



# Regulator Dialogue on Strengthening Consumer Protection

## Key Highlights and Takeaways

4 June 2024

Manila, Philippines



# Contents

<b>03</b>	<b>Acknowledgement</b>
<b>04</b>	<b>About Cerise+SPTF</b>
<b>06</b>	<b>Introduction</b>
<b>07</b>	<b>Background to the Dialogue</b>
<b>09</b>	<b>Dialogue Framework</b>
<b>11</b>	<b>The Dialogue: Highlights and Takeaways</b>
<b>12</b>	<b>Culture</b>
<b>15</b>	<b>Capability</b>
<b>18</b>	<b>Collaboration</b>
<b>22</b>	<b>Market Conduct and Consumer Protection: The Case of Zambia</b>
<b>25</b>	<b>Feedback From Dialogue Participants</b>
<b>27</b>	<b>Annex 1: Dialogue Participants</b>



**Walking the talk on the triple bottom line.  
First, do no harm. But don't stop there.**



# Acknowledgement

Cerise+SPTF extend our sincere gratitude to the Asian Development Bank (ADB) for their generous funding and support, which made the Regulator Dialogue on Strengthening Consumer Protection possible. This initiative was crucial because it brought together key stakeholders from every region of the world to share insights and strategies for strengthening consumer protection regulation in the financial sector.



Cerise+SPTF extend our deep appreciation to The Grand Duchy of Luxembourg, through its Ministry for Development Cooperation and Humanitarian Affairs, and the Agence Française de Développement for supporting our work on consumer protection and outreach with regulators. Their dedication to advancing financial inclusion and consumer protection is invaluable.

Cerise+SPTF is grateful to all the participants, who represent the central banks, financial regulatory bodies, and consumer associations from around the world. Their active participation, expertise, and willingness to engage in meaningful discussions contributed to the success of the dialogue. We acknowledge the key

roles played by governments and regulatory authorities of the participating countries. Their commitment to improving consumer protection through collaboration and shared learning is a testament to their dedication to building more inclusive and equitable financial systems.

Special thanks to Nitin Madan (SPTF's Director for Responsible Inclusive Finance Facility for Southeast Asia) for designing and facilitating the dialogue; Laura Foose (Executive Director SPTF), and Ally Ryder (Manager of the Consumer Protection Pathway, SPTF) whose tireless efforts in organizing and facilitating this dialogue were critical to its success.

