



# CONSUMER PROTECTION CHALLENGES FROM THE DIGITALISATION OF FINANCIAL SERVICES

*Digital transformation in the Euro-Mediterranean area:  
financial inclusion and stability*  
Casablanca, May 17-18 2017

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# Empowerment trilogy for financial consumers

**OECD/INFE (2012)  
High-Level Principles on  
National Strategies for  
Financial Education**

**Financial  
Education**

**G20 (2011) High-Level  
Principles on Financial  
Consumer Protection  
developed by the OECD**

**Financial  
Inclusion**

**Financial  
Consumer  
Protection**

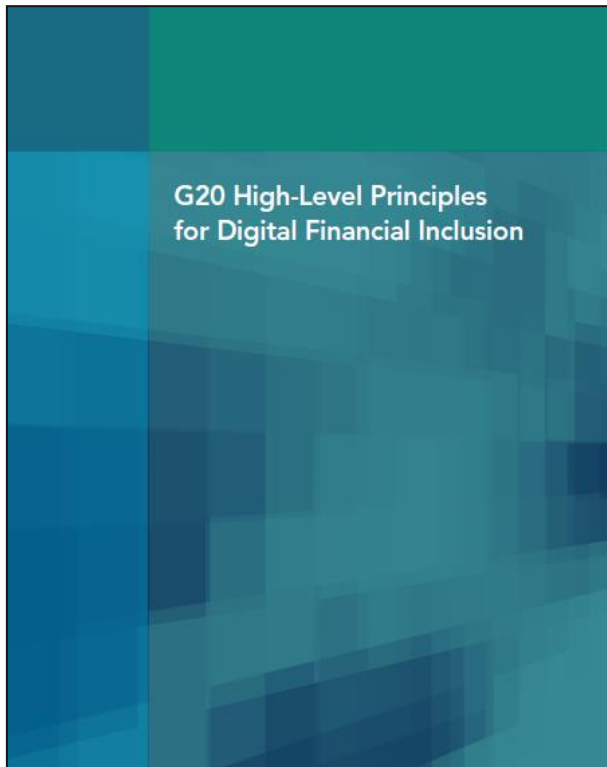
**G20 (2010) Principles  
for Innovative  
Financial Inclusion**

**FINANCIAL WELL-BEING**



# OECD inputs on digitalisation and its implications for policy

**The G20 High level Principles on Digital Financial Inclusion** recognise the challenges for consumers/SMEs from financial protection (#5) and financial literacy angles (#6)



**OECD/INFE highlights (2016) and report (2017)** on financial literacy in a digital age





# Ongoing OECD work relating to consumers and the digitalisation of financial services

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- OECD/INFE
  - New working group on digitalisation and financial literacy
- G20/OECD Task Force on Financial Consumer Protection
  - Ensuring the effective implementation of the G20/High-Level Principles
  - Monitoring risks relating to technological innovation



First challenge:

