

# **Implementing Consumer Protection in Emerging Markets and Developing Economies**

**A Technical Guide for Bank Supervisors**

Denise Dias

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CGAP

1818 H St., N.W., MSN P3-300

Washington, DC 20433 USA

1 202 473 9594

[www.cgap.org](http://www.cgap.org)

[www.microfinancegateway.org](http://www.microfinancegateway.org)

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## Executive Summary

**The global financial crisis has spurred intensified efforts, at both the international and national levels, to strengthen financial consumer protection. These initiatives aim to promote responsible finance that is compatible with financial stability.** Consumer protection and financial stability, which have traditionally been seen as only indirectly associated objectives—and at the margins even potentially conflicting—are increasingly recognized as largely complementary.<sup>1</sup> Prudential supervisors around the world share a common goal to build or restore consumer confidence in tandem with tightening prudential requirements under the new standards issued by the Basel Committee on Banking Supervision. In some emerging markets and developing economies (EMDEs)<sup>2</sup> the prudential supervisor—most often the bank supervisor—has an explicit mandate for consumer protection, but in other cases, it has assumed this role even without an explicit mandate. In many EMDEs increased attention to consumer protection has become a priority as part of the financial inclusion agenda; it may also have emerged in response to pressure from politicians, the media, or consumer associations.

**New international guidance is emerging, new regulations are being issued, and national authorities are being created or reformed to deal with financial consumer protection.** Such transformations are under way in advanced economies as well as in EMDEs. In a large number of EMDEs, the bank supervisory authority (hereafter referred to as the “bank supervisor,” although the scope of this entity may extend to nonbank financial institutions and other-than-banking financial services such as insurance or retail payments) plays a key role in consumer protection. International policy guidance to date has paid inadequate attention to the specific challenges and opportunities faced by these prudential authorities when they take on consumer protection supervision. Many are embracing for the first time a dual mandate of promoting stability and fostering financial inclusion.

**At the same time, particularly in low-income EMDEs, human and financial capacity, legal frameworks, and judicial as well as alternative dispute resolution systems are much more constraining than in advanced economies.**<sup>3</sup> This results in a less conducive context for financial supervision generally, as well as special challenges in optimizing the use of resources and improving supervisory efficacy when consumer protection is added alongside bank supervisors’ prudential responsibilities.

**This publication offers guidance for bank supervisors undertaking consumer protection supervision in EMDEs.** These supervisors typically play significant roles in consumer protection in EMDEs (and are in a position to do so even where they are not currently). Though the scope of their mandate varies widely from country to country, bank supervisors also tend to cover the largest range of players and products in retail markets relevant for financial inclusion, including deposits and credit; some also cover payments and nonbank providers with a prominent role in financial inclusion, such as financial cooperatives and microfinance providers.<sup>4</sup>

**This Guide is not a summary of best practices and does not attempt to modify existing international standards for banking supervision.** Rather, it highlights key areas of opportunity for bank supervisors to improve consumer protection by leveraging their existing supervisory procedures and resources, statutory mandates, power, and policy goals, such as financial inclusion and stability. While building on previous research on consumer protection

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<sup>1</sup> See [CGAP \(2011\)](#), [OECD \(2011\)](#), and [Duke \(2009\)](#). The Financial Stability Board ([FSB 2011](#)), for instance, notes that “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.”

<sup>2</sup> According to the IMF’s World Economic Outlook, 120 economies are classified as EMDEs. This includes 10 members of the G-20, as well as 51 “low-income countries.” Source: [Financial Stability Issues in Emerging Market and Developing Economies. Report to the G-20 Finance Ministers and Central Bank Governors. Prepared by a Task Force of the Financial Stability Board and staff of the International Monetary Fund and the World Bank.](#)

<sup>3</sup> In this document, the term “low-income countries” is used as a proxy for EMDEs with relatively severe supervisory resource and capacity constraints; these jurisdictions also often face other hurdles such as deficient legal frameworks and relatively ineffective courts systems.

<sup>4</sup> Inevitably, few bank supervisors in EMDEs or other jurisdictions cover the entirety of the financial sector. In fact, in many jurisdictions, a large number of financial service providers may operate outside the purview of any financial supervisory authority. This Technical Guide does not make specific recommendations for this issue of coverage, as solutions will vary considerably from country to country.

regulation,<sup>5</sup> the Guide focuses solely on supervision. The guidance synthesizes and uses illustrations from research of supervisory practice in 44 countries.<sup>6</sup>

**A consumer protection<sup>7</sup> supervisory regime involves several elements, which are addressed sequentially in this Guide:** (1) institutional arrangements and coordination; (2) supervisory approach; (3) supervisory planning; (4) internal organization; (5) supervisory tools and techniques; (6) standard supervisory procedures; (7) types, sources, and quality of information; and (8) feedback from supervision into regulation. Although the Guide covers each of these elements of a supervisory regime, it does not address in-depth issues that are outside the sole responsibility of the bank supervisor, such as legal mandates, the regulation itself, or the broader institutional arrangements for supervision in the jurisdiction.<sup>8</sup>

The guidance for each section is summarized at the end of this Executive Summary. The Guide concludes with advice that may be especially relevant for supervisors in low-income countries, concerning how the key elements of financial consumer protection supervision might be sequenced and phased in over time in jurisdictions where bank supervisors' human or financial capacity is constrained. The Guide's resource materials include country examples ([Annex 1](#) lists the countries researched for this publication, and [Annex 2](#) describes the government authorities involved in consumer protection in selected countries) as well as links to documents relevant to each role and stage of the supervision process (see "[Reference Materials from Multiple Jurisdictions](#)").

**At the operational level, a supervisory regime is implemented through a mix of (i) core supervisory work, (ii) complementary activities, and (iii) other activities.** Core supervisory work is the use of supervisory tools (i.e., market monitoring, onsite and offsite examinations, and enforcement actions) and techniques to implement such tools. Complementary activities are those that, to varying degrees, directly or indirectly, support or inform the supervisory work (e.g., handling complaints, resolving queries, and providing information to the general public or government agencies). Other activities are those not directly related to the supervisory outcome (e.g., consumer education).<sup>9</sup> A key assumption underlying this Guide is that bank supervisors are more efficient when they focus their efforts on the first of these activities: core supervisory work.

**Most supervisors in EMDEs, even those in low-income countries, have workable options available to them to improve consumer protection supervision.** Most bank supervisors can build from familiar concepts and well-established principles and procedures employed in prudential supervision to improve their effectiveness on consumer protection. In many cases, more effective supervision can be achieved even in the absence of explicit legal authority for consumer protection and specific consumer protection regulation. That is, supervisors can start deploying existing capacity and capitalizing on their demonstrated power, clout, and expertise to yield better market practices toward consumers. The adoption by bank supervisors of good practices with respect to consumer protection such as systematic planning and standard guidance for supervisory staff will help ensure consistency and effectiveness of the supervisory process.

**Some supervisors will face practical challenges, however, in implementing the full range of guidance and practice described in this Guide.** In the face of competing priorities, severe capacity constraints, and limitations in the overall institutional environment for financial-sector supervision, bank supervisors sometimes focus on complementary activities such as complaints handling rather than core supervisory work such as offsite and onsite

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<sup>5</sup> See [Brix and McKee \(2010\)](#), [Dias and McKee \(2010\)](#), [Chien \(2012\)](#), and [Collins et al. \(2011\)](#). See also [World Bank \(2012\)](#).

<sup>6</sup> Experts and regulators from 22 of the 44 researched countries were interviewed, while the other countries were subject to desk research only. See [list of researched countries in Annex 1](#).

<sup>7</sup> While some authors and national financial authorities differentiate between "consumer protection" and "market conduct," this paper uses the former exclusively.

<sup>8</sup> In particular, it does not seek to identify a single optimal institutional arrangement for financial consumer protection supervision. Analyzing the pros and cons of different arrangements is beyond of the scope of this paper.

<sup>9</sup> Many bank supervisors consider consumer education to be necessary to achieve supervisory goals and engage in education-related activities. The mandate for financial education may be grounded on the belief, for example, that providing education supports responsible finance and hence greater stability in the long term. The Guide makes only passing reference to consumer education programs, their effectiveness, and their impact on supervisory efforts (in the discussion "other activity").

examination. **A gradual approach to implementation that includes sequencing and prioritization based on actual risks and supervision opportunities in the marketplace is likely to help bank supervisors** facing such challenges.

**Bank supervisors in EMDEs should avoid transplanting regulations, institutional frameworks, or supervisory practices from other countries without appropriate adaptation and prioritization, including consideration of the specific risks and market context for their supervision role.** Importing practices wholesale may result in poor oversight and low levels of regulatory compliance, and put the supervisor's reputation and credibility at risk. Consumer protection is a relatively new area of financial sector supervision, particularly outside advanced economies. New lessons are emerging, however, from the growing experience in EMDEs that can prove useful to their peers.

### ***Summary of guidance for bank supervisors on consumer protection supervision in EMDEs***

#### **Guidance 1. Institutional Arrangements and Coordination ([Section 2.1](#))**

The bank supervisor should leverage its position in the existing institutional landscape to advance financial consumer protection. This includes applying its broad mandate, powers, and credibility to take measures that will improve supervisory outcomes with respect to consumer protection. The goals of consumer protection supervision need to be clearly articulated in the bank supervisor's public communication and ideally also in its official mandate. It should also establish functional coordination and collaboration mechanisms with government and nongovernment authorities that are relevant for financial consumer protection and support their efforts to improve market practices in nonregulated sectors.

#### **Guidance 2. Supervisory Approach ([Section 2.2](#))**

Bank supervisors should take advantage of opportunities to add consumer protection topics to existing oversight practices. In doing this, they should focus on their core supervisory work (rather than complementary activities) through a strategically chosen mix of tools and techniques. They should also move toward a risk-based approach to more accurately identify priority areas and optimize the use of resources, and they should regularly account for their consumer protection activities.

#### **Guidance 3. Supervisory Planning ([Section 2.3](#))**

Bank supervisors should use comprehensive and systematic planning as the basis for consumer protection supervision. They should develop a detailed consumer protection supervisory program for each cycle/year, based on assessment of relevant consumer risks in relation to available supervisory resources.

#### **Guidance 4. Internal Organization ([Section 2.4](#))**

While the overall framework for consumer protection will vary widely from country to country, bank supervisors should be able to develop an approach to internal organization that fits their immediate situation. Adjustments in approach may be needed if it turns out to be suboptimal or the surrounding situation changes (such through regulatory reform). Regardless of the bank supervisor's overall organizational structure, they should work toward having a team with expertise in consumer protection and ensure effective cooperation and information flow between prudential and consumer protection supervisors.

**Guidance 5. Supervisory Tools and Techniques ([Section 2.5](#))**

Bank supervisors should use a range of tools for consumer protection supervision. While the supervisory techniques typical of prudential supervision are largely applicable to consumer protection, they are likely to need some adaptation for consumer protection supervision goals and regulations, while other tools (especially those focused on monitoring the treatment of consumers) will need to be developed. The criteria used to set consumer protection supervisory priorities are also likely to differ from those that apply to prudential supervision.

**Guidance 6. Standard Supervisory Procedures ([Section 2.6](#))**

Bank supervisors should have well-designed supervision manuals establishing standard procedures for consumer protection supervision, to increase the consistency and quality of the supervisory review.

**Guidance 7. Types, Sources, and Quality of information ([Section 2.7](#))**

Bank supervisors should use a variety of sources to collect information for supervisory purposes, and make systematic efforts to improve the range, accuracy, and reliability of information over time. At a minimum, the supervisor should collect complaints statistics information regularly, by establishing a standard reporting format for the financial service providers it supervises, and seek market feedback from other information sources.

**Guidance 8. Feedback into Regulation ([Section 2.8](#))**

The experience and knowledge gained through the consumer protection supervisory review should feed back into the regulatory process, through proposals for improvements in the consumer protection regulation, as well as into the broader regulatory framework for consumer protection supervision. Similarly, it should inform programs designed to strengthen financial capability of the consumers.

## 1 Introduction

**Financial consumer protection regulation reflects the regulator’s and policy makers’ concerns with the relationship between financial institutions and their clients.** Such concerns might be based on existing problems arising from market practices or the desire to avoid future problems. To illustrate, Figure 1 summarizes the concerns expressed by Bank Negara Malaysia (the central bank) and reflected in its approach to consumer protection supervision.

**Figure 1. Consumer protection concerns, as articulated by Bank Negara Malaysia**



**Source:** Presentation of Koid Swee Lian from Bank Negara Malaysia, during the CGAP/SEACEN Microfinance Regulation and Supervision Training Course in Sri Lanka, October 2010.

**Most emerging markets and developing economies (EMDEs) researched for this Guide have regulated at least one financial consumer protection topic.** Disclosure, particularly in retail credit markets, is one of the policy concerns most often translated into regulations. Nearly all EMDEs have disclosure rules, ranging from a couple of lines in the regulation to comprehensive and detailed disclosure standards. In some countries, consumer protection regulation extends far beyond disclosure rules, to cover, for instance, complaints handling and reporting by financial institutions, participation in ombudsman schemes, sales and marketing practices, contractual clauses, prohibition of unfair or abusive treatment, education and training standards for the sales force, collection practices, underwriting standards, and so on.

**Each detail in the regulatory requirements impacts how the supervisor enforces them in practice and which tools and techniques will work best.** For example, a rule simply requiring disclosure of an item will be checked by the field supervisor differently than a rule requiring the item to be disclosed at a specific moment and in a specified format. Ignoring the time dimension of this rule could jeopardize its core goal. In addition to greater detail in regulatory standards when compared to prudential regulation in some instances, consumer protection regulation uses words such as “misleading,” “abusive,” “coercive,” “burdensome,” “discriminating,” “plain language,” “clear,” and “fair.” These and other such words and the fact that consumer protection needs to take

into account the individual consumers and their individual circumstances may require greater use of judgment by field supervisors, adding an extra layer of complexity.

