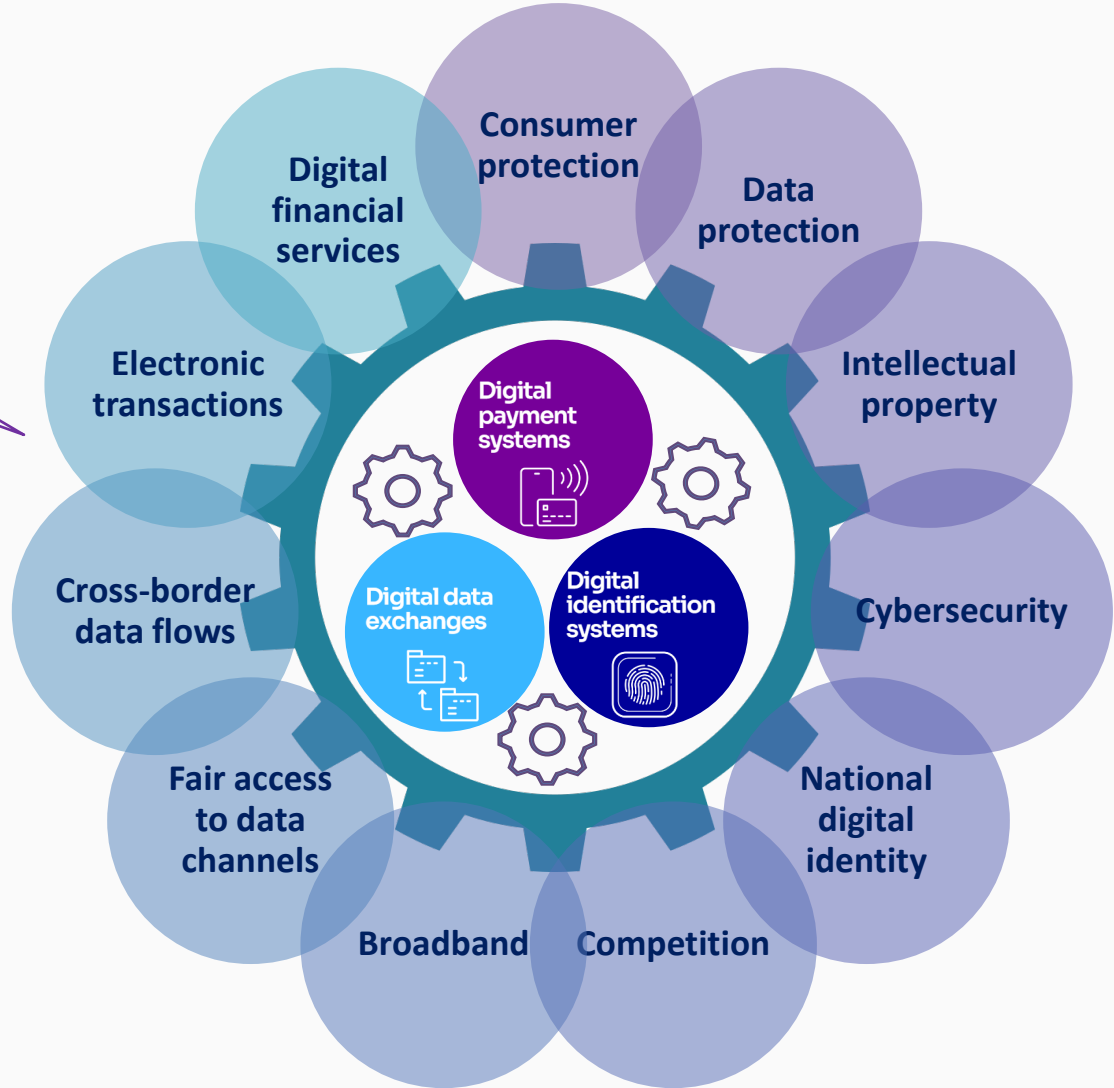
Digital data exchanges

and provide verification services that operate as digital ID



# Intersection of Policy Domains increases the need for customer safeguards and protections

*There are inherent synergies and trade-offs when considering so many intersecting domains...*