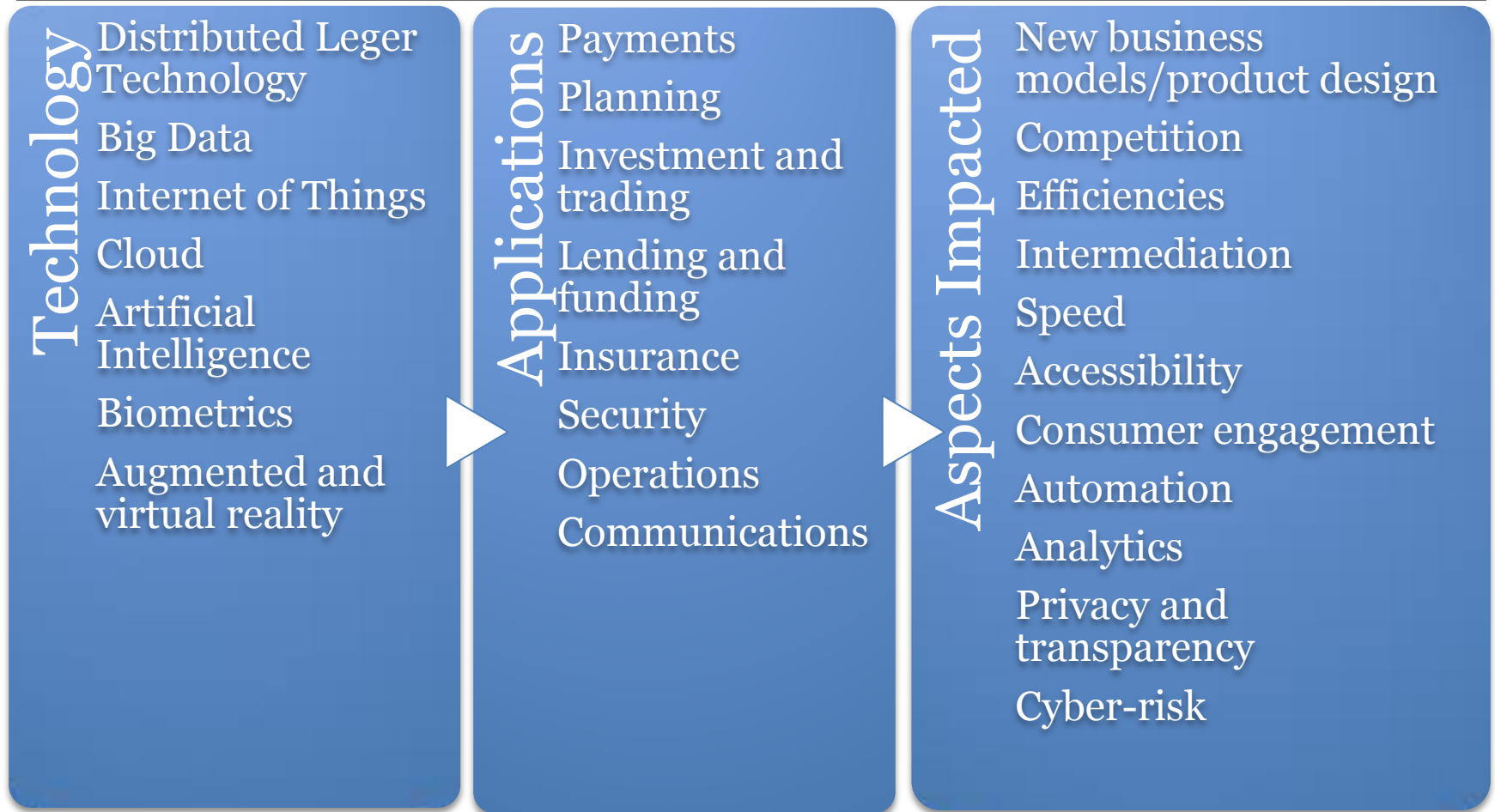
Defining what we are talking about

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- Finance enabled by new technologies
  - What about existing technologies?
- Innovations in financial technology
  - What about new business models?
- FinTech [start-up] companies
  - What about incumbents?
- Innovative business models and emerging technologies
  - Technology vs. application?



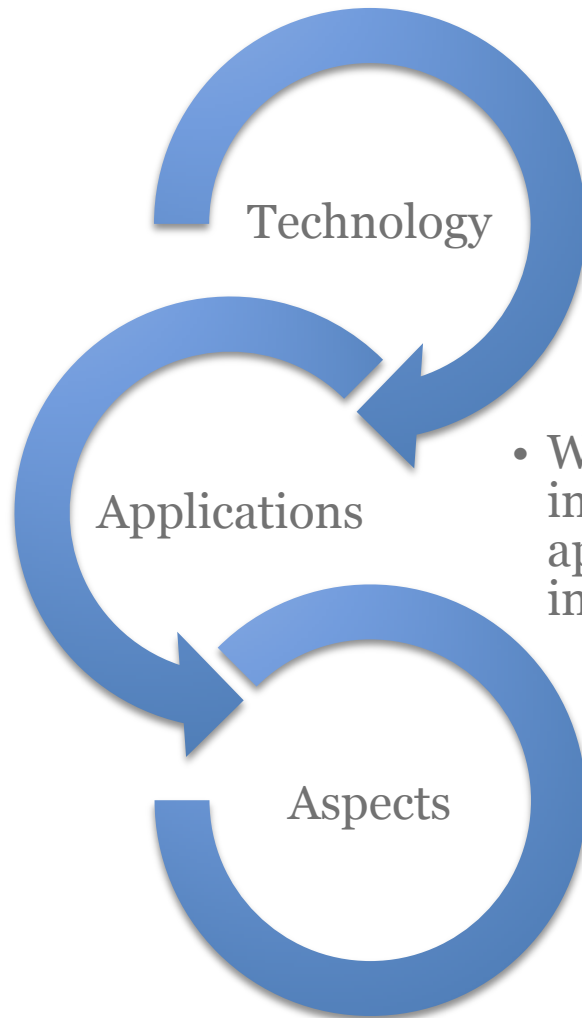
# Making sense of a broad and complex topic...