This Guide is an attempt to help bank supervisors<sup>10</sup> enforce such regulations. It is divided into two major sections: [Section 2](#) details guidance points in eight areas of interest for supervisory staff and agencies, while [Section 3](#) suggests a prioritization framework for supervisors—particularly those in low-income countries with resource and capacity constraints—that adopt a gradual approach when implementing the guidance.

Reference material is found in [the section “Reference Material from Multiple Jurisdictions.”](#) This material is collected mostly from advanced economies and sometimes from insurance supervisors.<sup>11</sup> It is absolutely essential to adapt such reference documents to accommodate each country context. **No material should be transplanted wholesale, or be regarded as supervisory guidance or best practice.**

## 2 Guidance on Effective Consumer Protection Supervision in EMDEs

### 2.1 Guidance 1: Institutional Arrangements and Coordination

The bank supervisor should leverage its position in the existing institutional landscape to advance financial consumer protection. This includes applying its broad mandate, powers, and credibility to take measures that will improve supervisory outcomes with respect to consumer protection. The goals of consumer protection supervision need to be clearly articulated in the bank supervisor’s public communication and ideally also in its official mandate. It should also establish functional coordination and collaboration mechanisms with government and nongovernment authorities that are relevant for financial consumer protection, as well as for supporting their efforts to improve market practices in nonregulated sectors.

Institutional arrangements, which determine the scope of bank supervisors, vary widely across countries. Figure 2 offers a stylized view of how the bank supervisor’s scope may vary, in terms of the businesses (i.e., sectors or types of institutions) and statutory objectives covered. The large majority of the countries in the research supporting this Guide falls between the two extremes of the spectrum.<sup>12</sup> All would benefit from additional work within the existing institutional arrangements (changes in such arrangements are difficult to implement for several reasons). While some advanced and emerging economies are implementing or have recently created variations of the “twin peaks model” in which consumer protection and prudential supervision are done by separate bodies,<sup>13</sup> the semi-integrated model is much more common in EMDEs.<sup>14</sup> There is no evidence that a particular model will be equally effective across all EMDEs, and therefore no model should be transplanted wholesale from one country to

<sup>10</sup> As noted, in a large number of EMDEs, the financial supervisory authority (referred to throughout this Guide as the “bank supervisor,” although the scope of this entity may extend to nonbank financial institutions and other-than-banking financial services, such as insurance or retail payments) plays a key role in financial consumer protection.

<sup>11</sup> Experience from capital market supervision might also be relevant, e.g., materials pertaining to assessing the suitability of products for individual consumers or consumer segment, but was not included in this Guide.

<sup>12</sup> Choosing a place along the spectrum, that is, the level of institutional integration for financial supervision, has re-emerged as a hot topic after the global financial crisis. For a full (precrisis, but still highly relevant) discussion on institutional set up for financial supervision, see [Carmichael et al. \(2004\)](#).

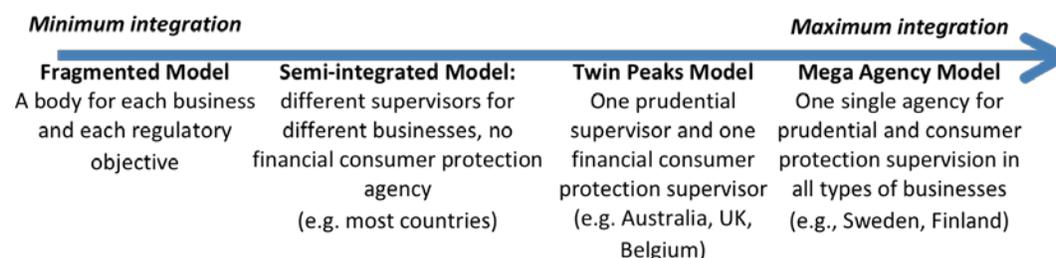
<sup>13</sup> For instance, the United States created the [Consumer Financial Protection Bureau](#) in 2010, the United Kingdom created the [Financial Conduct Authority](#) in 2013, and Belgium established the [Financial Services and Markets Authority](#) in 2011. In the United Kingdom and Belgium, the new consumer protection authorities are spin-offs from a single prudential supervisor or mega agency (Financial Services Authority and the Banking, Finance and Insurance Commission, respectively). In both cases, the new entity is also responsible for prudential oversight over smaller entities, while the central bank inherits prudential oversight over large banks and nonbank institutions.

<sup>14</sup> In the researched EMDEs, only Mexico and South Africa have models resembling in some manner the twin peaks model. In the case of Mexico, [Condusef](#) is the financial consumer protection agency, but it has legal authority to conduct onsite inspections in only one sector. The bank supervisor, [National Banking and Securities Commission \(CNBV\)](#), is the body authorized to conduct onsite inspections in all financial institutions under its responsibility. Condusef’s regulations do not cover all financial services. In South Africa, the [National Credit Regulator \(NCR\)](#) covers all consumer credit providers, regardless of them being supervised by the [South African Reserve Bank](#).

another. The best and most feasible institutional set-up in the short, medium, and long terms will depend on the country context.

**Figure 2. National supervisory structure underlying financial consumer protection supervision**

*The national supervisory structure can present different degrees of integration across regulatory objectives (prudential, consumer protection, systemic stability, competition) and types of businesses covered (banking, insurance, securities). The role of the financial supervisor in consumer protection supervision in each country will be defined within this broader context.*



**Source:** Adapted from [Carmichael et al. \(2004\)](#).

Regardless of the diversity of institutional arrangements, in most cases bank supervisors retain some or all responsibility for financial consumer protection in regulated markets. Moreover, they usually cover most retail markets relevant to consumer protection, including deposits and credit. Some may also cover payment service providers (many are central banks) and companies with a prominent role in financial inclusion, such as financial cooperatives and microcredit providers. For such reasons, the bank supervisor should make efforts to enhance consumer protection supervision, leveraging its place in the existing institutional landscape and its broad statutory mandate.

The legal framework underpinning the institutional arrangement impacts the extent of supervisory coverage—that is, which provider types and product markets are covered by regulation implemented by supervisory authorities. Inevitably, a large majority of bank supervisors in EMDEs do not cover the entirety of the financial sector, and a number of entities may remain outside the purview of any financial supervisory authority. Significant numbers of more vulnerable, low-income consumers may be served exclusively by such entities and, depending on prevalent market practices, this situation may raise consumer protection concerns. Hence, other government and nongovernment bodies may need to join efforts to complement the work of the bank supervisor, and the supervisor should, if adequate, support such efforts. Chilean financial authorities, for instance, have been coordinating in an attempt to change the legislation to bring white goods stores under some type of supervisory purview, since they—as in many other Latin American countries—have become an important provider of consumer credit.

Both prudential and consumer protection supervision require some level of interagency coordination and collaboration, depending on existing institutional arrangements. Coordination is relevant for the numerous countries with multiple prudential supervisors (e.g., insurance, banking, and securities supervisors). In addition, the bank supervisor may need to coordinate with other bodies, such as general consumer protection agencies, financial consumer protection agencies, enforcement agencies, justice, legislators, and policy makers (see examples in Box 1). The need for a framework for cooperation and collaboration has already been emphasized by the Basel Committee.<sup>15</sup> Such a framework may include the following:

<sup>15</sup> See the [Core Principles for Effective Banking Supervision, Principle 3](#).

- Sharing information, including complaints statistics, fraud reports, and legal claims against supervised institutions or their management
- Undertaking joint work, such as examinations, research, investigations, regulatory or reporting harmonization, and consumer education and/or awareness
- Coordinating regulatory and supervisory responses to market-wide or group-wide consumer issues
- Issuing joint public statements and engaging with the industry on consumer issues, to achieve common policy and supervisory goals

**Box 1. Examples of interagency coordination in the field of financial consumer protection**

- *Brazil.* [Central Bank of Brazil](#) has cooperation agreements with the competition agency and the general consumer protection agencies. These institutions have been sharing information on consumer complaints and undertaking joint research on competition matters.
- *Nigeria.* The [Central Bank of Nigeria](#) has been helping the general consumer protection agency, by putting pressure on financial institutions to resolve individual consumer complaints presented to the agency.
- *Mexico.* The [National Banking and Securities Commission \(CNBV\)](#) gives technical assistance to and conducts joint inspections with the financial consumer protection agency, [Condusef](#). CNBV also receives complaints reports from financial institutions, whose analysis is shared with Condusef.
- *Peru.* The [Peruvian Superintendence of Banks and Insurance](#) coordinates extensively with the general consumer protection agency [Indecopi](#), including in using a common identification number for consumer complaints to minimize duplication of complaints against financial institutions.
- *United States.* The [Consumer Financial Protection Bureau \(CFPB\)](#) has signed a [Memorandum of Understanding](#) with other U.S. federal financial supervisors to establish coordination, including sharing confidential information regarding supervised entities. The agreement also aims at minimizing the regulatory burden of examinations and reporting requirements by different supervisors.

*Note that each of these countries might have further examples of interagency coordination that are not described here.*

Although they should not be expected to substitute for official supervision, self-regulatory bodies and industry associations may play a complementary role; the bank supervisor may find it useful to coordinate with them as well. They can help monitor regulatory compliance and implement nonregulatory measures, such as awareness campaigns. For instance, the [Central Bank of Brazil](#) has coordinated with the [Association of Brazilian Banks \(Federation\)](#) in a national campaign to instruct consumers to first try to solve disputes directly with the financial service provider before seeking third-party recourse. [The Bank of Mozambique](#) engages with the bank association to produce educational materials. The [Central Bank of the Philippines](#) coordinates with the [Microfinance Council](#), an industry association, to implement disclosure standards in the unregulated microfinance industry. There are many such examples in our sample.

In some jurisdictions, including a few low-income countries, self-regulatory bodies may have a formal role in setting minimum conduct standards, allowed or even prescribed by regulation or legislation. This is the case in Malawi, although such arrangements have not yet been implemented in practice. With variation, it is also the case in India, where the Reserve Bank supports an independent industry watchdog (see Box 2) to enforce compliance with industry codes. A few supervisors (e.g., [Financial Consumer Agency of Canada](#)) have explicit authority to enforce compliance, by financial institutions, with industry codes issued by self-regulatory bodies. However, in most EMDEs self-regulatory bodies and industry associations may be weak and lack enforcement powers, and compliance with industry codes may be very low in practice. In most cases, supervisors should not rely on such institutions to substitute for statutory supervision, unless there is an effective enforcement mechanism in place.

**Box 2. The role of self-regulatory bodies in India's financial consumer protection framework**

The [Reserve Bank of India \(RBI\)](#) is the supervisor and regulator of banks and is also the official third-party recourse through its Bank Ombudsman. The [Indian Banks Association \(IBA\)](#) is a self-regulatory body, and the [Banking Codes and Standards Bureau of India \(BCSBI\)](#) is an independent watchdog. Consumer Courts provide legal remedy to consumers as well. RBI is responsible for ensuring regulatory compliance, but this work is reinforced, in the area of consumer protection, by BCSBI. BCSBI has legal authority to enforce its codes in member institutions (though membership is not mandatory). To ensure compliance with its Codes, BCSBI uses supervisory tools, such as onsite visits and offsite market monitoring. BCSBI also receives complaints and analyzes complaints information from the ombudsman scheme to identify breaches to its codes and the emergence of systemic consumer issues. In addition to supervision, BCSBI works on consumer awareness and coordinates with RBI's ombudsman in outreach programs.

BCSBI's role is different from that of IBA's in that its main purpose is enforcing industry codes, while advocacy and representation are in the IBA's realm only. Also, IBA's codes and standards are voluntary rather than mandatory for member banks.

It is important to note that BCSBI's work is not conducted on RBI's behalf, which would characterize a "delegated" or "auxiliary" supervision scheme. Nonetheless, BCSBI has received substantial financial support from RBI due to its supporting role. A similar role is played by the [Lending Standards Board](#), which replaced the Banking Code and Standards Board in the United Kingdom.

**Sources:** RBI's and BCSBI's websites, [BCSBI Annual Report 2011-12](#), and [Srinivasan \(2010\)](#).

## 2.2 Guidance 2: Supervisory Approach

Bank supervisors should take advantage of opportunities to add consumer protection topics to existing oversight practices. In doing this, they should focus on their core supervisory work (rather than complementary activities) through a strategically chosen mix of tools and techniques. They should also move toward a risk-based approach to more accurately identify priority areas and optimize the use of resources, and they should regularly account for their consumer protection activities.

### 2.2.1 Risk-based consumer protection supervision

Despite the complexity of consumer protection regulations and the lack of international standards for consumer protection supervision, the familiar principles for effective prudential supervision are generally applicable and compatible with an effective approach to consumer protection supervision.

For instance, both prudential and consumer protection supervisors expect financial institutions to have strong corporate governance standards, since transparent and well-governed institutions are more likely to adopt good business practices that do not hurt consumers.

The [Basel Core Principles for Effective Banking Supervision](#) are particularly relevant, as they emphasize the need to ensure the following:

- An institution has comprehensive risk management processes covering most important risks
- Board and senior management's oversight and understanding of risks are adequate
- An institution's risk management is commensurate with its risk profile and complexity
- Institutions have information systems that are adequate (e.g., systems to deal with consumer complaints)

- An institution has adequate internal controls, internal audit, and compliance functions<sup>16</sup> and governance policies and structure that maintain a properly operating and sound environment<sup>17</sup>
- An institution's compensation scheme is consistent with its stated objectives, its risk profile, and its business conduct principles<sup>18</sup>

The risk assessments done to achieve the six objectives above are useful to achieve the goal of consumer protection supervision. Adding consumer protection supervision to the supervisor's activities may even help strengthen existing supervisory review of these areas. For instance, an institution that has created a sound corporate risk management environment to mitigate prudential risks may be more likely to adopt higher business conduct standards as well. Despite having largely complementary goals and following similar broad principles, consumer protection and prudential supervision may arrive, in rare occasions, at conflicting decisions. For instance, a directive to a bank to withdraw a lucrative product from the market on the grounds of inadequate disclosure or other consumer-related weakness may have important financial implications that may have an impact on minimum prudential standards. While such theoretical situations are likely to be rare in practice, supervisors must be prepared to deal with them in an effective and timely manner.