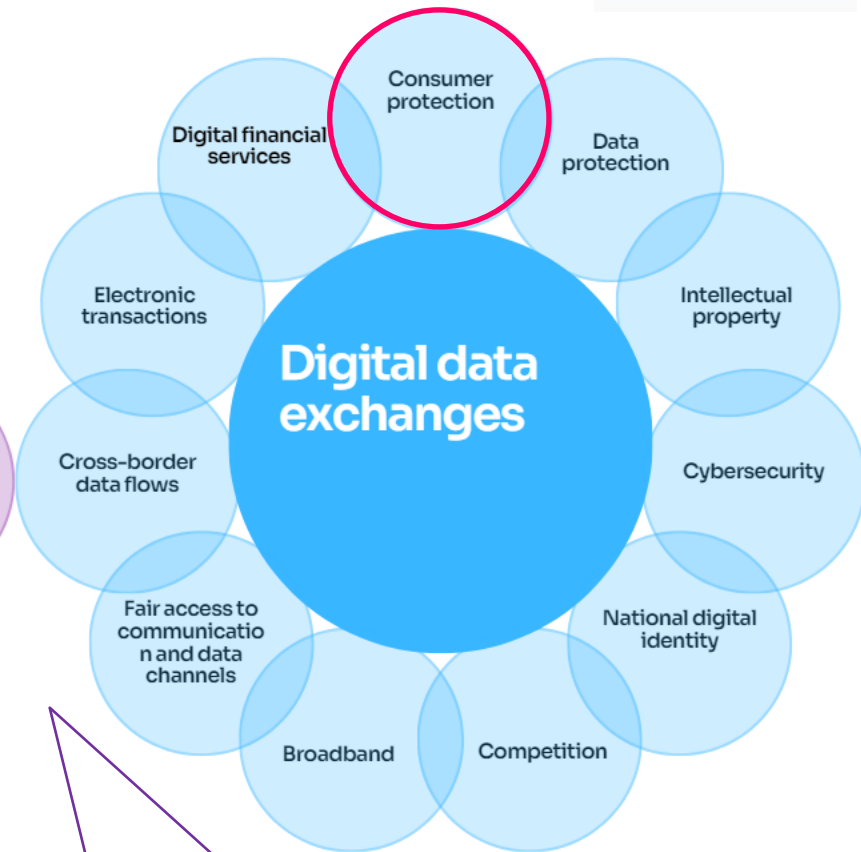
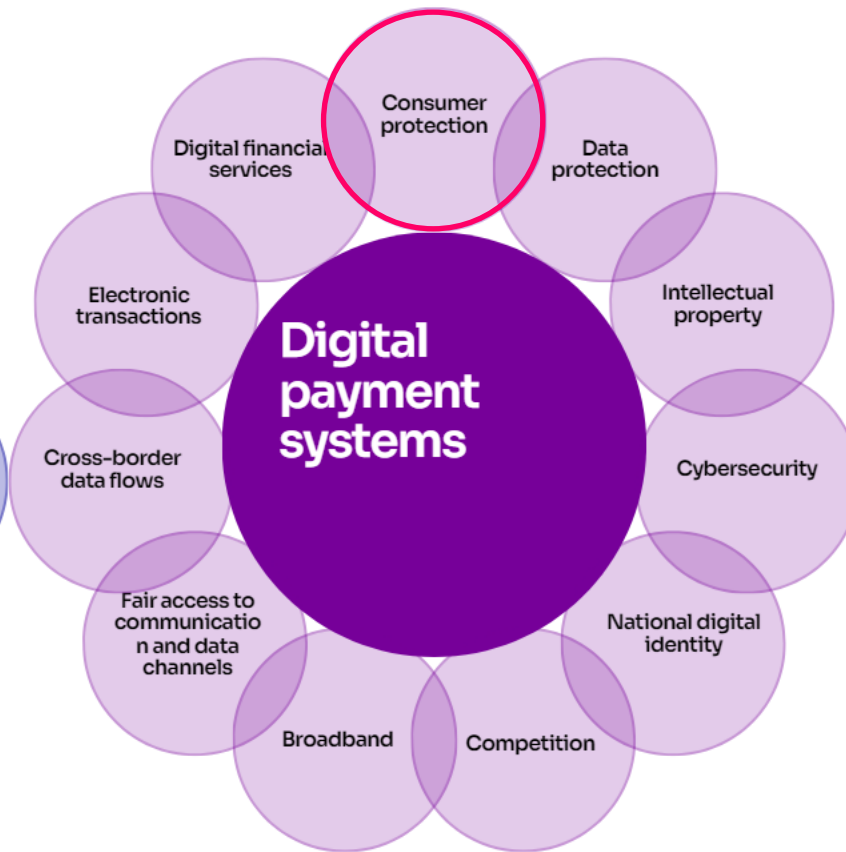