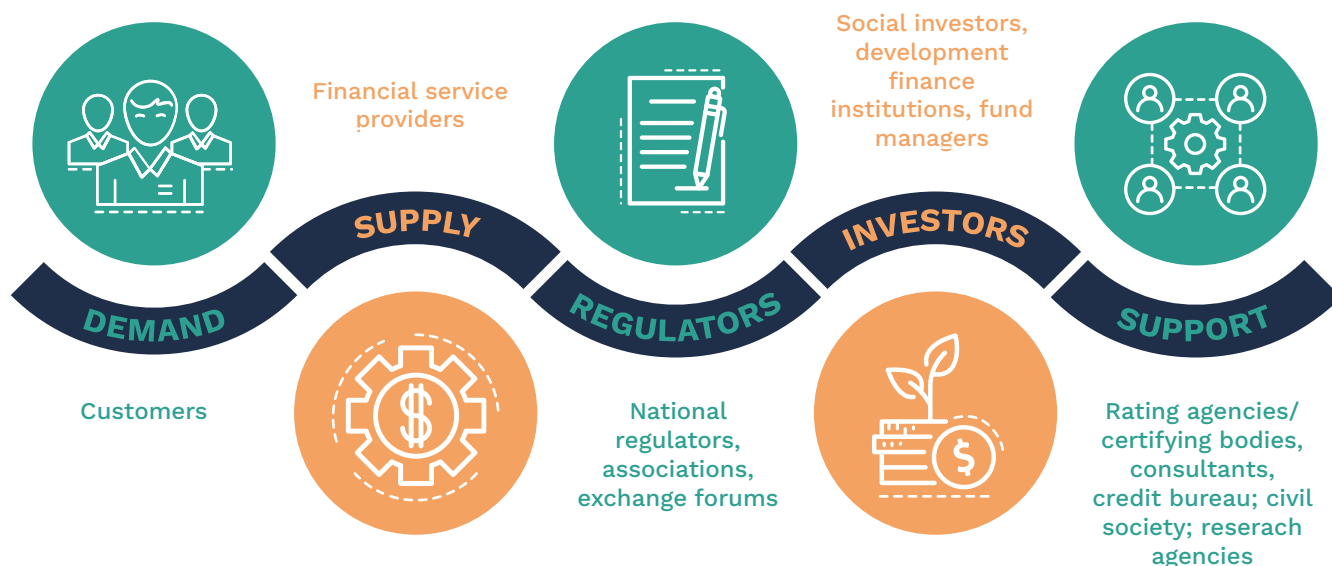


# About Cerise+SPTF

Cerise+SPTF brings together the combined expertise of two leading global organizations dedicated to social and environmental performance management—a business approach that prioritizes people and the planet in every decision. Our signature product, the Universal Standards for Social and Environmental Performance Management, has defined best practices in financial inclusion since 2012. We offer a range of tools—including audits, self-assessments, data benchmarking, technical assistance financing, and working groups—all designed with input from inclusive finance stakeholders.



Cerise+SPTF engages with stakeholders across the value chain, recognizing that for responsible inclusive finance to succeed, every actor must contribute. Financial literacy alone isn't enough without access to appropriate services, good intentions from providers need to be backed by effective tools, and strong regulations need expert assessment for compliance. We ensure that these elements work together effectively:



#### DEMAND SIDE

We are working to bring the voice of the customer to the table. This includes projects on strengthening customer empowerment in Cambodia, Philippines, and Uganda.

#### SUPPLY SIDE

Our signature product, **the Universal Standards for Social and Environmental Performance Management**, is the roadmap for financial service providers to turn their good intentions into actions—and impact. Financial service providers work towards applying the Standards, and we work continually on **tools that help that process**.

#### REGULATORS

We provide strategic counsel to strengthen regulation on consumer protection. We also share global best practices on regulation and consumer protection. Multiple regulators have adopted our standards and indicators in their supervision tools.

#### INVESTORS

Ensuring that their partners and clients are implementing the accepted global standards via the use of covenants. Our **Social Investor Working Group, or SIWG**, consists of the leading impact investors in inclusive finance.

#### SUPPORT

Cerise+SPTF maintains the **SEPM Pros network** of qualified experts to help financial service providers in implementing social and environmental performance management, and chart the path to success. Cerise+SPTF manages facilities to co-fund projects, and oversees the methodology for the **Consumer Protection (CP) Pathway**.



# Introduction

On 04 June 2024, Cerise+SPTF hosted a pivotal regulator peer-exchange session in Manila, on exploring how regulation can ensure effective consumer protection. Funded by the Asian Development Bank (ADB), this event brought together representatives from diverse nations, including Cambodia, the Philippines, Indonesia, Laos, Mongolia, Vietnam, the Dominican Republic, Ecuador, Jordan, Egypt, Zambia, and Uganda. See Annex 1 for a list of participants.



This workshop aimed to foster dialogue among central bankers on three crucial aspects: exploring challenges in consumer protection, formulating effective policy responses, and enhancing the monitoring and supervision of consumer protection measures. The 3Cs – Culture, Capability and Collaboration – defined the framework for facilitating the Regulator Dialogue for Strengthening Consumer Protection (the Dialogue).

The Dialogue encompassed diverse stakeholders, including regulators, consumer voices from Consumer’s International and experts from Cerise+SPTF, reflecting a comprehensive market systems approach. The event facilitated a rich exchange of experiences and strategies among

countries confronting consumer protection challenges, focusing on practical lessons and policy innovations to advance consumer protection and financial inclusion.

Participants emphasized integrating consumer protection into corporate governance, empowering consumers in the financial ecosystem, and ensuring effective supervision and enforcement. The Dialogue also underscored the value of peer learning, collaboration, and the utilization of data analytics to enhance regulatory outcomes for consumers of financial services. This workshop laid the groundwork for ongoing collaborative efforts (albeit informal for now) to strengthen regulatory frameworks and promote consumer-centric financial practices across different regions.

# **Background to The Dialogue**

The inclusive finance sector has witnessed several crises and systemic challenges since the early 2000s. While the geographies (Central America, South Asia, Southeast Asia) may differ, the root causes of the crisis are over-indebtedness and aggressive sales/ collection practices.