As in prudential supervision, a consumer protection supervision framework that optimizes the allocation of supervisory resources should be risk-based. More effort and resources should be directed to riskier institutions or more relevant consumer issues (e.g., system-wide problems and weakness in individual institutions that may have a strong demonstration effect on the whole supervised market). Several EMDEs have implemented risk-based prudential supervision, but some, particularly low-income countries, are still struggling with this concept, and still deploy less efficient compliance-based procedures. While recognizing such difficulties, bank supervisors should make efforts to overcome challenges and implement a risk-based approach for consumer protection. In some EMDEs, this could be done in tandem with the implementation of risk-based supervision for prudential purposes.

To identify riskier institutions or topics, supervisors should define criteria and indicators that can be assessed, in large part, through supervisory tools, such as market monitoring and examinations. Since consumer protection is about the relationship between a supervised entity and its customers, some specific criteria differ from those used in prudential risk assessment. These may include the following:

- Number of retail individual clients (excluding corporate or high net worth clients)
- Number of accounts (e.g., loans, deposits, cards)
- Volume of consumer complaints relative to a measure of size such as total depositors, borrowers, turnover, or assets
- Total annual turnover
- The nature of consumer complaints (e.g., complaints related to fraud and abusive behavior may be deemed more important than those related to errors)
- Main product line (e.g., complexity) and market share
- Distribution channels (e.g., third-party agents or brokers)
- Profile of target segment
- Reputation of the institution
- Previous evaluation of the institution's internal control and quality of management
- Geographic coverage

As supervisors get more familiar with risk-based supervision, they may find it useful to use risk matrices and ratings to compile consumer risk indicators and the results of the assessments in a single measure. As in prudential risk matrices, each indicator is assigned a weight according to its importance and inserted in the matrix, to produce an

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<sup>16</sup> As clarified by the [Core Principles](#), the terms *compliance function* and *internal audit function* do not necessarily denote an organizational unit but may refer to staff allocated to that role.

<sup>17</sup> According to the [Core Principles](#), sound corporate governance underpins effective risk management and public confidence. Corporate governance structure should support policies and procedures on consumer issues. For guidance on corporate governance, see BIS (2010b).

<sup>18</sup> See [BIS \(2010a\)](#).

overall risk rating. Rating is a way to readily compare consumer protection risk across different institutions, for the purposes of setting supervisory priorities and doing system-wide compliance assessments. Although risk matrices and ratings are common in risk-based prudential supervision, they are still rare in consumer protection supervision. Only Peru, among the EMDEs in our research, uses a formal consumer protection risk rating system (see Box 3). Malaysia and Brazil have also created risk indicators for consumer protection, but have not compiled them into a rating system. Mexico’s [CNBV](#) uses some indicators that feed into the overall risk rating of each institution (under operational risk) but it does not have a specific rating system for consumer protection risk.

**Box 3. Example of consumer protection risk indicators used in Peru**

<b>Superintendence of Banks, Insurance, and Pensions of Peru Products and Consumer Services Department</b>
<p>The Products and Consumer Services Department uses a detailed risk matrix to assess the overall consumer protection risk of supervised entities and prioritize supervisory actions. The risk matrix helps the supervisor determine the intensity of supervision and inputs into the overall prudential risk assessment of institutions. It comprises the following risk indicators and subindicators (and related level of importance that is in fact translated into different risk weights):</p> <p><b>Indicator 1—Disclosure</b></p> <ul style="list-style-type: none"> <li>○ At branches (important)</li> <li>○ Disclosure standards at website (important)</li> <li>○ Material made available to customers (very important)</li> <li>○ Management of client files (important)</li> <li>○ Regulatory compliance of contracts (very important)</li> </ul> <p><b>Indicator 2—Customer Care Official</b></p> <ul style="list-style-type: none"> <li>○ Policies and rules (important)</li> <li>○ Board commitment (very important)</li> <li>○ Customer Care Official—profile (important)</li> <li>○ Customer Care Official—coordination with CEO (important)</li> <li>○ Customer Care Official—performance (very important)</li> <li>○ Customer Care Official—annual program and report (important)</li> </ul> <p><b>Indicator 3—Customer relationship management</b></p> <ul style="list-style-type: none"> <li>○ Availability of staff in charge of customer service (very important)</li> <li>○ Staff training and evaluation (very important)</li> <li>○ Complaints handling policies and procedures (very important)</li> <li>○ Infrastructure of complaints handling and customer care units (important)</li> <li>○ Complaints handling (important)</li> <li>○ Complaints handling information system (very important)</li> <li>○ Information posted on the website (important)</li> <li>○ Disclosure of complaints handling process and other redress channels (important)</li> </ul> <p><b>Indicator 4—Complaints</b></p> <ul style="list-style-type: none"> <li>○ Number of complaints relative to volume of operations in the quarter (very important)</li> <li>○ Total number of complaints resolved in favor of institution relative to <ul style="list-style-type: none"> <li>▪ number of credit card holders (important)</li> <li>▪ number of debit card holders (important)</li> <li>▪ number of loan clients (important)</li> <li>▪ number of savings account holders (important)</li> </ul> </li> </ul> <p>All indicators are assessed in ranges of regulatory compliance (from 0% to 100%). Indicator 4 is assessed according to the number of standard deviations from the industry average calculated for each subindicator.</p>

Other examples are as follows:

- The [Financial Consumer Agency of Canada \(FCAC\)](#) has recently implemented its Risk Assessment Model (RAM), to allow evaluation of comparable risks of an institution relative to all other institutions as well as to peer groups.

- The U.S. federal financial supervisors use a [uniform rating system](#) adopted by the [Federal Financial Institutions Examination Council \(FFIEC\)](#), in which consumer compliance is considered a specialty area, and treated outside of the ordinary CAMELS rating system.<sup>19</sup> Consumer compliance is rated 1 to 5. The rating includes the assessment of regulatory compliance, the adequacy of an institution’s operating systems designed to ensure compliance on an ongoing basis, and the willingness, capacity, and commitment of the management to consumer compliance. Box 4 briefly describes the risk-based approach adopted by the [Office of the Comptroller of the Currency \(OCC\)](#), in the United States.

**Box 4. Consumer compliance supervision at U.S. Office of the Comptroller of the Currency**

Consumer compliance encompasses four functional areas of consumer protection laws and regulations: (i) fair lending, (ii) lending, (iii) deposits, and (iv) other consumer protection regulations.

For banks of all sizes, supervisory strategies for consumer compliance should be risk-based. In community banks with integrated supervisory strategies, examiners normally perform consumer compliance examinations as part of the core assessment. The extent of transaction testing should reflect the bank’s compliance risk profile, audit coverage and results, and the time elapsed since the last testing. In large banks, the scope of the consumer compliance examination includes a review of the bank’s compliance risk management system and can be focused on product lines and decision centers that carry the most risk. During each supervisory cycle, examiners perform a fair lending risk assessment in each national bank. Based on the risk assessment, examiners may initiate appropriate supervisory activities to ensure compliance with fair lending laws and regulations. OCC also identifies banks for comprehensive fair lending examinations using a screening process and a random sample that supplements the ongoing supervisory office assessments.

**Source:** OCC, [Comptroller’s Handbook, Bank Supervision Process, September 2012 Update](#)

## 2.2.2 The role of the bank supervisor in consumer complaints handling

At the operational level, a supervisory approach is translated by a combination of (i) core supervisory work, (ii) complementary activities, and (iii) other activities. Core supervisory work is the use of supervisory tools—that is, market monitoring, onsite and offsite examinations, and enforcement actions. Complementary activities are those that, to varying degrees, and directly or indirectly, support or inform the supervisory work (e.g., handling complaints, resolving queries, and providing information to the general public or government agencies). Other activities are those not necessarily related to the supervisory outcome and goals, or to public accountability (e.g., consumer education).<sup>20</sup> Each bank supervisory agency should determine an adequate mix of these three elements when engaging in consumer protection supervision, to optimize the use of scarce resources.

Many bank supervisors in EMDEs already engage in consumer protection, but a significant portion may be using their resources suboptimally, by focusing on one labor-intensive complementary activity: handling consumer complaints. Even when this activity is done by separate units in the same agency or by another body (e.g., a general consumer protection agency), in some instances prudential supervisors get involved in solving complaints when these units or bodies lack the expertise. Some bank supervisory agencies, particularly in low-income countries that lack good internal complaints handling by financial institutions, third-party recourse mechanisms, consumer protection agencies, or functional small claims courts, end up being the main or the only line of defense for consumers. As a result, they find their scarce resources overly stretched.

<sup>19</sup> CAMELS is a widely used risk-based framework for prudential supervision. It stands for capital adequacy, asset quality, management, earnings, liquidity, and sensitivity to market risk.

<sup>20</sup> Many bank supervisors do engage in consumer education, either to complement consumer protection efforts or even because education has been added to their statutory mandate. In some cases, the mandate for financial education is grounded in the belief that providing education supports responsible finance, hence greater stability, in the long term. This Guide does not discuss consumer education programs, neither their effectiveness nor their impact on supervisory efforts.

Moreover, when the information produced by handling complaints is not used to feed supervision and regulation, the allocation of resources is even less effective. Whether the bank supervisor should handle complaints or not will depend on the country context. In some EMDEs the bank supervisor is the only statutory body that could assume this responsibility at least in the short or medium term. This may be the case of most low-income countries. Since many communications from consumers are actually information inquiries rather than complaints, if the supervisor handles complaints it is advisable to implement a simpler regime to deal with these, such as form letters or information brochures.

Regardless of whether they handle complaints or not, bank supervisors in EMDEs should recognize the opportunity to leverage supervisory tools and techniques for consumer protection supervision, instead of focusing solely on complaints handling. They should hold financial institutions primarily responsible for handling consumer complaints, while focusing on assessing the quality and effectiveness of such complaints handling mechanisms. To be effective, they should use complaints statistics produced by institutions and other bodies (e.g., consumer protection agencies) as input for identifying consumer risks, establishing supervisory priorities, and informing regulatory reforms. Good supervision should improve complaints handling by financial institutions over time, so these become more reliable channels for solving customer grievances. The role of the bank supervisor in this function may reduce or even shift, with time, to another body.

Personnel with specialization in financial supervision should, to the extent possible, focus on implementing supervisory tools, particularly if there is a shortage of qualified staff. Handling complaints usually requires a different set of skills and can be done by other types of professionals. Focusing on core supervisory analytical skills will optimize the use of supervisors' time and enhance staff expertise.

#### **Box 5. Examples of consumer complaint handling in selected countries**

- Bank supervisors in the EMDEs in our research typically employ more people to handle complaints and consumer queries than to carry out consumer protection supervision.
- The [Central Bank of Brazil](#) has over 100 analysts (who have the same qualification as bank examiners) handling consumer complaints and queries. The general consumer protection agency (Procon) also handles financial consumer complaints, and the two bodies coordinate for information exchange. In addition, a team of seven examiners is dedicated to consumer protection supervision. This team assesses, for instance, the effectiveness of internal ombudsmen put in place by financial institutions<sup>21</sup> and compliance with disclosure standards.
- The Mexican prudential supervisor ([CNBV](#)) does not handle consumer complaints. This is done by the financial consumer protection agency [Condusef](#). While CNBV has no consumer protection team, Condusef has 600 staff, 35 of which conduct supervision, while the balance handles complaints and queries.
- Financial institutions in France and Sweden are required to have internal ombudsmen to act as a redress mechanism and improve internal complaints handling. The French [Financial Markets Authority](#) and the [Swedish Supervisory Authority](#) undertake consumer protection supervisory reviews.<sup>a</sup>
- In Australia, Canada, Mexico, Singapore, South Africa, the United States, and others where the bank supervisor does not take primary responsibility for consumer complaints, it remains involved with consumer protection issues and uses complaints reports as an input for supervision.

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<sup>21</sup> Having an internal ombudsman is a recourse mechanism put in place by each financial institution, to which clients can refer if their complaints are not addressed satisfactorily by the institution's complaints handling or client service unit. Some countries, such as France, Sweden, and Brazil, require financial institutions to implement internal ombudsmen in addition to customer service units. These units may also be responsible for assessing the quality of the work rendered by the complaints handling unit, acting as a specialized internal auditor, which may be required to report to the bank supervisor regularly.

a. In the case of France, the internal ombudsmen report annually to a national committee responsible for evaluating the effectiveness of the whole ombudsman system (the governor of the [Bank of France](#) presides over the committee, which comprises industry representatives, a legal expert, and consumer associations). In Sweden, the [Swedish Supervisory Authority](#) retains responsibility for assessing the effectiveness of internal complaints handling process by financial institutions and the ombudsman system.

### **2.3 Guidance 3: Supervisory Planning**

Bank supervisors should use comprehensive and systematic planning as the basis for consumer protection supervision. They should develop a detailed consumer protection supervisory program for each cycle/year, based on assessment of relevant consumer risks in relation to available supervisory resources.

In good supervisory systems, supervision is not limited to conducting onsite and offsite examinations and producing examination reports. Effective supervision entails understanding on an ongoing basis the policies and institutional culture underpinning business practices of covered institutions, as well as the market within which they operate. It entails ensuring correction of observed deficiencies and monitoring progress. To achieve this, supervision requires good planning, effective management, and monitoring of activities throughout the supervisory cycle, and clear communication of results and supervisory expectations to financial institutions and senior supervisory management. Bank supervisors engaged with consumer protection supervision should have comprehensive and systematic planning. Planning helps supervisors to be more focused and efficient. It also helps supervisory management ensure consistency in the implementation of supervisory policies and resources.