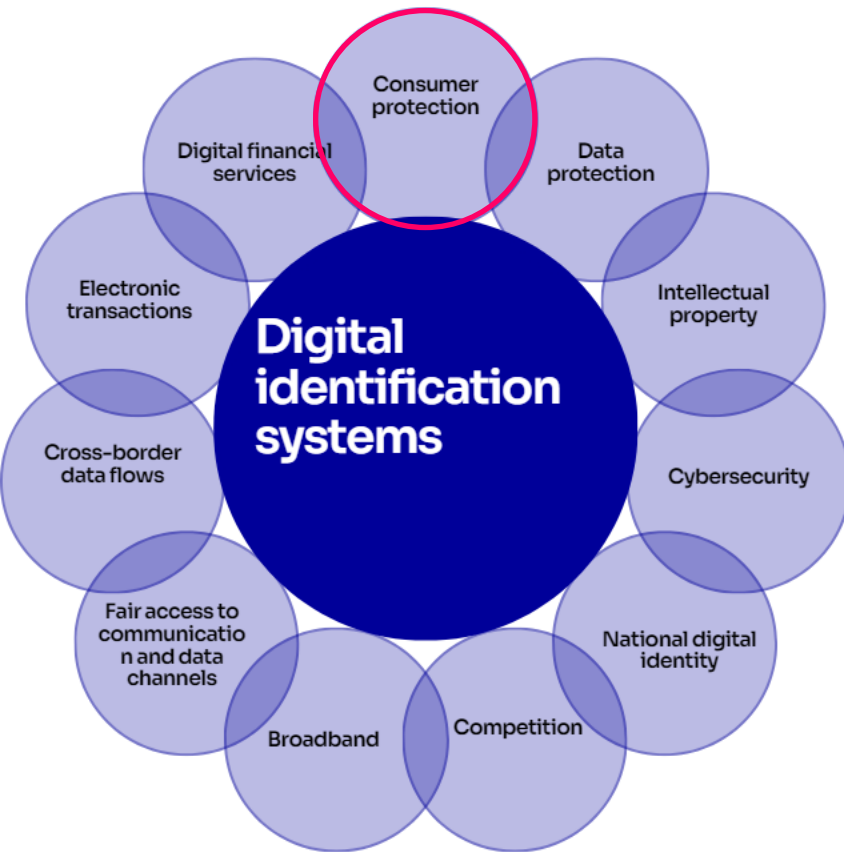