Interestingly, this occurs despite several institutions and systems established by regulators and financial service providers (FSPs) to promote consumer protection. These include grievance redressal mechanisms, cashflow-based lending, emphasis on transparency, checks on usurious pricing, and financial literacy programs. Add to this the substantial funding provided to develop global institutional structures for capacity building and improving regulatory and FSP processes, and it does prompt the obvious question: Why do markets continue to experience consumer protection challenges for which mitigating regulation and structures exist?

Reflecting on the question leads to the observation that the causes are often manifestations of ineffective regulation, inadequate corporate governance oversight of consumer protection topics, and low levels of customer empowerment. While the solutions may appear straightforward—such as building the capacity of FSP board members to ensure proper implementation of consumer protection practices—this alone is not enough. At Cerise+SPTF, we believe that this approach, though important, is insufficient to drive lasting changes in an FSP’s governance effectiveness concerning consumer protection oversight.



CERISE+SPTF’S DEEP ENGAGEMENT WITH MULTIPLE STAKEHOLDERS GLOBALLY REVEALS THAT THE ROOT CAUSES OFTEN LIE IN THE LACK OF:



An organization **culture** that puts the client at the center of the effort



Sufficient **capability** (skills and/or understanding) among certain key players



Effective **collaboration** between stakeholders

These gaps impact **customer-centricity** in the FSPs. Despite regulation, consumer protection can often be reduced to a check-the-box exercise instead of a way of doing business, resulting in poor consumer protection outcomes for consumers of financial services.

For example, while FSPs and central banks have increasingly implemented customer grievance redressal mechanisms, they need to use grievance data more effectively to improve processes, products, and regulations. The weakest link is the inclusion of consumer voices in the design of customer processes. Regulators and FSPs often fail to engage deeply with customer data to extract insights, overlooking critical customer perspectives during board discussions on protection and risk management or when central bankers draft regulations.

# Dialogue Framework

The 3Cs form the base of a customer-centric approach, wherein institutional culture (i.e. commitment) promotes customer centricity, all actors have the necessary capability to ensure FSPs serve customers responsibly, and structured mechanisms exist to ensure effective collaboration among all the stakeholders. The goal of the Dialogue was to create a safe, peer-driven space for regulators to exchange ideas and explore best practices for strengthening regulatory actions related to the 3Cs and consumer protection.







Before the session, participating regulators ranked the consumer protection challenges in their markets (see adjacent box for responses). The top three responses were customer over-indebtedness, DFS fraud, and effective corporate governance.

At the start of the Dialogue, regulators identified stakeholders – demand (customers), supply (FSPs and investors/ lenders), or regulators - at the root of the challenges. For most of the challenges, regulators identified supply and regulatory issues as the main contributors. The ranking of challenges and the stakeholder identification exercise established the basis for sharing examples among regulators.

Regulators collaborated in an interactive game – Marshmallow Challenge - an icebreaker to foster teamwork and problem-solving and set the stage for the 3Cs. The activity highlighted the need for structured collaboration, considering outcomes of a plan before execution (i.e., outcomes-based regulation) and designing for a purpose (i.e., who is regulation intended for and what insights emerge from customer segmentation data). It helped establish a shared sense of purpose amongst participants.



### CONSUMER PROTECTION CHALLENGES (ranked by most critical)

- |  |  |
|--|--|
| <p><b>1.</b></p>  <p>Customer over-indebtedness</p>                  | <p><b>2.</b></p>  <p>DFS fraud</p>  |
| <p><b>3.</b></p>  <p>Effective oversight by corporate governance</p> | <p><b>4.</b></p>  <p>DFS transparency and responsible pricing (equal ranking)</p> |

One of the key takeaways from this exercise was the need for a strong foundation and framework for effective planning and execution. The importance of engagement and collaboration in executing plans also prominently emerged. Participants acknowledged that working together and adapting is crucial, even when initial plans do not work as intended. Collaboration and peer learning across different contexts were also encouraged. Participants emphasized the need to consider the desired outcomes of their plans and regulations, particularly for the end-users and other stakeholders. Understanding the target segment and monitoring and adjusting approaches based on feedback were stressed. The discussion highlighted the importance of keeping customers and their well-being at the center of financial services and regulations.