In a risk-based approach, the supervisory cycle should comprise at least the following:

- Identification of risks
- Prioritization of risks
- Decision on supervisory response to key risks
- Allocation of supervisory resources
- Monitoring of risks
- Evaluation of supervisory performance
- Feedback (improvements to the supervisory or regulatory framework)

After a careful assessment of consumer risks relative to the existing regulatory framework and the available resources, the bank supervisor should clearly state the statutory goals, the overall approach, and the policies to achieve those goals. This helps line supervisors, as well as supervisory management, better understand and keep in mind the approach to supervision and translate this understanding into practice.<sup>22</sup> At the very least, an annual supervisory program or workplan should be developed to detail the activities through which each supervisory objective is to be achieved. The type, depth, and frequency of activities undertaken should correspond to the level of risk of each institution. A detailed program includes at least the institutions to be reviewed and the objective and scope of each review based on the institution's risk profile, the timing, resource allocation, and supervisory tools to be used in each assessment.<sup>23</sup> Such planning should also apply to thematic, market-wide reviews and market monitoring.

In some EMDEs, particularly where risk-based supervision has not been fully implemented, the bank supervisor may be required to undertake a complete annual review of every single institution under its purview, for prudential purposes. This situation, which might impact consumer protection supervision, reduces the usefulness of a detailed and well-crafted annual program based on risks, and raises important concerns with regard to the

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<sup>22</sup> Supervisors may find it useful to represent the supervisory cycle and related strategy and policies in visual form (e.g., a flowchart) to distribute to relevant staff and management. An example is the [compliance framework](#) used by the [Financial Consumer Agency of Canada](#). Although the framework guides a specialized financial consumer protection agency, it does not differ conceptually from how a bank supervisor would represent its consumer protection supervision work.

<sup>23</sup> As a reference, see the [annual supervision program](#) (in Spanish) of Mexico's Condusef.

efficient use of supervisory resources. Supervisors facing such a situation should work to address it, including engaging with relevant authorities, should it require a change in future legislation.

## 2.4 Guidance 4: Internal Organization

While the overall framework for consumer protection will vary widely from country to country, bank supervisors should be able to develop an approach to internal organization that fits their immediate situation. Adjustments in approach may be needed if it turns out to be suboptimal or the surrounding situation changes (such as through regulatory reform). Regardless of the bank supervisor's overall organizational structure, they should work toward having a team with expertise in consumer protection and ensure effective cooperation and information flow between prudential and consumer protection supervisors.

There is a variety of possible internal organizational arrangements to deal with consumer protection. None has proven superiority for all countries. The consumer protection supervision team may be involved in prudential supervision as well or, depending on the amount of work generated by consumer protection, the availability of human resources, or the importance given to the topic, this team may be dedicated to consumer protection exclusively. Bolivia, Brazil, Ghana, Ireland, Malaysia, Mozambique, Peru, Portugal, Singapore, the United States, and the United Kingdom are all examples where dedicated teams and/or units exist. Ethiopia, Fiji, Indonesia, Nigeria, Paraguay, Philippines, Sri Lanka, and Uganda are examples of countries where consumer protection assessments are conducted by prudential supervisory teams. As an illustration, the case of Ghana is described in Box 6.

### Box 6. Bank of Ghana's Investigation and Consumer Reporting Office

The [Investigation and Consumer Reporting Office \(ICRO\)](#) is the office of the Bank of Ghana responsible for protecting consumers of financial products/services and educating them. It is located within the Banking Supervision Department. The ICRO was established with the broad objective of promoting confidence, discipline, and harmony in the banking industry. Once banks are licensed by the Bank of Ghana, ICRO works to ensure that they follow applicable rules and regulations.

ICRO's scope of work includes the responsibility to do the following:

- Receive customers' complaints, petitions, and grievances for redress
- Serve as a watchdog to guarantee high-quality services
- Protect the rights of consumers and serve as an advisory body for consumer education
- Instill price discipline in the industry
- Receive and review fraud and defalcation reports from banks
- Investigate all forms of complaints and alleged irregularities
- Maintain a database of ex-bank employees who were either dismissed or made to resign for fraud-related reasons

The ICRO has three subunits:

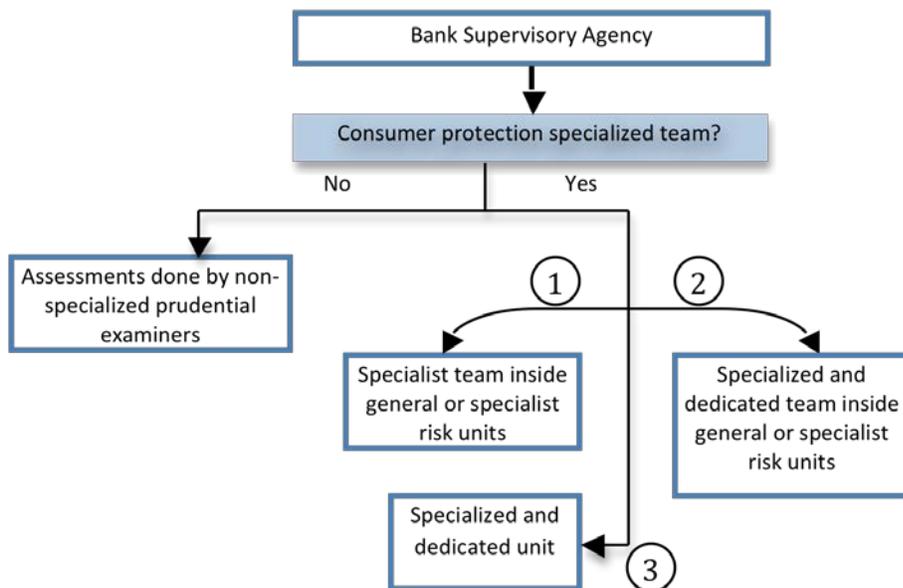
1. Consumer Reporting Unit (CRU)—Responsible for consumer education and handling of complaints.
2. Fraud Investigation Unit (FIU)—Responsible for investigations of bank frauds, defalcations, and embezzlements.
3. Enforcement and Surveillance Unit (ESU)—Responsible for financial intelligence and collaboration with the security agencies.

Source: Bank of Ghana's website and GIZ (2012).

There is a lack of empirical evidence to support conclusions on the best organizational structure for consumer protection supervision. **Bank supervisors should be able to determine a model that fits their short-term situation and make plans to gradually implement improvements in the event that the model proves suboptimal in their particular context and in light of their stated goals and strategy for consumer protection supervision.**

Whether located in a dedicated unit or inside another specialist (e.g., Mexico’s [CNBV](#) allocates this topic to operational risk) or general prudential supervision unit, the team responsible for implementing consumer protection supervisory tools and techniques should be trained specifically in consumer protection. **The need for specialized expertise is common to all jurisdictions, and all supervisors should make efforts to build such expertise when engaging in consumer protection supervision.** Expertise is important to deal with the differences between prudential risk and consumer risk, particularly the focus of the latter in the relationship between the financial institution and the client, which is not necessarily a familiar concept to all prudential examiners. Specialized teams are less prone to face challenges in prioritizing objectives and are more likely to ground decisions in good technical understanding. They are also better situated to propose enhancements in the supervision practices and the regulation, based on deeper knowledge and experience.

**Figure 3. Possible internal arrangements for consumer protection supervision in the bank supervisory agency**



In many EMDEs, particularly those facing resource constraints, the bank supervisor may want to first experiment with training a few prudential supervisors in specific tools and techniques relevant for consumer protection (option 1 in Figure 3), before deciding to re-arrange its internal structure. Inserting consumer protection into prudential oversight routines of an existing team requires less effort and is less costly than creating specialist units and dedicated teams. Over time, this set up can evolve into dedicating a team exclusively to consumer protection (option 2), or even creating a separate unit (option 3), if deemed appropriate in the particular context. The key point is to have well-qualified personnel, specifically trained to be responsible for consumer protection supervision.

The decision to have a dedicated unit is not straightforward. Arguably, locating consumer protection under prudential oversight risks creating a situation where prudential assessments are unduly prioritized over consumer protection, regarding the allocation of time and human resources, in such a way that it undermines the achievement of the consumer protection supervision goals. Consumer protection may indeed require fewer resources on an ongoing basis than prudential supervision, but its effectiveness depends on an adequate share of available capacity. A dedicated and more independent unit with its own human resources and budget is better placed to allocate resources according to an understanding of the consumer risks that need to be addressed. On the other hand, creating a separate unit may entail high administrative costs, including those due to power struggles.

## 2.5 Guidance 5: Supervisory Tools and Techniques

Bank supervisors should use a range of tools for consumer protection supervision. While the typical supervisory techniques of prudential supervision are largely applicable to consumer protection, they are likely to need to be adapted for consumer protection supervision goals and regulations, while other tools (especially those focused on monitoring the treatment of consumers) will need to be developed. The criteria used to set consumer protection supervisory priorities are also likely to differ from those that apply to prudential supervision.

Three supervisory tools comprise the three main approaches for both consumer protection and prudential supervision: (i) market monitoring, (ii) offsite and onsite examinations, and (iii) enforcement measures. Techniques include the various data gathering, analytical, and investigative procedures supervisors use when applying the three basic tools. As in prudential supervision, bank supervisors should use an appropriate range of tools and techniques to implement the supervisory approach and deploy resources proportionately, taking into account the risk profile and systemic importance of banks. Similarly, risk assessment and proportionality to such risks should underpin consumer protection supervision.

To ensure supervisory effectiveness, bank supervisors should adapt the supervisory techniques, the criteria to set supervisory priorities, and sometimes use of different sources of information to feed the supervisory work (e.g., complaints statistics or feedback from consumer organizations or the media). While some supervisory techniques differ from those employed in prudential supervision, many will be familiar to bank supervisors. Examples include analyzing documentation, checking an institution’s practices against its own policies, checking consistency and robustness of IT systems, and assessing an institution’s management quality, risk management environment, and corporate governance structure. Table 1 lists some of the techniques that can be used for consumer protection supervision.

**Table 1. Examples of techniques for financial consumer protection supervision**

Market monitoring	Examinations		Enforcement actions (Corrections and sanctions)
	Offsite	Onsite	
<ul style="list-style-type: none"> <li>▪ Analyzing complaints statistics from institutions and consumer protection agency or ombudsman</li> <li>▪ Sector-wide thematic reviews to assess issues such as price disclosure, over-indebtedness, advertising, or complaints handling (may combine onsite and offsite reviews)</li> <li>▪ Special consultations with industry to address</li> </ul>	<ul style="list-style-type: none"> <li>▪ Analyzing complaint statistics from institutions and consumer protection agency or ombudsman</li> <li>▪ Analyzing compliance returns (provider’s own assessment of its regulatory compliance, which may include internal auditor’s and internal control’s reports)</li> <li>▪ Monitoring legal demands from consumers and consumer associations related to poor conduct (assessment of legal</li> </ul>	<ul style="list-style-type: none"> <li>▪ Onsite inspections at head offices of selected institutions, covering internal controls, management and reporting, internal audit, complaints handling, and compliance with industry codes of conduct and other codes to which the provider subscribes</li> <li>▪ Onsite inspections of branches and other outlets (ATMs, agents) to</li> </ul>	<ul style="list-style-type: none"> <li>▪ Requiring and following up on plan to correct noncompliance with regulatory rules or with institution’s own policies. The plan may include corrective measures such as               <ol style="list-style-type: none"> <li>a. implementing or improving complaints handling system</li> <li>b. training staff or outsourced parties in certain knowledge areas</li> <li>c. improving disclosure</li> </ol> </li> </ul>

Market monitoring	Examinations		Enforcement actions (Corrections and sanctions)
	Offsite	Onsite	
specific concerns and clarify supervisory expectations <ul style="list-style-type: none"> <li>▪ Media monitoring for relevant news on regulated markets or certain topics</li> <li>▪ Monitoring actions from industry associations related to consumer protection, such as creation of codes of conduct or ombudsman scheme</li> <li>▪ Issuing written guidance to the market on compliance expectations</li> </ul>	risk <sup>a</sup> <ul style="list-style-type: none"> <li>▪ Review of fact sheets, standard adhesion contracts<sup>b</sup> for loans and savings (in some countries, these documents are subject to prior approval of the supervisor)</li> <li>▪ Media monitoring for relevant news about the institution</li> <li>▪ Monitoring an institution's website to check against onsite findings (e.g., advertised prices and conditions)</li> <li>▪ Analyzing written policies dealing with consumer protection issues: internal controls, governance, audit, compensation, reporting and complaints handling mechanisms</li> </ul>	evaluate consumer issues such as disclosure <ul style="list-style-type: none"> <li>▪ Special consultations with institutions to address specific concerns</li> <li>▪ Mystery shopping (incognito visits where supervisors or outsourced third parties interact with the provider's personnel)</li> </ul>	practices <ul style="list-style-type: none"> <li>d. improving systems to identify and reduce fraud and identity theft (this is mostly done in coordination with the IT supervision team)</li> <li>e. modifying marketing materials</li> <li>f. changing compensation policies and practices</li> <li>▪ Stopping some operations or restricting approval of new operations</li> <li>▪ Requiring a product to be taken off the market</li> <li>▪ Imposing sanctions such as fines on the institution or management, issuing reprimand letters and notice of violation, suspending or revoking licenses, deregistering a provider</li> <li>▪ Requiring refunds to customers as a result of regulatory noncompliance</li> <li>▪ Barring individuals from management positions in financial institutions</li> <li>▪ Referring the provider to public prosecutor or other authorities</li> </ul>

<sup>a</sup> Legal claims from customers in some cases can hinder the financial health of an institution as noted by BIS (2008).