\*Not an exhaustive list

# 3 pillars, 11 policy domains...33 bilateral relationships: *Regulatory Harmonization is fundamental*



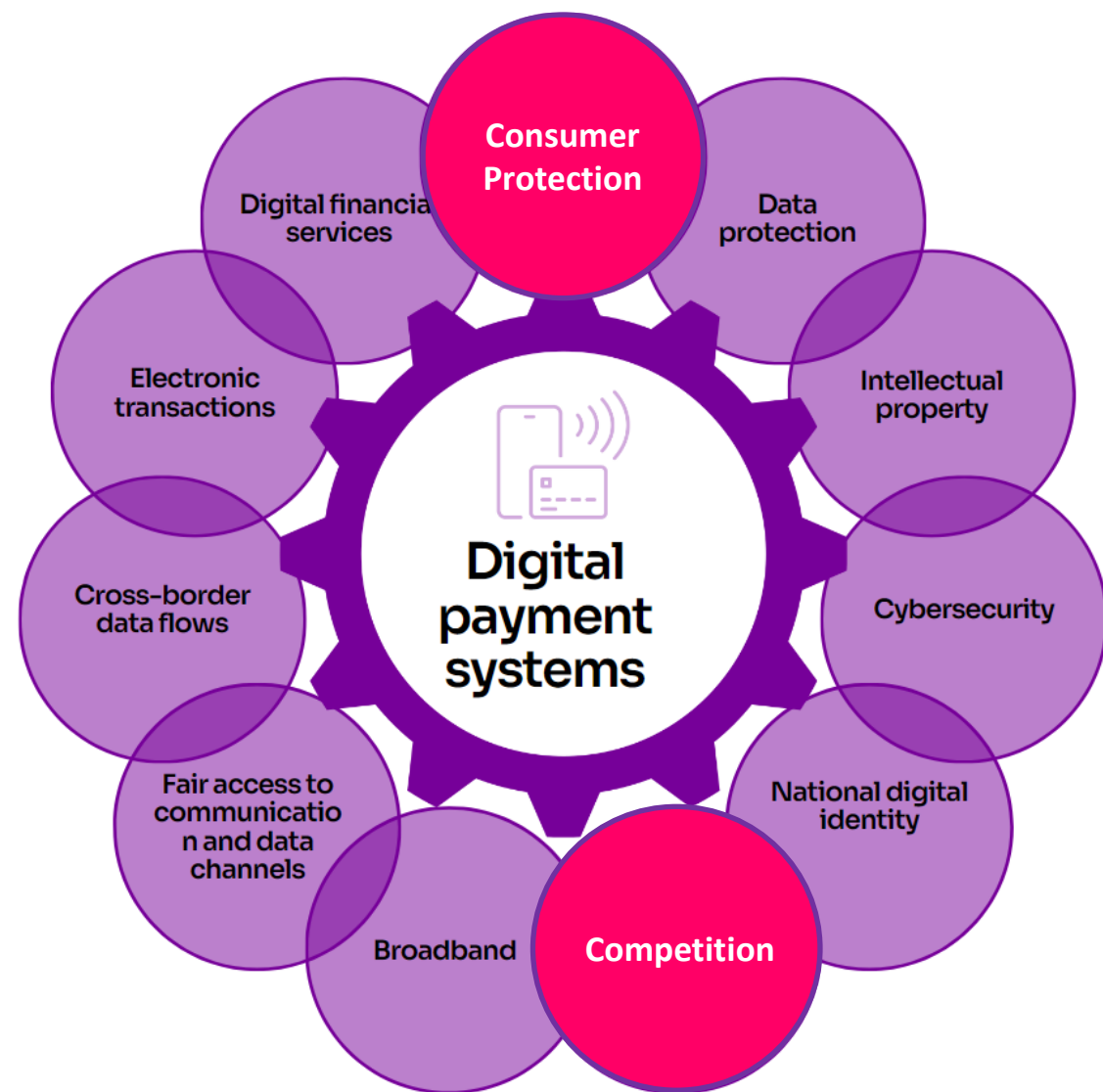
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*Informed policy choices emerge from understanding how these domains interact and influence market resilience*