The marshmallow challenge exercise helped set up the subsequent Dialogue around the 3Cs in relation to responsible inclusive finance.



## The Dialogue: Highlights and Takeaways

A significant portion of the Dialogue revolved around collaboration between multiple stakeholders, including between the different departments within a regulatory body. The Dialogue addressed aspects of culture and capability due to the strong interdependence between the 3Cs. The highlights and key takeaways are presented below based on the discussion around the 3Cs framework.



## CULTURE (COMMITMENTS)

THE KEY TAKEAWAYS FROM THE COUNTRY EXAMPLES OF CULTURAL CHANGES ARE:



Law changes culture.



Adopt a proactive approach and incorporate customer voices into the design phase of regulation and monitor the implementation of that regulation.



Tailor communication strategies and educational programs to align with a community's local customs, language, traditions, and social norms. By doing so, organizations can make financial education and customer information more relatable, understandable, and impactful for the local population. This approach helps improve the community's financial knowledge and decision-making skills by presenting information that resonates with their everyday experiences and cultural context.



Emphasize positive reinforcement over punitive action to build and sustain FSP commitment to effective consumer protection implementation.

The Bangko Sentral ng Pilipinas (BSP) together with other financial regulators, pushed for the passage of a new Financial Consumer Protection Act in the Philippines that impacted the culture around consumer protection. The law provides a robust legal basis for enforcement, including adjudication powers and penalties for non-compliance. The threat of punitive action alone does not change the culture.

The BSP adopted an approach of positive reinforcement and worked to change the mindset of stakeholders, emphasizing consumer protection as a shared responsibility beyond just compliance. The effort included regular meetings with industry associations, communication plans, interagency coordination, and consumer education initiatives. Engagement helped stakeholders understand their role within the framework established to promote strong consumer protection. BSP has witnessed a noticeable shift in the FSPs' behavior, as

they are now more responsive to consumer complaints and regulatory requirements.

In Cambodia, the National Bank of Cambodia (NBC) is redrafting the regulation on corporate governance to mandate that all regulated FSPs have a Board Consumer Protection Committee. The new regulation will require FSP boards to actively consider customer insights related to customer-level transparency, fair collection practices, and grievance redressal.

The Central Bank of Jordan (CBJ) has issued instructions titled "Microfinance Consumer Protection for MFIs," based on the Model Law on Financial Consumer Protection. This framework is designed to strengthen the principles of financial consumer protection. The CBJ has fully integrated the Model Law into its regulations, addressing various aspects of consumer protection, including the design of appropriate products and processes.

## CRITICAL ELEMENTS OF THE INSTRUCTIONS INCLUDE:



### DESIGNING PRODUCTS/SERVICES

MFIs are required to put in place written rules and procedures for the design of products and services which mitigate the risks of over-indebtedness, concentration of an MFI core business on consumption loans, providing loans/financing for productive purposes but used for consumption purposes, as well as consumers' exposure to high legal risks.



### DISCLOSURE AND TRANSPARANNCY

Provision under this requires MFIs to provide consumers with a Key Facts Statement of the Product/Service prior to signing the contract. After signing the contract, the MFIs must obtain a signed confirmation from consumers and guarantors that they have fully read and understood the clauses of the contract and all its supplementary documents and provide consumers with the signed Key Facts Statement of product/service offered. All contracts and templates should be drafted in plain and legible Arabic language, avoiding misinterpretation of clauses of the contract.

CBJ has issued the Internal Procedures for Handling Consumers' Complaints of Financial and Banking Services Providers which requires reporting and analysis of the complaints received by FSPs. CBJ views the analysis as market intelligence, not just compliance and reporting to the regulator. The CBJ emphasizes that FSPs should convert client feedback into insights and incorporate them into product design processes.

Going beyond consumer protection or 'do no harm', the CBJ has also incorporated in regulation elements related to 'doing good' or ensuring positive client outcomes. CBJ has adopted 'Social performance indicators for the microfinance sector' to be part of its supervisory tools by embedding social performance management in the onsite supervision manual and the offsite reports. Three social goals are emphasized: who (target population, outreach), how (meeting

customer need), and why (producing benefits for customer and change in their lives).