<sup>b</sup> Adhesion contracts or agreements are defined in this Guide as highly standardized documents whose clauses the consumer usually has little or no power to change before or after signing it.

### 2.5.1 Market monitoring

On a macro level, this tool helps the supervisor understand the broader environment within which regulated entities operate, including economic, social, demographic, political, and regulatory conditions. On the micro level, it helps the supervisor understand the competitive landscape, customer segments, and its innovations in technology, product, and marketing strategies. With these two levels in mind, the bank supervisor should identify and monitor industry-wide financial consumer protection issues, addressing two dimensions:<sup>24</sup>

1. The evolution of system-wide risk over time (time dimension)
2. The distribution of risk in the system at a given point in time (cross-sectional dimension)

<sup>24</sup> Adapted from [FSB, IMF, and BIS \(2011\)](#).

Market monitoring should be used for consumer protection supervision. Some EMDEs already use it on an ongoing basis as part of their consumer protection supervision. These include Canada, Malaysia, Peru, South Africa, the United Kingdom, and, more recently, the United States through the [Consumer Financial Protection Bureau \(CFPB\)](#). Many others use it for prudential supervision purposes only. Bank supervisors that do not yet use this tool should take steps to fully implement it, to identify, assess, and prioritize consumer protection risks.

Not all market monitoring techniques will be possible or even necessary in all EMDEs, at least in the early stages of market development. Having all of them in place entails more complete (and costly) data gathering and demands skilled human resources and good information management systems. In low-income countries reliable data may not be available. The bank supervisor may start monitoring a limited range of topics using the limited information available, identifying the information gaps, and progressively improving the quality, reliability, and range of data. For instance, a key source of information is complaints reports from regulated entities. To have access to such data, the supervisor should create and enforce the use of a standard complaints report format ([see examples](#)).

Specific techniques include the following:

- *Identifying incidence and the nature of consumer complaints.* This is useful to identify trends, growth and problem areas (e.g., coercive collection practices, aggressive sales), problem sectors (e.g., insurance, credit, leasing), problem geographies (e.g., urban areas overheated with consumer credit), or problem products (e.g., credit cards, payroll loans).
- *Creating industry benchmarks to be used in institution-based supervision and even international comparisons.* For instance, the bank supervisor may use country-wide comparisons of the number of complaints relative to the total number of depositors, active borrowers, and retail transactions as an indicator of consumer risk level.<sup>25</sup>
- *Monitoring the level of household debt,* by combining (depending on availability) disaggregated national statistics, media monitoring, financial analyses, consumer complaints, reports from consumer associations, consumer and household surveys and information from credit bureaus.
- *Checking compliance, at an industry-level, with new or existing requirements,* such as disclosure and advertising rules. This may be done through analyzing marketing materials and information channels (e.g., websites of financial institutions, newspapers, leaflets, TV, etc.). Another example is checking compliance with standards for internal complaint filing mechanisms. To illustrate, the [Central Bank of Brazil](#) has conducted an industry-wide review of internal redress mechanisms a few months after issuing new standards.<sup>26</sup>
- *Checking the impact of certain regulatory measures against expected outcomes.* The bank supervisor may have expected a decrease in the number of consumer complaints related to unauthorized credit card charges by enforcing disclosure regulations. Market monitoring may help in the measurement of regulatory impact.

Lastly, although the objective of market monitoring is not assessing the risk of individual institutions, it may help supervisors spot institution-specific problems. It enables better peer comparisons when using benchmarks (e.g., total number of complaints relative to a size measure, such as number of depositors/borrowers or size of loan portfolio). Benchmarks are typically constructed using data from individual institutions and combined with findings from industry monitoring. Bank supervisors may also find that monitoring of system- and institution-focused consumer issues helps them spot prudential risks, such as deteriorating lending methodologies that can impact credit risk profiles (e.g., advertisements with high loan-to-value ratios), and increase in interest rate risk as a result of aggressive sales of long-term fixed-rate loans.

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<sup>25</sup> An example of industry benchmark is found in the pensions sector in Mexico: the pensions regulator, [Consar](#), is introducing an index of service quality with the purpose of encouraging better services in the industry and ranking the institutions according to their performance.

<sup>26</sup> This practice has been reported by other middle-income countries but none of the low-income countries included in this research.

## 2.5.2 Offsite and onsite examinations

Examinations, both onsite and offsite, are commonly used in prudential supervision and should also be used in consumer protection supervision. Institution-based examinations may be done on providers of all sizes, but larger providers should usually be subject to more regular and comprehensive reviews with the intent to optimize use of resources. Likewise, smaller problem or high-risk institutions should also be subject to stricter scrutiny. The consumer protection reviews may be part of the annual review of an institution, i.e., an item in the inspection program, or a separate special review on a particular issue (e.g., review of the complaints handling system of a bank).

**Offsite examinations** should be used to (i) check compliance with key consumer protection requirements; (ii) provide preparatory information for an upcoming onsite inspection; and (iii) monitor indicators that may trigger onsite inspections (e.g., a sharp increase in complaints about frauds in Internet transactions may trigger an onsite inspection of a bank's information systems). When the offsite review reveals regulatory noncompliance or important deviations from industry benchmarks, it should trigger requests by the supervisor to the institution for clarifications or corrective measures, even without onsite follow up.

The data-gathering process and the sources of information for offsite reviews are similar to those for market monitoring, but in this case the analyses should focus on a particular institution. Hence, a much wider array of documents and information should be gathered from third-party sources and also requested directly from the institution. The information reviewed may include (note that the availability varies across researched countries) the following:

- Complaints statistics for a certain period (it is useful to check the evolution of complaints over time)
- Management reports referring to consumer issues, such as complaints handling and regulatory compliance on other consumer protection issues
- Internal and external audit reports referring to consumer issues
- Ombudsmen reports
- Written policies and procedures manuals on complaints handling, internal controls, staff compensation, and loan recovery
- Financial data, such as loan performance
- The institution's own codes of conduct and industry codes to which the institution has subscribed
- Advertising and marketing materials
- Loan and savings accounts standard agreements

Bank supervisors in EMDEs face few constraints and costs in accessing most of this information, and some of it will already be collected for prudential supervision purposes (e.g., internal auditor's reports, financial data, and written policies and procedures). However, a key source of information for consumer protection supervision is unlikely to be available in most EMDEs: complaints statistics. This is because most bank supervisors do not require financial institutions to report this information, and financial institutions may not even have adequate systems to report it to the supervisor. All bank supervisors should make efforts to improve the wealth and quality of available information to support offsite examinations. Particularly, they should implement a standard reporting format to obtain consumer complaints statistics regularly, and financial institutions should be required to adapt their information systems to be able to report in a timely and accurate manner.

**Onsite examinations** should be used in consumer protection supervision, as they allow the bank supervisor to check the reality against the information analyzed during the offsite review and to learn in much more depth about the institution's actual management and operational standards. This provides a comprehensive view of the institution's consumer risk profile, and the willingness and commitment of the senior management and the board to maintaining high business conduct standards. Onsite examinations may be done in several risk areas at once or in one particular area of concern, and can be easily tagged to a prudential onsite review.

Onsite examinations should include visits to the head office, and may include visits to branches and other outlets, or even to outsourced parties (e.g., retail agents). To avoid excessive costs with a large number of visits, the information gathered during the offsite analysis and the visit to head office should be used to help determine whether and how many field visits are needed and to focus them on problem branches, issues, or third parties. This rationalization is similar to what bank supervisors using a risk-based approach to prudential supervision do. Onsite examinations should include technical meetings with senior management and at least one with the board when problems emerge.<sup>27</sup>

Supervisors should be able to understand the management’s and the board’s commitment to consumer issues, as these tend to be relegated to second-level concerns in the absence of a corporate-wide effort to look at regulatory compliance and business practices. The prudential oversight team in charge of reviewing corporate governance (if any) may be a valuable source of information and expertise for the consumer protection supervisory team.

**Table 2. Examples of institution-based onsite techniques that can be used in consumer protection supervision**

At head office	At branches and other outlets
<ul style="list-style-type: none"> <li>▪ <b>Inaugural meeting</b> with board and senior management to review objectives of the examination and concerns resulting from offsite analysis, including any pending required action from previous examinations (e.g., in transparency standards and complaints handling practices). This interview can also be used for the board and senior management to clarify their strategy with respect to consumer issues.</li> <li>▪ <b>Technical meeting</b> with senior or middle management responsible for consumer issues.</li> <li>▪ <b>Structured interviews</b> with internal auditor to discuss findings of offsite examinations, identify signs of lack of independence (e.g., when audit reports are “filtered” by senior management before reaching the board), and his/her opinions about the overall compliance environment regarding consumer protection regulations.</li> <li>▪ <b>Structured interviews</b> with complaints handling or client service personnel to check knowledge of policies and practice against policies.</li> <li>▪ <b>Selection of a complaints sample</b> to check consistency of the system and the procedures.</li> <li>▪ <b>Structured interviews</b> with middle management responsible for generating relevant reports to the board and senior management, to check how reports are produced, including the information used to generate them.</li> <li>▪ <b>Structured interviews</b> with internal ombudsman (if any) to gather his/her opinion about the complaints handling system and compliance with consumer protection regulation, as well as any sign of limitations on his/her independence.</li> </ul>	<ul style="list-style-type: none"> <li>▪ <b>Structured interviews</b> with branch staff to check their knowledge of corporate policies and understand their usual procedures for certain operations such as loan applications.</li> <li>▪ Check <b>compliance with disclosure requirements</b> (e.g., posting of fees and rates in branches, ATMs and agents, posting of complaint filing information, etc.).</li> <li>▪ <b>Mystery shopping</b> to check practices against what is said and written by head office, including simulation of a consumer complaint, or a loan sale to check how and when information is given and explained to the client, including the use of key fact sheets and standard loan agreements.</li> <li>▪ <b>Structured interviews</b> with clients to identify other issues. This is not a very common practice, but few countries have reported conducting some consumer interviews in the course of their field visits to branches and agents, or during a mystery shopping exercise. For instance, supervisors may ask clients waiting in the banking hall about the institution’s loan collection practices.</li> </ul>

Although requiring a change in their focus, most techniques for consumer protection supervision are already used by and should be familiar to prudential supervisors. One exception is mystery shopping, which is particularly useful for consumer protection, but is not so familiar to prudential examiners. Mystery shopping involves having the supervisor (or third parties hired for this purpose, including actual consumers) pose as clients or potential clients of financial institutions to check on business practices and regulatory compliance. This technique may be useful for a

<sup>27</sup> Conducting interviews is not a practice adopted by all EMDEs. Some supervisors, particularly in low-income countries, tend to focus on filling out checklists, giving limited importance to interviews and more subjective evaluations, such as the assessment of the management and the effectiveness of board oversight. In addition, meeting with board members (in person or remotely) may be difficult if the supervisor does not insist on it. This may be particularly difficult in the case of institutions with boards comprising international organizations or experts living abroad.

range of industry-wide and institution-specific checks, but is particularly valuable with respect to disclosure requirements with a timing element, service quality standards, and sales practices. It may also be useful to simulate transactions to check against data security and privacy standards (something that technology risk supervisors may be used to doing). For instance, the mystery shopper may visit agents and make a deposit to check whether the agents (i) charge unauthorized fees, (ii) ask for the client's password or other personal information, and (iii) fail to give a receipt.

Like [Malaysia's central bank](#), the [Central Bank of Ireland](#) also uses mystery shopping.<sup>28</sup> It has reviewed the level of compliance with the Irish Banking Federation Voluntary Personal Account Switching Code using this technique to produce a [research report](#). With this research, the supervisor assessed the accuracy of the information provided by financial institutions and the knowledge and helpfulness of bank personnel. In another example from Ireland, mystery shopping was used to check transparency and regulatory compliance of [charges and fees in money transmission businesses](#). In this case, the supervisor recruited individuals to carry out the transactions. The Mexican financial consumer protection agency, [Condusef](#), has also used this technique to assess the quality and accuracy of disclosure for basic savings and credit products. Actual consumers were recruited to determine how understanding of oral disclosure can vary based on consumer profiles.

Offsite and onsite examinations are more commonly used to assess a particular institution, but they can and should also be used for thematic reviews, i.e., the evaluation of a cross-cutting theme in the whole regulated market or a portion of it (e.g., marketing and advertising rules in banks or claims procedures in insurance companies). This differs from ongoing market monitoring because it is more targeted at a certain topic and usually involves onsite visits. Thematic reviews are not very common in EMDEs. However, they should be considered by bank supervisors in EMDEs as well, as they may help optimize use of resources by sharpening the focus of upcoming examinations of a given supervisory cycle on problematic areas. They should also be implemented when new market segments open under financial sector reforms or as a result of innovations in the market.

#### **Box 7. Examples of thematic reviews in selected countries**

**Brazil.** Based on outcries in the media about bank fees a few years back, the [Central Bank of Brazil](#) conducted an industry-wide review of compliance with price transparency rules. Through a combination of offsite and onsite examinations, the supervisor identified the need to require improvements by a group of institutions. It also found that it was necessary to create additional regulatory requirements.

**Ireland.** The [Central Bank of Ireland](#) conducts thematic reviews on consumer protection issues on an ongoing basis, and publishes letters to the industry with the result of such reviews. [See examples](#).

**Peru and Mexico.** Peru and Mexico have conducted reviews of consumer complaints statistics in regulated entities. In the case of Mexico, the purpose was to assess the effectiveness of a new standard complaints report created some months earlier by [CNBV](#). In Peru, the review conducted by the [Superintendence of Banks](#) is part of an ongoing review of consumer complaints to spot industry-wide issues. In this case, the data are disaggregated, allowing the supervisor to identify where and sometimes even why certain problems arise.