# Example #1: Synergy



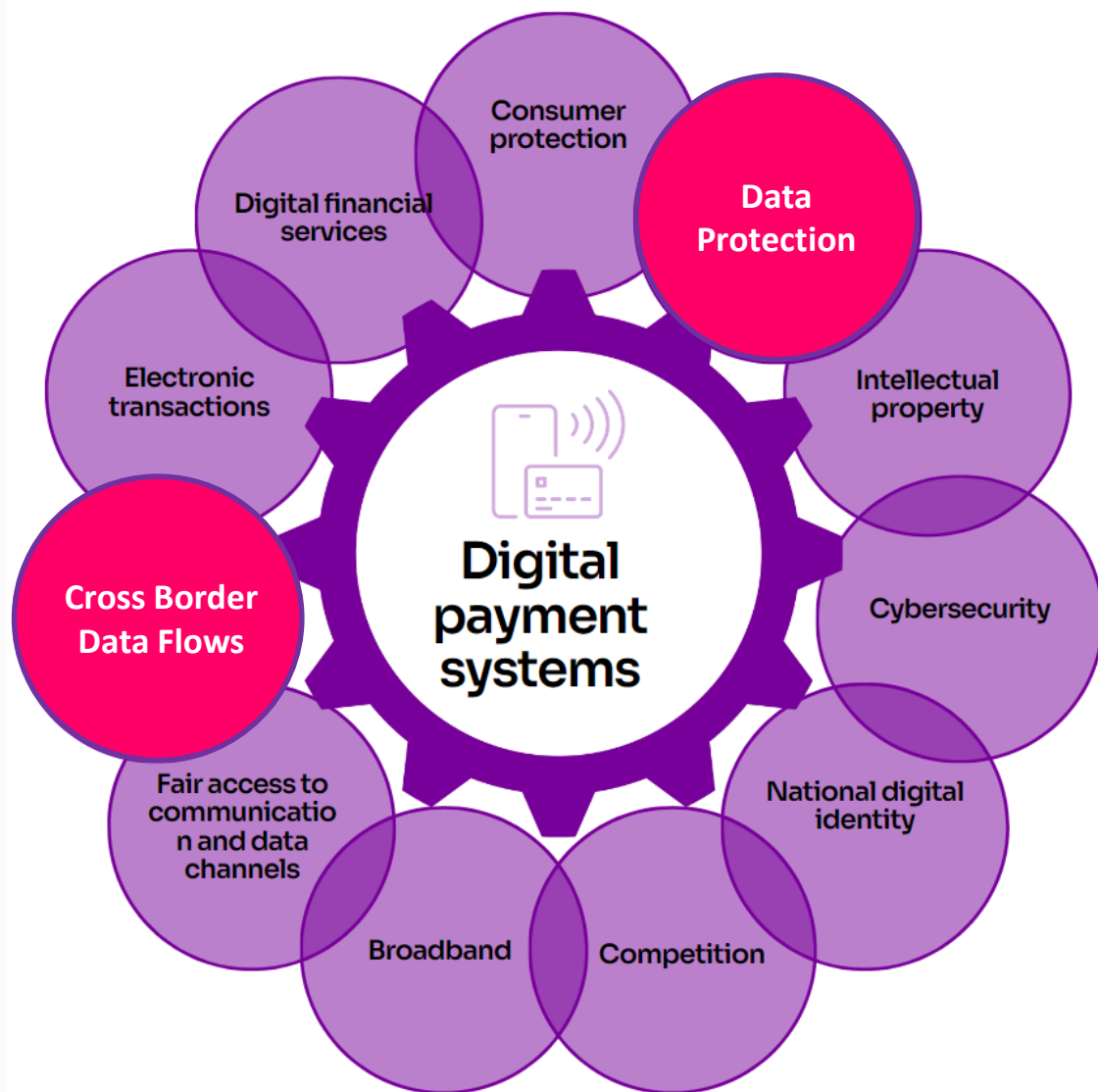
	Negative	None	Positive
Consumer Protection	Protection Enhancing; Competition Reducing	Protection without Competition Tradeoff	<b>Synergy</b>
		Ineffective Policy	Competition without Protection tradeoff
	<b>Lose Lose</b>		Competition Enhancing; Protection Reducing
			Competition

**Scenario: Harmonization of consumer protection rules across all regulated entities that interact with the payment system**

Disclosure of fees, charges and rates enable consumers to compare providers, improves innovation, and reduces prices.

Providers effectively compete on service and pricing, particularly when access to public infrastructure is easy.

# Example #2: Trade-off



	Negative	None	Positive
Data Protection	Data Protection Enhancing, CB Data Flow Reducing	Data Protection enhancing without CB Data Flow Tradeoff	Synergy
		Ineffective Policy	CB Data Flows without Data Protection Tradeoff
	Lose Lose		CB Data Flows Enhancing Data Protection Reducing

**Cross Border Data Flows**

**Scenario: Data protection rules limit locally regulated service providers from moving data outside national borders**

Reduced investment in building regional trade corridors and supply chains

Increased domestic pricing and reduced diversity of services due to lack of scale

# Clear guidance can help manage trade-offs/ identify synergy



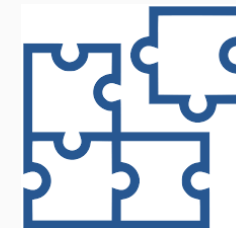
## THEME #1:

INCENTIVES FOR INVESTMENT,  
INNOVATION, & COMPETITION



## THEME #2:

FAIR TREATMENT OF  
CUSTOMERS



## THEME #3:

HARMONIZATION

Themes  
where  
guidance is  
needed...

...to unlock  
enabling  
regulations

- **Sound, clear, fair, and risk-proportionate regulations** may attract investment, foster innovation, and promote competition.