The Dominican Republic (DR) offers an innovative example of how to change customer behavior. Women FSP customers were either unaware of their right to present complaints to the FSP and the Superintendency of Banks or filed them incorrectly, leading to complaint rejection. This resulted in a considerable gender gap (35%) in complaints filing. The Superintendency used its behavioral lab (SB Lab) to incorporate customer insights and developed behavioral nudges into its financial education communication campaign that used social media and other platforms such as blogs, webinars, and financial guides. These nudges helped empower women and obliquely addressed the two issues mentioned above, resulting in the narrowing of the overall gender gap to 10% and the

1. Refer to Cerise+SPTF Outcomes Working Group (<https://cerise-sptf.org/outcomes/>) for more details on best practices and outcomes indications definitions at an FSP level which can be adopted in regulation.

overall complaint result gap to 8%. The Superintendency collects information of the FSP complaints handling process and communicates quarterly to the public on total complaints, resolution outcome, related amount, and product type. The public information is sex disaggregated. There are punitive actions in case the FSP does not respond to complaints, however, the Superintendency emphasizes good practices (also preferred by FSPs) that help nudge FSP peers towards practices the regulator views as essential for effective client protection. The Superintendency also engages in direct data collection from FSP consumers and communicates feedback to FSPs.

Nicaragua established the Comision Nacional de Microfinanzas (CONAMI) to oversee and advance the microfinance sector. In 2015, it began formulating guidelines for the national microfinance law with input from an expert in social and environmental performance management, using the Cerise+SPTF's Universal Standards framework.<sup>2</sup> The law mandates compliance with Universal Standards' Dimensions 1-5. CONAMI introduced FOPROMI, funded internationally, to reward compliant financial service providers with preferential financing rates based on SPI scores of 75% or higher.<sup>3</sup> While CONAMI can penalize non-compliance, its focus remains on incentivizing adherence. It also supports responsible practices through free training sessions for FSP staff on client protection and social performance, benefiting nearly 200 professionals as of May 2023.

Since the Universal Standards are the framework for implementing the national



microfinance law in Nicaragua, CONAMI plans to update the existing guidelines for its regulated FSPs. For example, the current implementation guidelines only include the first five dimensions of the second edition of the Universal Standards. CONAMI is working to update those guidelines to include the new consumer protection standard on governance and the new dimension on environmental responsibility.<sup>4</sup>

During Nicaragua's 2018 political crisis, international investors withdrew from the country's microfinance institutions, impacting funding availability for FOPROMI and incentives for good practices. Facing resource shortages, CONAMI's President reached out to departed social investors, urging them to reinvest in FSPs with top scores on CONAMI's regular SPI audits. Though less robust than FOPROMI, this effort reassured FSPs of the regulator's commitment to rewarding excellence in practice. The outreach demonstrated to the FSPs that the regulator wanted to help reward good practices.

2. Universal Standards for Social and Environmental Performance Management ("the Universal Standards") is a comprehensive manual of best practices. They help financial service providers put clients and the environment at the center of all strategic and operational decisions, and they show financial service providers how to align their policies and procedures with responsible business practices. Dimension 1: Social Strategy; Dimension 2: Committed Leadership; Dimension 3: Client-Centered Products and Services; Dimension 4: Client Protection; Dimension 5: Responsible Human Resource Development; Dimension 6: Responsible Growth and Returns; Dimension 7: Environmental Performance Management

3. SPI is an online platform that hosts the Cerise+SPTF Universal Standards assessment tool which offer a 360° review of an FSPs social and environmental management practices and assigns a score to each dimension. FSPs can use this tool for gap assessment and action planning on their social and environmental performance.

4. Third and latest edition of the Universal Standards (2022)

## CAPABILITY

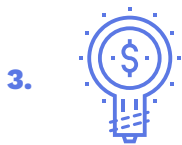
### THE COUNTRY EXAMPLES MAINLY HIGHLIGHT:



It is essential to go beyond just having regulations and work (capability enhancement) with relevant stakeholders (demand and supply side) to ensure they are equipped to adhere to the regulatory guidelines.



Financial literacy is evolving into customer empowerment, shifting the focus toward engaging with consumers during key teachable moments. Several pilot programs are currently underway in various countries to support this approach.



While financial resources are limited for building capability, innovative models are needed (and do exist) to fund consumer protection initiatives in each national market, especially financial education and customer empowerment programs.