**United Kingdom.** In 2010 the [UK's FSA](#) (now replaced by [FCA](#)) conducted a [review of complaints handling](#) by banks and banking groups, with the objective of assessing the level of industry-wide regulatory compliance and identifying gaps in the regulation. The exercise culminated in [regulatory changes and more guidance](#) for regulated entities on how to implement the rules.

**Sources:** Financial supervisors' websites, interviews, and [Bank Negara Malaysia Annual Report 2011](#).

<sup>28</sup> The Central Bank of Ireland monitors compliance with consumer protection regulation through four techniques: (i) reviews, (ii) thematic inspections, (iii) mystery shopping, and (iv) monitoring of advertisements.

To enrich or focus the assessment of an institution, bank supervisors may use peer comparisons. Peer comparisons and benchmarking are more commonly done in prudential oversight, being a new area for consumer protection supervision. If the necessary information is available, peer analyses and benchmarking would be feasible even in low-income countries, given the lower level of complexity (relative to more developed financial systems). However, it should be done only if resources and expertise are available. For example, a median or average level can be determined for indicators such as the number of total complaints over total assets, loan portfolio, or other measures linked to the size and complexity of the peer group members. In addition to helping focus examinations, benchmarking may help bank examiners require improvements and corrections by an institution without naming the peers used as reference. It may be easier to impose corrective measures by highlighting relatively weak performance than making a negative assessment with no basis for comparison. Nonetheless, benchmarking alone is a simplistic measure and therefore should be used as a complement to other in-depth analyses, rather than a substitute.

### **2.5.3 Enforcement actions (corrective measures and sanctions)**

As already highlighted in the [Basel Core Principles](#) for Effective Banking Supervision, bank supervisors should use a range of enforcement tools for consumer protection supervision as well, including the power to do the following:

- Take and/or require timely corrective action
- Impose sanctions
- Close down an institution

Systematic institution-based and market monitoring and supervision should enable the supervisor to act at an early stage to address regulatory noncompliance and inadequate practices that could pose risks to consumers. Such early interventions help correct undesirable industry trends by setting examples with deterrent effect. These “show-trials” may be even more important in consumer protection supervision than in prudential supervision.

Similarly to prudential supervision, the supervisor should raise concerns with the institution’s senior management or board in a timely manner, and require course correction within a given timeframe or start the procedures to impose applicable sanctions. The supervisor should require the institution to prepare a written correction plan, with a clear timeframe for each corrective action and identifying the person responsible for its implementation. It is crucial that the supervisor monitors implementation closely, through onsite and offsite follow-ups (e.g., progress reports from the institution, onsite visits, and phone calls). A correction plan may include the following, for instance:

- Implementing a new complaints management information system
- Withdrawing certain products from the market
- Training loan agents and other types of staff
- Improving disclosure practices
- Withdrawing and modifying marketing materials
- Changing compensation policies (e.g., commissions to staff or brokers)
- Revising past claims in a certain issue

After conducting inquiries and investigations to determine a suspected regulatory breach or failure to implement a corrective plan, supervisors should take action to apply sanctions such as the following (terms and definitions vary widely from country to country):

- Issuing reprimand letters and private or public notices of violation
- Imposing fines to management or to the institution
- Requiring refunds to consumers
- Restricting approval of new activities or suspending payments to shareholders until a problem is solved
- Barring individuals from management positions in the financial sector

- Pursuing civil action
- Referring the provider to the public prosecutor or other authorities
- Suspending or revoking a license or deregistering a provider

The bank supervisor should consider exerting pressure on institutions by publicizing enforcement actions, if the law permits. This is more commonly used outside EMDEs, but may be useful for all bank supervisors, due to its demonstration effect. Supervisors in the United States, Singapore, the United Kingdom, Ireland, and South Africa, publish their enforcement actions against financial institutions, with regard to consumer protection issues (although prudential issues are more common).

Regardless of the importance of enforcement actions, applying them may be a challenge in some EMDEs. The reasons may be similar to the challenges faced by prudential supervisors, such as lack of support from supervisory management and lack of legal protection to supervisors, but a particular obstacle in consumer protection might be the lack of an explicit legal mandate for the bank supervisor to enforce rules in this area. In the shorter term, bank supervisors lacking an explicit mandate should attempt to persuade institutions to change undesirable practices and make course corrections, rather than imposing formal sanctions. For instance, an institution may be persuaded to change a practice if the supervisor downgrades its prudential risk rating (e.g., in the indicator “internal controls”) based on consumer protection weaknesses. Avoiding the use of sanctions may be a workable solution for a number of EMDEs. Also, publicly communicating expected service benchmarks will help customers evaluate the service they receive and may help them avoid institutions that do not meet consumer protection standards expected by the supervisor.

However, such an approach may be unsustainable in the long run in some jurisdictions, particularly where the bank supervisor does not enjoy sufficient credibility, lacks political support, or has not been able to adequately and timely identify and address a large number of consumer issues, which can generate an outcry by the media. The supervisor will need greater legal security in the long run to use enforcement actions. In such cases, the supervisor should work with the relevant authorities to amend its statutory mandate to explicitly permit the use of enforcement tools for the purpose of consumer protection supervision. In most EMDEs, changing the mandate of a government institution involves legal reforms, and this may be costly and take a long time.

## **2.6 Guidance 6: Standard Supervisory Procedures**

Bank supervisors should have well-designed supervision manuals establishing standard procedures for consumer protection supervision, to increase the consistency and quality of the supervisory review.

Only a few bank supervisors in the EMDEs researched for this Guide have created supervision manuals specifically for consumer protection topics.<sup>29</sup> In the absence of standard procedures, the main guide for an examiner is the regulation itself. The examiner interprets the regulation and decides how to best assess compliance by financial institutions. The shortcoming is that this situation creates excessive room for subjectivity in the assessments, and hence, inconsistency across individual assessment, decisions, and actions. This may create reputational risks for the bank supervisory agency.

Bank supervisors should create well-designed supervision manuals to achieve consistency and quality in consumer protection supervision. Even lacking extensive experience with using standard procedures translated into manuals, most bank supervisors in EMDEs should be able to develop such material, if not for all covered consumer protection topics, at least for the most relevant ones, and make improvements over time.<sup>30</sup>

<sup>29</sup> In some EMDEs, the bank supervisor lacks manuals covering prudential oversight.

<sup>30</sup> Relevance will be determined by an assessment of consumer risks in a given country, vis-à-vis existing regulations on consumer protection topics. This assessment is important to define the supervisory approach and delineate supervisory planning (see [Section 2.2](#) and [Section 2.3](#)).

The scope, depth, format, and level of detail of supervision manuals will vary widely from country to country, and there is no single approach that will work for all EMDEs. Manuals should, in general, describe, in an objective and precise manner, each step of the data-gathering, analysis, decision-making, and communication process for each supervisory tool used in consumer protection supervision, according to the broader goals and policies defined by the supervisory agency. Most commonly, they may be specific to a supervisory topic, such as review of complaints handling by financial institutions, or compliance with disclosure regulations. Alternatively, supervisors may be comfortable with manuals that detail procedures for all consumer protection topics. There is no single approach that is recommended to all EMDEs, although more comprehensive manuals are naturally more complex and require more experience from the team who drafts them. Box 8 gives an example of the possible contents of a manual, for reference only. Other references are found in [Annex 3](#).

**Box 8. Possible content of supervision guides**

1. **References**—manuals or other background material (e.g., previously related examinations)
2. **Objective**—purpose of supervising the topic
3. **Type of analysis**—nature of analysis, such as thematic, especial verification, ordinary (language varies)
4. **Legal basis**—laws and regulations on which the analysis is based
5. **Terminology**—explanation of the terms used in the guide
6. **Documentation/information**—information that needs to be collected and reviewed, and templates that need to be used in the examination, such as examination reports, interview guides, document request, etc.
7. **Offsite analyses**—focus and description of procedures for offsite analysis
8. **Onsite analyses**—focus and description of procedures for onsite work
9. **Communication and reporting**—description of policies and procedures that need to be followed to communicate supervisory findings to the financial institution and to senior supervisors, including the request for any corrective measure. Also describes the policies regarding the examination report, including expected timelines, approval, storage, and sharing.
10. **Follow-up and monitoring**—description of expected procedures to monitor implementation of corrective measures and criteria or observations for next review.

The bank supervisor should make the manuals, as well as other guidance material (e.g., examination reports, decisions, guidance notes, regulatory interpretations, etc.), available to all supervisors, ideally in electronic form (e.g., intranet or shared system). Supervision manuals and guidance material should be constantly updated to incorporate regulatory changes, market dynamics, changes in the interpretation of regulations, changes in supervisory policies, and improvements in the use of supervisory techniques. Bank supervisory management should enforce compliance with established standards.

## **2.7 Guidance 7: Types, Sources, and Quality of Information**

Bank supervisors should use a variety of sources to collect information for supervisory purposes, and make systematic efforts to improve the range, accuracy, and reliability of information over time. At a minimum, the supervisor should collect complaints statistics information regularly, by establishing a standard reporting format for the financial service providers it supervises, and seek market feedback from other information sources.

### **2.7.1 Sources and types of information**

Good information is at the core of prudential and financial consumer protection supervision. It is essential for the planning, execution, and monitoring phases. Bank supervisors should use a variety of information sources for its consumer protection work, such as information already available internally at the supervisory agency, including in other departments; the regulatory returns<sup>31</sup> created for consumer protection supervision purposes; information

<sup>31</sup> Regulatory returns are the information sent by financial institutions to the supervisor, to comply with regulatory reporting requirements.

requested from an institution during a review; information requested from third parties; and information available in the public domain. Table 3 gives some examples of information that could be used for consumer protection supervision.

**Table 3. Potential sources of information for consumer protection supervision**

Information already available at supervisory agency	Regular regulatory returns	Institution's own information requested during review <sup>a</sup>	Information requested from third-parties	Information in the public domain
<ul style="list-style-type: none"> <li>▪ Financial data and performance indicators</li> <li>▪ Complaints lodged with the bank supervisor</li> <li>▪ Enforcement actions underway</li> <li>▪ Previous examination reports</li> <li>▪ Policies and manuals, legal interpretation, and other guidance material</li> <li>▪ Confidential research reports commissioned by the supervisor.</li> </ul> <p style="text-align: center;"><i>Ideally, the supervisor's own information will be available electronically to all examiners.</i></p>	<ul style="list-style-type: none"> <li>▪ Complaints reports and statistics</li> <li>▪ Annual compliance self-assessments</li> <li>▪ Standardized loan fees and charges on a regular basis</li> <li>▪ Fraud and error statistics/reports</li> </ul>	<ul style="list-style-type: none"> <li>▪ Complaints report for internal purposes</li> <li>▪ Reports from Customer Service unit</li> <li>▪ Reports from other internal dispute resolution mechanisms, e.g., internal ombudsman</li> <li>▪ Internal auditor's reports</li> <li>▪ Compliance officer's reports</li> <li>▪ Frauds statistics</li> <li>▪ Written policies and procedures: complaints handling, lending and collection policies, internal audit, fraud risk management, corporate governance, staff compensation, monitoring of outsourced parties, such as nonbank agents<sup>b</sup></li> <li>▪ Internal codes of conduct and ethics</li> <li>▪ Evidence of training to relevant staff</li> </ul>	<ul style="list-style-type: none"> <li>▪ Complaints information by third-party ombudsmen and general consumer protection agencies</li> <li>▪ Statements and reports by consumer associations and industry associations</li> <li>▪ Information about legal claims/court actions related to consumer issues</li> <li>▪ Statistics from credit bureaus (if any)</li> </ul>	<ul style="list-style-type: none"> <li>▪ Annual reports</li> <li>▪ Standard loan agreements</li> <li>▪ Key facts sheets</li> <li>▪ Companies' websites</li> <li>▪ Media reports</li> <li>▪ Marketing materials</li> <li>▪ Public research</li> <li>▪ Codes of Conduct established by industry association</li> <li>▪ Market assessments and analysis by industry association or other</li> <li>▪ Household surveys by government statistics bureau</li> <li>▪ Internet and social networks</li> </ul>
<p><sup>a</sup> Some of these may be subject to regular regulatory reporting to the supervisor in some countries.</p> <p><sup>b</sup> This refers to policies and procedures put in place to manage and monitor third parties providing services on behalf of the financial institution, such as nonbank agents.</p>				

Not all bank supervisors in EMDEs will have access to a lot of information sources. For instance, many EMDEs do not have third-party sources that can provide useful information for supervisory purposes. Consumer research may also have some value for supervisory analysis, although it may be more useful for regulatory purposes. Also, prudential supervisors in EMDEs (and in advanced economies) are typically less familiar with consumer research, which is a relatively new area for policymaking and supervision. In some advanced economies, supervisory agencies may form dedicated departments to undertake consumer research and other research on an ongoing basis (see the [Office of Research of the U.S. Consumer Financial Protection Bureau](#)). Most EMDE supervisors will not have the necessary financial resources to commission consumer studies.

Regardless of the difficulties in accessing a broad range of information sources in EMDEs, supervisors should make use of what is available and work to expand sources, range, and quality of information over time. A priority area should be gathering consumer complaints information. Bank supervisors in EMDEs should request and receive complaints statistics from financial institutions regularly, by creating a standard complaints report template. Such reports are used, for instance, in Canada,<sup>32</sup> Honduras, Malaysia, Mexico, and Peru. Generally, the report template follows a classification system for complaints, according to criteria such as nature, status, channel where the consumer transaction took place, type of product/service involved, etc. The institutions' complaints handling information systems and procedures should be adapted to conform to the template. The use of a common classification method will allow for data aggregation for market monitoring and peer comparisons purposes, and will facilitate the analyses performed by examiners. Some examples, for reference only, are found in [Annex 3](#). Such a classification protocol and information-sharing rules could also apply to any body (e.g., industry association or statutory ombudsman) that deals with financial consumer complaints.

