Consumer Protection Issues in Digital Financial Services

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The Problem: Financial Inclusion?

Achieving Universal Financial Access by 2020

2 billion people lack access to a transaction account.

Here is the percentage in each focus country:

- China 11.6%
- Indonesia 5.6%
- Vietnam 2.4%
- India 20.6%
- Bangladesh 3.7%
- Pakistan 5.2%
- Nigeria 2.7%
- Egypt 2.4%
- Brazil 2.4%
- Mexico 2.6%

Focus Countries = 73% of the world’s financially excluded

Sources: Global Findex 2014, IMF Financial Access Survey
Main Aims

• Promote dialogue between Financial/Telco regulators

• Raise awareness re role DFS to promote Financial Inclusion and linkage to UN SDGs

• Clarify regulators roles and responsibilities in DFS

• Provide recommendations on selected policy and regulatory issues
ITU FG Digital Financial Services

Better Than Cash Alliance

Bill & Melinda Gates Foundation

Alliance for Financial Inclusion
Bringing smart policies to life

Banco Central do Brasil
Consumers International
MasterCard
Ericsson
UNCTAD
UN Telecom
ISO
Cenfri
Tigo

CGAP
Huawei
Vodafone
Asbanc
Amdocs
Intervale
Good Foundation

ITU-T
Millicom

University of Oxford
ITU FG Digital Financial Services

Unique Forum
Bring together regulators and players from
telecom and financial services sectors
Main Topics

- DFS Ecosystem
- Interoperability
- Consumer Experience and Protection
- Technology, Innovation and Competition
Meetings

• Meetings held in different regions

• 6 deliverables already finalized.

• 6th Meeting
  – 19-22 September, Bank of Tanzania
  – Register online [here](#)

• Last meeting
  – 6-9 December 2016, ITU, Geneva

• Contact FG DFS Coordinator for more info:
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Join Mailing Lists

• Focus Group Digital Financial Services: fgdfs@lists.itu.int

• Working Group Mailing Lists
  – DFS Ecosystem: dfseco@lists.itu.int
  – Consumer Experience & Protection: dfscep@lists.itu.int
  – Interoperability: dfsinterop@lists.itu.int
  – Technology, Innovation & Competition: dfstic@lists.itu.int

More info: ITU FG DFS Website
6 Deliverables Published

- The Digital Financial Services Ecosystem
- Review of National Identity Programs
- Enabling Merchant Payments Acceptance in the Digital Financial Ecosystems
- QoS and QoE Aspects of Digital Financial Services
- Regulation in the Digital Financial Services Ecosystem
- Commonly identified Consumer Protection themes for Digital Financial Services
Regulatory Overlap In DFS

Financial Services Regulator

- AML + KYC
- Settlement
- Payment licenses
- Micro loans
- Deposit
- Insurance

Telecom Regulator

- Open Access
- Dispute Res.
- Pricing
- Competition
- Consumer Protection
- Costs
- Network Integrity
- QoS
- SIM Registration

Regulatory Overlap In DFS
**DFS Value Chain Players**

- **Consumer**
  - Unbanked
  - Low literacy
  - Needs easy to use DFS application in local language

- **Agent**
  - Controls interaction with consumer
  - Agent behaviour can impact consumer trust

- **MNO**
  - Controls access to the telecom infrastructure
  - Direct impact on the quality of service and consumer experience of DFS

- **DFS Provider**
  - Agent behaviour can impact DFS provider
  - Provide mechanisms to address consumer complaints
  - Provide dispute resolution mechanisms
Consumer Protection Issues

Main Risks

- Protection of trust accounts
- Fraud
- Dispute Resolution
- Alternative Recourse
- Transparency
- Disclosure of Information
- Data Privacy
- Security of the network
- Agent behaviour
- User Errors
- Network Downtime

12 ITU Digital Financial Services Focus Group
Consumer Experience and Protection WG

• Regulatory Review of Consumer Protection Framework
  – Conducted by University of Washington
  – Covered 22 developing countries
  – Analysed the regulation and mobile money guidelines

• Regulatory principles for Consumer Protection
  – Compiled from issues identified in the regulatory review +
  – Best practices from international organizations (ie. World Bank, Alliance for Financial Inclusion, CGAP, Better than Cash Alliance, GSMA...)
  – Framework for regulators to introduce DFS consumer protection guidelines/regulation
Regulatory Review of Consumer Protection

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

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

6 Pillars

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

More info: ITU FG DFS Website