...to focus on what is important for the policy objective

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- What applications does this technology have, and how can it be used to increase financial inclusion?

- What are the impacts and implications of certain applications for financial inclusion?

- What do the impacts to these aspects mean for our specific objective? E.g. financial consumer protection and financial inclusion



Digitalisation of financial services presents a challenge for ensuring adequate consumer protections

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

1. Legal, Regulatory and Supervisory Framework
2. Role of Oversight Bodies
3. Equitable and Fair Treatment of Consumers
4. Disclosure and Transparency
5. Financial Education and Awareness
6. Responsible Business Conduct of Financial Services Providers and Authorised Agents
7. Protection of Consumer Assets against Fraud and Misuse
8. Protection of Consumer Data and Privacy
9. Complaints Handling and Redress
10. Competition





# 1. Legal, Regulatory and Supervisory Framework

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- Need to allow *new business models* to develop
  - Sectoral boundaries and definitions
  - Proportionality
- Ensure regulations are keeping up with the *speed of change*
  - Monitor emerging business models and how existing regulation should apply
  - Consultation with external stakeholders



## 2. Role of Oversight Bodies

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- Oversight bodies need to allow for *new product and models*
  - Relevant mandates
  - Flexible enforcement
- Keep up with the *speed of change*
  - Ensure adequate staff training and knowledge
- Bear the increased *accessibility* in mind
  - Cross-sectoral and cross-border cooperation



### 3. Equitable and Fair Treatment of Consumers

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- Ensure fairness in *accessibility* to financial services and products
  - Products and services appropriate for targeted markets
  - User-friendliness of business model and consumer support offered
  - Increased access for vulnerable groups
  - Avoid exclusion due to technological literacy



## 4. Disclosure and Transparency

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- Facilitate *consumer engagement*
  - New formats of disclosure
- Ensure transparency of *automated processes*
  - Ensuring suitability of advice
  - Targeted advertising
- Ensure appropriate disclosure for *new products*
  - New risks from new products



## 5. Financial Education and Awareness

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OECD/INFE (2017), *Ensuring Financial Education and Consumer Protection for All in the Digital Age*

- Some initiatives taken
  - Deepen understanding and trust in digital finance through awareness initiatives
  - Alert consumers to the potential dangers of digital finance, including big data
  - Support the beneficial use of DFS through practical knowledge and training
  - Reach out to vulnerable segments of the population
- Opportunities for interactive planning and educational tools
  - Improving access to financial information, advice and training (e.g. through websites, online courses)
  - Developing competencies, confidence and experiences with finance (e.g. through gamification)
  - Enhancing money management skills and control over finances (e.g. through application, budget tools)
  - Addressing consumers' biases (e.g. through self-commitment tools & alerts)



## 6. Responsible Business Conduct

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- Ensure increased *automation* is in consumer interest
  - Assessing consumer needs
  - Staff knowledge and qualifications
- Ensure changes in *intermediation* are managed appropriately
  - Responsibility for authorised agents



## 7. Protection of Consumer Assets against Fraud and Misuse

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- Ensure increased *accessibility* and *speed* does not lead to fraud and consumer detriment
  - Reliance on passwords and identify verification
- Ensure *new business models* have appropriate winding-up procedures
  - Long-term viability of new business models



## 8. Protection of Consumer Data and Privacy

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- Balance consumer *privacy* and need for *accessible* and *efficient* processes
  - Data ownership for use and protection
  - Meeting KYC/AML requirements
  - Access to electronic documentation and consumer records
  - Sharing or simplification of passwords





## 9. Complaints Handling and Redress

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- Ensure *new business models* provide access to complaints handling mechanisms
  - Responsible jurisdiction in cross-border transactions
  - Party responsible for redress



## 10. Competition

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- Ensure that increased *competition* benefits consumers
  - **New competitive pressures**
    - Reduced cost through increased efficiency
    - Increased transparency
    - Consumer experience
    - New markets and increased inclusion
  - **Regulatory barriers to entry**



THANK YOU!  
QUESTIONS OR COMMENTS?

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