The frequency of the report may vary from country to country according to the level of sophistication of the market, the incidence of consumer problems, the supervisory resources available to handle the information, and the quality of the complaints handling information systems used by financial institutions. A quarterly report is usually adequate in most cases, although some supervisors prefer lower or higher frequency.

Similar to other regulatory returns, good complaint reporting relies on information generated by information systems used by financial institutions, and integrated in the report template with a minimum of manual intervention. This will reduce errors, over- or under-reporting of cases, inconsistent classification of complaints, and duplication of entries.

Not all EMDEs will be able to implement a good complaints reporting scheme immediately. In EMDEs where financial institutions are not required to keep track of consumer complaints or do it manually, the bank supervisor should establish a realistic timeline for the implementation, and do the necessary adaptations in the planned activities to monitor progress. In cases where financial institutions do not have any mechanism in place for receiving and managing complaints, let alone information systems to keep track of them, the supervisor should make this a priority area of improvement. In some jurisdictions, requiring institutions to have effective mechanisms to handle consumer complaints will require regulatory reforms.

## 2.7.2 Quality of information

Any type of information is subject to errors. Supervisors in EMDEs should exercise discretion when using information provided by third parties and in the public domain. The information reported by financial institutions is also subject to flaws, but in this case it is the role of the supervisor to push for improvements in its quality and reliability. In the course of offsite and onsite examinations, supervisors should use at least three techniques to increase quality and reliability of regulatory returns:

1. *Standardization, digital reporting, and automatic validation.* Regularity and standardization of regulatory returns, when coupled with the use of computerized information systems for reporting purposes, reduce the incidence of errors, discrepancies, and inconsistencies. Validation techniques include automatic error spotting by the supervisor's own information system,<sup>33</sup> as well as (manual) comparisons with other sources, previous returns, and other indicators. Supervisors in EDMs may not be accustomed to perform these tasks and may still receive reports in hardcopy, which requires manually inserting the data into a database or another system maintained by the supervisor. This not only increases the probability of errors; it also drains time from supervisors. EMDE bank supervisors should require and receive

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<sup>32</sup> By the specialized financial consumer protection agency, the [Financial Consumer Agency of Canada](#).

<sup>33</sup> In many countries, the reports that do not pass this validation process are automatically rejected by the supervisor's information system, and the institution may be sanctioned by the supervisor.

computerized reports from financial institutions.<sup>34</sup> The reports should be produced automatically, through extraction of data from the financial institutions' information systems.

2. *Onsite validation.* Part of the consumer protection onsite examination should be dedicated to examining how regulatory reports (e.g., complaints reports, fees, and charges) and management reports (e.g., internal auditor's and compliance reports) are produced, and to testing their accuracy, integrity, and transparency. Such examinations can be conducted jointly with specialists in information technology, but much can be done without them if they are unavailable (which might be the case of most low-income countries and many other EMDEs). Examinations include, for instance, simulations of the following:<sup>35</sup>
  - Transactions (e.g., a loan approval, creation of a new client in the system) and complaints, to check the flow of information in the systems and the rules regarding accessibility to the system
  - Errors, by inputting incorrect or inconsistent data into the institution's system, to test its robustness
  - Unauthorized access and changes, to test strength of system access and security rules (lax rules can compromise the validity of the data)
3. *Interviews and meetings.* In addition to testing the knowledge of senior management and the board about the institution's policies and procedures (e.g., regarding complaints handling, loan sales and collection practices, and others), meetings and interviews help identify inconsistencies between corporate opinions and findings of offsite and onsite examinations. For instance, through an interview with management the supervisor may find out that an increase in the number of complaints related to retail agents in one geographic area (spotted during the offsite analysis) results from an error in the system, which was duplicating the actual number of complaints.

As in other areas of supervision, coordination and cooperation among different departments of the supervisory agency is important to generate good information and manage it effectively. When regulatory reports are received by departments other than the supervision departments, failure to coordinate may result in inefficiencies, such as duplicate information requests to financial institutions and incomplete analyses. Supervisors in some EMDEs may also find it useful to coordinate with the general consumer protection agency and other bodies such as third-party recourse mechanisms (e.g., an ombudsman). They may have useful information, including in sectors that are not overseen by the bank supervisor. Where a good level of coordination exists, the supervisor may propose the adoption of a common complaint classification system, so that their statistics are comparable with the supervisor's.

## **2.8 Guidance 8: Feedback into Regulation**

The experience and knowledge gained through the consumer protection supervisory review should feed back into the regulatory process, through proposals for improvements in the consumer protection regulation, as well as into the broader regulatory framework for consumer protection supervision. Similarly, it can inform programs designed to strengthen financial capability of the consumers.

Bank supervisors may pinpoint needed changes in the regulation and legislation, such as improvement, creation, or suppression of requirements, as well as improvements and clarifications in the supervisory mandates, functions, and powers of the bank supervisor. Proposing regulatory changes is an important part of the supervisory cycle and should be done on an ongoing and systematic basis. The improved regulation will, in turn, impact supervisory

<sup>34</sup> In most cases, there is no need to invest in expensive software to deal with issues related to consumer protection. For instance, to store and analyze complaints information all a supervisor may need is a simple MS Excel spreadsheet.

<sup>35</sup> Rather than being considered an extra supervisory procedure or burden, these simulations can serve, at once, the objective of examining the quality of information generated by the institution and another specific objective, such as adherence to disclosure rules during the signing of a loan agreement.

objectives and the strategy to achieve them, including the supervisory tools and techniques used. Effective feedback requires coordination and collaboration among the regulatory and supervisory departments within the bank supervisory agency. In many cases the feedback will also entail interagency coordination, since other bodies, such as the Ministry of Finance, are likely to be involved in designing and approving many of the proposed changes. Insights from the supervision process can also inform financial capability priorities and interventions, and vice versa.

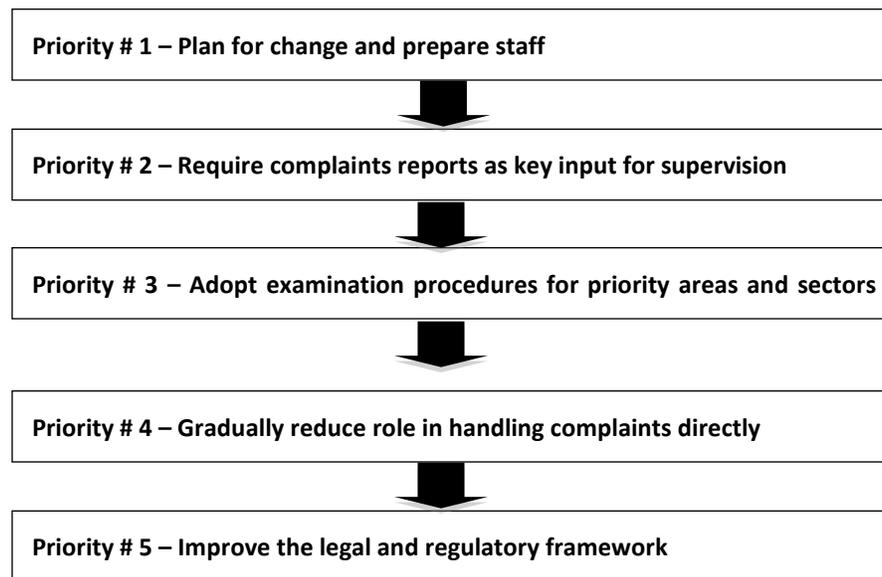
### **3 A Gradual Strategy for Implementing the Guidance**

This guidance describes measures that bank supervisors engaged in consumer protection supervision in EMDEs can adopt, to be more effective and use resources more wisely. However, not all supervisors will be able to implement the whole set of guidance points, at least not in the short term, as they face a variety of practical constraints. Instead, these supervisors should prioritize any strategic, institutional, procedural, and regulatory reforms necessary to implement the guidance. In this manner, they will be able to determine, with better accuracy, the level of effort they are willing and able to dedicate in each stage of development, making improvements at their own pace, according to their own reality, according to well-defined supervisory goals for the short, medium, and long term.

Overall, bank supervisors looking to define such a gradual approach should recognize the benefits of focusing on leveraging their specialized expertise and skills. Since handling consumer complaints strains the capacity of a significant number of supervisors in EMDEs, they should seek ways to ease this burden over time, so as to free up resources that can be allocated to supervision. The assumption is that, as internal complaints mechanisms by financial institutions improve and the supervisor enhances enforcement with higher-quality supervision, more desirable market practices would follow. This is reinforced by the expectation that financial consumers would feel more empowered to seek grievance redress more often, increasing the number of complaints and contributing to a greater control environment over financial institutions.

Note that the priorities in Figure 4 are a simplified view of a complex process. It does not describe all necessary steps and does not consider all the challenges of each step. Also, the priorities may overlap in time. As with the guidance itself, this framework is a reference; it should be fully adapted to each particular context. Individual supervisors may find at times that a completely different list of priorities is more suitable to their own reality as they need to address issues of particular concern.

Figure 4. Priorities for a Gradual Strategy



#### **Priority # 1. Plan for change and prepare staff**

Before guidance or reforms are adopted, it is important for the bank supervisor to carefully evaluate of its own situation. Against that, it should define a long-term goal with respect to consumer protection supervision and what it takes to get there. This assessment should include a thorough review of regulations, the available human and financial resources and expertise, the current market practices, and an evaluation of each of the areas addressed in the guidance. By comparing the defined long-term goal with the current situation, the supervisor will be able to identify the gaps that it will need to address through a number of measures in the short, medium, and long run. It may also find it useful to make adaptations in its long-term goal to avoid having an unrealistic objectives or timelines.

As the goals, objectives, and activities are identified, the bank supervisor should organize internally and train staff that will undertake consumer protection supervision (see [Guidance 4](#)). Based on this broader plan and preparation for change, the bank supervisor should prepare its first annual program to address consumer protection supervision (see [Guidance 3](#)).

#### **Priority # 2. Require complaints reports as key input for supervision**

A key step to improving the quality of consumer protection supervision is to get access to quality information. Because improving complaints handling by financial institutions is a key objective in a gradual approach, bank supervisors in EMDEs should start by requiring financial institutions to report complaints information on a regular basis, following a common format, as described in [Guidance 7](#). The quality of the reports should be reviewed according to [Guidance 7](#). This initial step should lay the ground work for improvements in the complaints channels and procedures put in place by financial institutions and support the adoption of many of the supervisory tools described in [Guidance 5](#).

A new regulatory report usually requires a new regulation, which may be inside or outside the scope of the bank supervisor, depending on the level of hierarchy of the regulation. In many EMDEs, a simple letter-circular or similar document will suffice to create the complaints report.

### **Priority # 3. Adopt examination procedures for priority areas and sectors and expand over time**

It is important to start implementing standard supervisory procedures ([Guidance 6](#)) for priority areas, instead of trying to deal with all consumer concerns at once. Notwithstanding the particular country context, a gradual approach that recognizes the value of improving complaints handling by financial institutions should start the supervisory review in this area. Bank supervisors—which will have increasingly better complaints information—should review the quality of complaints handling mechanisms and processes in priority sectors (e.g., banks). As a first step, the supervisor may focus on examinations (and enforcement to the extent possible) initially and add market monitoring later. Those who are able to start with market monitoring at the same time should do so. In all cases, it is key that good supervision manuals are developed and their use is enforced, and that supervisors choose supervisory techniques that are more familiar to them.

The scope of supervision should be expanded over time, to cover additional providers for the same priority areas, or to other priority areas in the same sectors. This may include other existing regulatory requirements (e.g., disclosure standards), or even new regulatory requirements. Increased expertise and experience will also allow the supervisor to expand the range of tools and techniques used in the supervisory review ([Guidance 5](#)).

### **Priority # 4. Gradually reduce role in handling complaints directly**

As complaints handling by financial institutions improves due to better supervision (and better minimum requirements, should it be the case), the supervisor should gradually reduce its role in handling complaints directly. Although many supervisors in EMDEs are likely to continue playing a role as a third-party recourse for consumers, at least in the coming years, the above steps should help them gradually reduce their role in this respect, and shift supervisory resources to supervisory tools and techniques. They should also consider the options for substituting specialized supervisors with appropriately qualified nonsupervisor professionals (including outsourced personnel) to handle complaints.

It is important that the reduction in the role of the bank supervisor be in tandem with observed improvements by financial institutions and/or the creation of an effective third-party recourse mechanism (e.g., an ombudsman).<sup>36</sup> Also, a necessary measure in this shifting process is undertaking awareness efforts to inform consumers that they can and should file complaints directly with the provider.

### **Priority # 5. Improve the legal and regulatory framework**

While bank supervisors should first start making improvements that do not require regulatory changes, there will be instances where new regulation will need to be crafted or changes will need to be introduced in the regulations or the legislation. With time, the supervisor should seek to propose and support such changes, which might or might not be outside of its full control. When other government agencies are involved, the bank supervisor should coordinate with them. Reforms need not be done all at once. Priorities need to be identified, and a long-term plan for legal and regulatory reforms may be devised and included in the plan described in Priority #1.

Improvements in the regulatory requirements for consumer protection (e.g., disclosure rules and standards for complaints handling by financial institutions) should be based on good regulatory practice<sup>37</sup> and the feedback from supervision (see [Guidance 8](#)). Many EMDEs have only a few consumer protection topics in the regulation, and others struggle with limited supervisory powers to change their approach in consumer protection supervision.

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<sup>36</sup> The specific characteristics of effective third party recourse mechanisms are not discussed in this Guide. There is limited literature on the effectiveness of different models in EMDEs. Some analyses can be found in [Thomas et al 2011a](#), [Thomas et al 2011b](#), and [World Bank 2012](#).