- **Eliminate digital market asymmetries** among businesses and between businesses and consumers may improve information and transaction efficiency and fairness.

- **Vague, overbroad, onerous, or overly prescriptive rules** may stifle innovation and suppress market development.

- **Unfair regulations** may discourage new entrants from entering the market discouraging investment and weaken competition amongst service providers.

...and avoid  
unintended  
consequences

- **Enforceable rights** may protect consumers from exploitation at the hands of technology providers.

- **Build consumer trust** in online systems by mitigating the risk of unfair treatment, thereby expanding access to digital services.

- **Partially or poorly implemented rules, or politically motivated rules** may encourage marginalized populations to remain digitally excluded to avoid persecution and abuse.

- **Achieve national digital transformation goals** by effectively leveraging scalability of digital infrastructure.

- **Inconsistent rules** across jurisdictions can impede investment and trade and raise costs for businesses and consumers

- **Conflicting regulations** may lead to arbitrage and negatively impact the government's strategic national and regional goals on inclusive digital transformation.

# Questions to consider



## #1: Focusing

What areas of regulatory overlap are the most relevant to your consumer protection objectives?  
Why?

Which service providers/market actors concern you the most?

## #2: Clarifying Roles

Which other government authorities have the greatest overlap with central bank efforts towards digitalization and consumer protection?

What challenges does this present?

## #3: Magic Wand

If you could manifest more guidance on global standards/best practice for regarding digital and financial consumer protection...

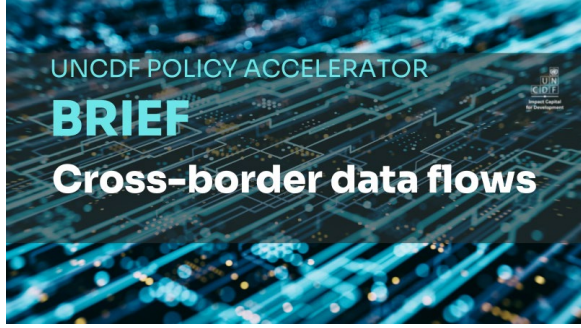
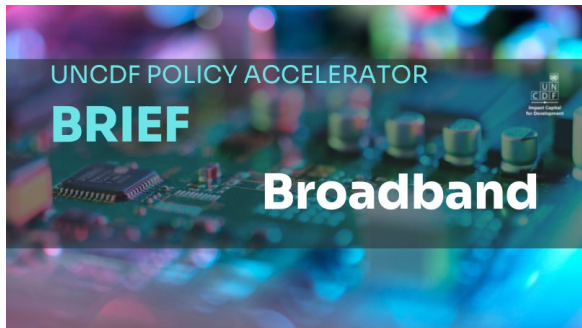
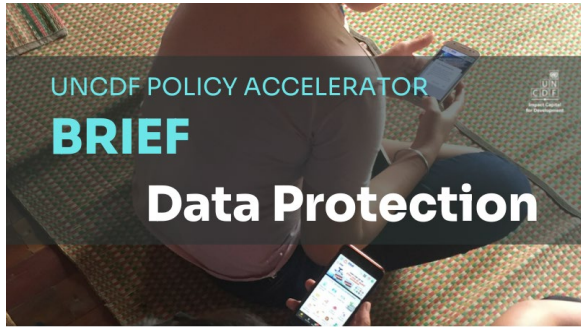
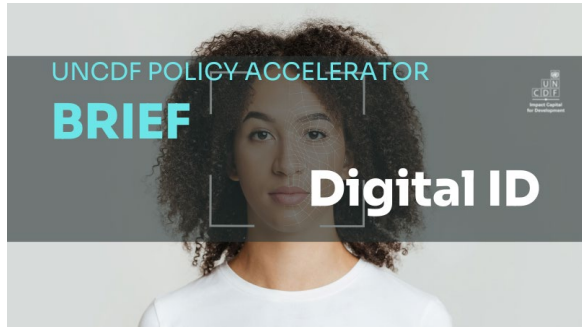
...what would you ask for?

# Where to learn more: [policyaccelerator.uncdf.org](https://policyaccelerator.uncdf.org)



Explore our range of practical policy tools and resources for policymaking.

SCAN ME  
for direct access to these resources





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# Questions