<sup>37</sup> Useful discussion on financial consumer protection regulation in EMDEs can be found in [Brix and McKee \(2010\)](#), [Dias and McKee \(2010\)](#), and [Chien \(2012\)](#).

**Box 9. Potential regulatory reforms in EMDEs to improve financial consumer protection supervision**

-Change statutory mandate of the bank supervisor to ensure consumer protection supervision is not challenged. Include power to use a range of enforcement actions.

-Improve specific regulatory standards, such as the following:

- Minimum common standards for complaints handling channels and procedures
- Standardized disclosure formats in relevant retail products such as loans and deposits
- Marketing and advertising
- Sales practices
- Loan collection practices
- Data privacy and security of electronic transactions, including those performed by retail agents

-Require external and internal auditors to review compliance with consumer protection standards

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## Annex 1: Researched Countries

	Country	<a href="#">World Bank</a> income level classification	<a href="#">IMF classification</a> (EMDE: emerging market and developing economy; AE: advanced economy)	Interview?
01	Argentina	Upper-middle-income	EMDE	Yes
02	Armenia	Lower-middle-income	EMDE	
03	Australia	High-income	AE	
04	Bolivia	Lower-middle-income	EMDE	Yes
05	Brazil	Upper-middle-income	EMDE	Yes
06	Canada	High-income	AE	
07	Colombia	Upper-middle-income	EMDE	Yes
08	Czech Republic	High-income	AE	
09	Dominican Republic	Upper-middle-income	EMDE	
10	Ecuador	Upper-middle-income	EMDE	
11	El Salvador	Lower-middle-income	EMDE	
12	Ethiopia	Low-income	EMDE	
13	Fiji	Lower middle-income	EMDE	Yes
14	France	High-income	AE	Yes
15	Ghana	Lower-middle-income	EMDE	Yes
16	Guatemala	Lower-middle-income	EMDE	
17	Honduras	Lower-middle-income	EMDE	Yes
18	Hong Kong	High-income	AE	
19	Hungary	High-income	EMDE	
20	India	Lower-middle-income	EMDE	
21	Indonesia	Lower-middle-income	EMDE	Yes
22	Ireland	High-income	AE	
23	Kenya	Low-income	EMDE	
24	Latvia	Upper-middle-income	EMDE	
25	Malawi	Low-income	EMDE	Yes
26	Malaysia	Upper-middle-income	EMDE	Yes
27	Mexico	Upper-middle-income	EMDE	Yes
28	Mozambique	Low-income	EMDE	Yes
29	Namibia	Upper-middle-income	EMDE	Yes
30	Nicaragua	Lower-middle-income	EMDE	
31	Pakistan	Lower-middle-income	EMDE	
32	Paraguay	Lower-middle-income	EMDE	Yes
33	Peru	Upper-middle-income	EMDE	Yes
34	Philippines	Lower-middle-income	EMDE	Yes
35	Portugal	High-income	AE	
36	Senegal	Lower-middle-income	EMDE	
37	Singapore	High-income	AE	Yes
38	South Africa	Upper-middle-income	EMDE	Yes
39	Sweden	High-income	AE	
40	Tanzania	Low-income	EMDE	
41	Uganda	Low-income	EMDE	Yes
42	USA	High-income	AE	Yes
43	UK	High-income	AE	Yes
44	Ukraine	Lower-middle-income	EMDE	
45	Venezuela	Upper-middle-income	EMDE	

## Annex 2: Government authorities involved in consumer protection in researched countries

Country	Financial supervisor is engaged in consumer protection supervision? <sup>38</sup>	Is there a specialized financial consumer protection supervisor?	Is there a general consumer protection agency? <sup>39</sup>
Argentina	Yes. <a href="#">Central Bank of the Republic of Argentina</a>	No	Yes. <a href="#">Sub-Secretary for Consumer Defense</a>
Armenia	Yes. <a href="#">Central Bank of Armenia</a>	No	No
Australia	Yes. Australian Securities and Investments Commission	No	Yes. <a href="#">Australian Competition and Consumer Commission</a>
Bolivia	Yes. <a href="#">Financial System Supervision Authority</a>	No	Yes. <a href="#">Vice-Ministry for the Defense of Consumer Rights</a>
Brazil	Yes. <a href="#">Central Bank of Brazil</a>	No	Yes. <a href="#">Ministry of Justice</a>
Canada	Yes. <a href="#">Office of the Superintendent of Financial Institutions</a>	Yes. FCAC	Yes. <a href="#">Office of Consumer Affairs</a>
Colombia	Yes. <a href="#">Financial Superintendence</a>	No	Yes. <a href="#">Superintendence of Industry and Commerce</a>
Czech Republic	Yes. <a href="#">Czech National Bank</a>	No	Yes. <a href="#">Ministry of Industry and Trade</a>
Dominican Republic	Yes. <a href="#">Superintendence of Banks</a>	No	Yes. <a href="#">ProConsumidor</a>
Ecuador	Yes. <a href="#">Superintendence of Banks</a>	No	No
El Salvador	Yes. <a href="#">Financial Superintendence</a>	No	Yes. <a href="#">Consumer's Advocate</a>
Ethiopia	No. <a href="#">National Bank of Ethiopia</a>	No	No
France	Yes. <a href="#">Prudential Supervisory Authority (Banque de France)</a>	No	Yes. <a href="#">Ministry of Economy and Finance</a>
Ghana	Yes. <a href="#">Bank of Ghana</a>	No	No
Guatemala	Yes. <a href="#">Superintendence of Banks</a>	No	Yes. <a href="#">Directorate for Consumer Attention and Assistance</a>
Honduras	Yes. <a href="#">National Banking and Insurance Commission</a>	No	Yes. <a href="#">General Directorate for consumer Protection</a>
Hungary	Yes. <a href="#">Financial Supervisory Authority</a>	No	Yes. <a href="#">Hungarian Authority for Consumer Protection</a>
India	Yes. <a href="#">Reserve Bank of India</a>	No	Yes. <a href="#">Ministry of Consumer Affairs</a>
Indonesia	Yes. <a href="#">Bank of Indonesia</a>	No	Yes. National Consumer Protection Agency
Ireland	Yes. <a href="#">Central Bank of Ireland</a>	No	Yes. <a href="#">Department of Jobs, Enterprise and Innovation</a>
Kenya	Yes. <a href="#">Central Bank of Kenya</a>	No	No
Latvia	No. <a href="#">Financial and Capital Market Commission</a>	No	Yes. <a href="#">Consumer Rights Protection Center</a>
Malawi	No. <a href="#">Reserve Bank of Malawi</a>	No	Yes (inactive). Consumer Protection Department.
Malaysia	Yes. <a href="#">Bank Negara Malaysia</a>	No	Yes. <a href="#">Ministry of Domestic Trade and Consumer Affairs</a>
Mexico	Yes. <a href="#">National Banking and Securities Commission</a>	Yes. <a href="#">Condusef</a>	Yes. <a href="#">Profeco</a>
Mozambique	Yes (being implemented). Bank of Mozambique	No	No
Namibia	No. <a href="#">Bank of Namibia</a>	No	No

<sup>38</sup> The word “engaged” in this column has a broad meaning to include complementary activities such as handling complaints.

<sup>39</sup> It does not include nongovernmental organizations and industry associations, authorities responsible for financial education, advice and counseling, and competition authorities.

Country	Financial supervisor is engaged in consumer protection supervision? <sup>38</sup>	Is there a specialized financial consumer protection supervisor?	Is there a general consumer protection agency? <sup>39</sup>
Nicaragua	Yes. <a href="#">Superintendence of Banks and other institutions</a> and the National Microfinance Commission	No	Yes. <a href="#">Ministry of Industry and Trade</a>
Pakistan	Yes. <a href="#">State Bank of Pakistan</a>	No	No
Paraguay	Yes. <a href="#">Central Bank of Paraguay</a>	No	Yes. <a href="#">Ministry of Industry and Commerce</a>
Peru	Yes. <a href="#">Superintendence of Banks, Insurance and Pension</a>	No	Yes. <a href="#">Indecopi</a>
Philippines	Yes. <a href="#">Central Bank of the Philippines</a>	No	Yes. <a href="#">Department of Trade and Industry</a>
Portugal	Yes. <a href="#">Bank of Portugal</a>	No	Yes. <a href="#">General Directorate for Consumers</a>
Senegal	Yes. <a href="#">BCEAO</a>	No	No
Singapore	Yes. <a href="#">Monetary Authority of Singapore</a>	No	Yes. <a href="#">Ministry of Trade and Industry</a>
South Africa	Yes. South African Reserve Bank and the <a href="#">Financial Services Board</a>	Yes. <a href="#">National Credit Regulator</a>	<a href="#">National Consumer Commission</a>
Sweden	Yes. <a href="#">Financial Supervisory Authority</a>	No.	<a href="#">Sweden Consumer Agency and National Board of Consumer Complaints</a>
Tanzania	No. <a href="#">Bank of Tanzania</a>	No	No
Thailand	Yes. <a href="#">Bank of Thailand</a>	No	Yes. <a href="#">Office of Consumer Protection Board</a>
Uganda	Yes (being implemented). <a href="#">Bank of Uganda</a>	No	No
USA	Yes. Numerous financial supervisors	Yes. <a href="#">Consumer Financial Protection Bureau</a> and specialized sector supervisors, specialized agencies at state level	<a href="#">Bureau of Consumer Protection (Federal Trade Commission)</a> and other authorities
UK	Yes. <a href="#">Financial Services Authority</a> (until 2013)	No. New agency to be implemented in 2013	<a href="#">Office of Fair Trading</a>
Ukraine	Yes. <a href="#">National Bank of Ukraine</a>	No	Yes. State Inspection of Ukraine on Consumer Rights Protection
Venezuela	Yes. <a href="#">Superintendence of Banks</a>	No	Yes. <a href="#">INDEPABIS</a> .

**Source:** desk research and key interviews

## Reference Material from Multiple Jurisdictions

### ***Description of supervisory approaches, supervisory programs, and regulatory guidance***

- Australia: [Good Transaction Fee Disclosure for Bank, Building Society and Credit Union Deposit and Payments Product \(transaction accounts\)](#)
- Australia: [Supervisory Oversight and Response System](#)
- Australia: [Probability and Impact Rating System](#)
- Canada: [FCAC's compliance framework](#)
- UK: [FSA arrow peer assessment](#)
- US: [CFPB Supervision and Examination Process](#)
- Canada: [risk-based insurance regulation](#)
- Mexico: [Condusef's supervision program](#) (in Spanish)

### ***Examination guides, manuals, and other supporting material for line supervisors***

- Armenia: Market Conduct Examination Manual
- Armenia: Market Conduct Risk Matrix
- Brazil: Public version the [Central Bank of Brazil's Supervision Manual](#)
- Hong Kong: [Supervisory Policy Manual](#).
- Hong Kong: [Disclosure](#)
- Hong Kong: [Code of Conduct](#)
- UK: [Complaints handling self-assessment](#)
- UK: [Complaints handling self-assessment note](#)
- Upper-Middle-income country: internal ombudsman supervision program
- US: [CFPB's Supervision and Examination Manual](#)—complete
- US: [CFPB's Consumer Reporting Examination Procedures](#)
- US: [CFPB's Mortgage Origination Examination Procedures](#)
- US: [CFPB's Payday Lending Examination Procedures](#)
- US: [CFPB's Secure and Safe Enforcement for Mortgage Examination Procedures](#)
- US: [FDIC's Compliance Examination Manual](#)
- US: [FDIC consumer compliance rating system](#)

### ***Reporting template***

- Australia: [ASIC Annual Compliance Certificate](#)

### ***Enforcement actions***

- Australia: [Disclosure Continuous Obligations Infringement](#)
- Australia: [ASIC's approach to enforcement](#)
- Canada: [Enforcement measure](#)
- South Africa: [Enforcement measure](#)

- [Mexico: fines imposed on financial institutions](#) (Spanish only)
- [US: OCC orders restitution of \\$2.5 million to customers](#)

### ***Supervision reports, supervisory reviews***

- Ireland: [Mystery shopping—account switching](#)
- Ireland: [Mystery shopping—money transmission](#)
- Ireland: [Mystery shopping—complaints handling insurance](#)
- Ireland: [Mystery shopping—transparency current account](#)
- Ireland: [Review of current account charges](#)
- Portugal: [Synthesis Report on Behavioral Supervision \(Portuguese\)](#)
- UK: [Consumer conduct risk outlook 2013-2014](#)
- [US: market conduct supervisory reports by California Department of Insurance](#)

### ***Memorandums of understanding (MoU) between authorities***

- Australia: [MoU between APRA and ASIC](#)
- Australia: [MoU between APRA and the Australian Competition and Consumer Commission](#)
- Ireland: [Memorandum of Understanding between the Irish Financial Services Regulatory Authority, the Financial Services Ombudsman and the Pensions Ombudsman](#)
- US: [MoU between CFPB and other federal agencies](#)

### ***Online tools and other information made available online by supervisors***

- Australia: [Moneysmart website](#)
- Canada: [Complaints handling search tool](#)
- Ghana: [Frequently asked questions](#)
- India: [Compendium of consumer cases](#)
- [India: Compendium of consumer issues in the banking sector](#)
- [Mexico: Ranking of most complained institutions](#)
- Zambia: [Bank charges](#)
- Singapore: [Money sense website](#)
- [Spain: Contact information of the customer service units at financial institutions \(in Spanish\)](#)
- US: Tools and calculators by the [National Credit Union Association](#)
- [US: “Fighting back against identity theft” website of the Federal Trade Commission](#)
- [US: CFPB’s documents submitted for public consultation](#)
- [US: Guidance to the CFPB’s Ombudsman](#)
- [US: CFPB’s Consumer Complaint Database](#)
- [US: OCC’s consumer help website](#)

### ***Other material***

- Zambia: [Code of Banking—Bankers Association of Zambia](#)