The National Bank of Cambodia (NBC) collaborated with the microfinance and banking associations and Cerise+SPTF to conduct ten workshops on the role of corporate governance in effectively implementing consumer protection. These workshops resulted from NBC's concern with the levels of profitability and CEO incentives in some system-critical FSPs in Cambodia (especially during the COVID-19 pandemic) and ineffective corporate governance/oversight on consumer protection. These workshops drew on the links between consumer protection and risk management to establish the need for oversight of consumer protection and demonstrate what should be monitored by FSP boards.

In Egypt, calls for interest rate caps had gained traction as the nominal interest rates charged by MFIs, who often benchmarked against local competition, had exceeded 60%. The Financial Regulatory Authority (FRA) analyzed 70 countries and advised against caps, citing potential harm to customers and the financial sector. Instead, the FRA proposed responsible pricing regulations

(effective from August 2022) ensuring customer affordability and FSP sustainability. Microfinance institutions now adhere to risk-based pricing, categorizing customers using qualitative and quantitative data. The administrative fee is capped at 5%, and FSPs must submit pricing policies based on a regulated formula to the FRA, facing penalties for discrepancies.

Building legislature understanding was essential for successfully passing the new responsible pricing regulation, but implementing the regulation required capacity development of FSP staff. The FRA initiated capacity-building programs for specific FSP staff (e.g., Credit Managers, Internal Auditors, Chief Financial Officers, and Risk Managers) to calculate loan pricing based on the new formula and determine each customer's risk level. The current average interest rate in the market is now under 35%. Regulatory intervention was successful in ensuring responsible pricing at a time when inflation and frequent currency devaluation put pressure on interest rates in Egypt.

Efforts in Cambodia and Egypt focus on enhancing the supply side and regulatory capabilities. In Cambodia and the Philippines, regulatory efforts are strengthening customer empowerment, shifting from financial literacy to initiatives enabling FSP customer choice, voice, respect, and control in accessing financial services. Financial literacy also follows the provider's timetable rather than being delivered when customers experience disempowerment. To address these gaps, some programs now emphasize 'teachable moments'—tailoring education to specific needs for practical application and effective capability-building.

In 2023, Cambodia's NBC, in collaboration with the banking and microfinance associations and Cerise+SPTF, launched the Safe Finance pilot initiative. The initiative consists of three key components. The first focuses on basic financial literacy. Building on this, the second component extends to customer empowerment, equipping customer with the knowledge to make informed financial decisions, while ensuring they have a voice and feel confident using it. This enables them to take control of their financial health and feel respected in their interactions with FSPs. The final component centers on achieving better consumer protection outcomes, which is the primary goal of this ongoing pilot. Training is provided to local government staff on the content of the pilot program, which they then deliver to groups of people from selected villages in four provinces across Cambodia.

The Philippine government's Department of Trade and Industry (DTI), the national network for microfinance institutions (Microfinance Council of the Philippines), and Cerise+SPTF are piloting a similar customer empowerment effort. This pilot exclusively worked on the choice dimension of customer empowerment (what my choices are with respect to FSPs and their products/policies and what these choices mean for my/my family's

financial health). Community members who approached the DTI for documents before taking a loan were provided with a loan decision-making tool and asked to shop around with FSPs and complete the tool. They shared their findings and experiences in structured peer exchange sessions. The community members who were part of the program report positive choice-related outcomes regarding holding back on taking new loans to avoid over-indebtedness and a greater understanding of how existing credit has impacted their financial health.

In 2015, the World Bank financed a project to support Nicaragua's national microfinance regulator, CONAMI, by developing regulatory guidelines and providing training on Cerise+SPTF Universal Standards for Financial Service Providers. This included role-specific workshops organized by the World Bank and SPTF. In 2017 and 2023, CONAMI partnered with SPTF for SPI audit tool training, involving a 3-day session and 12 months of remote guidance. About 20% of CONAMI staff became certified social auditors, enhancing their ability to evaluate FSPs holistically. CONAMI remains committed to strengthening in-house social audit capacity. In 2023, they conducted additional auditor training and trained over 120 FSP staff on Universal Standards and social and environmental performance.

In Ecuador, one of the priority topics in the national strategy for financial inclusion is consumer protection and the government plans to build capacity among the various regulatory authorities' staff on these topics. Simultaneously the government will be implementing programs to improve the quality, content, and coordination of the financial education programs already in place for the end customers.

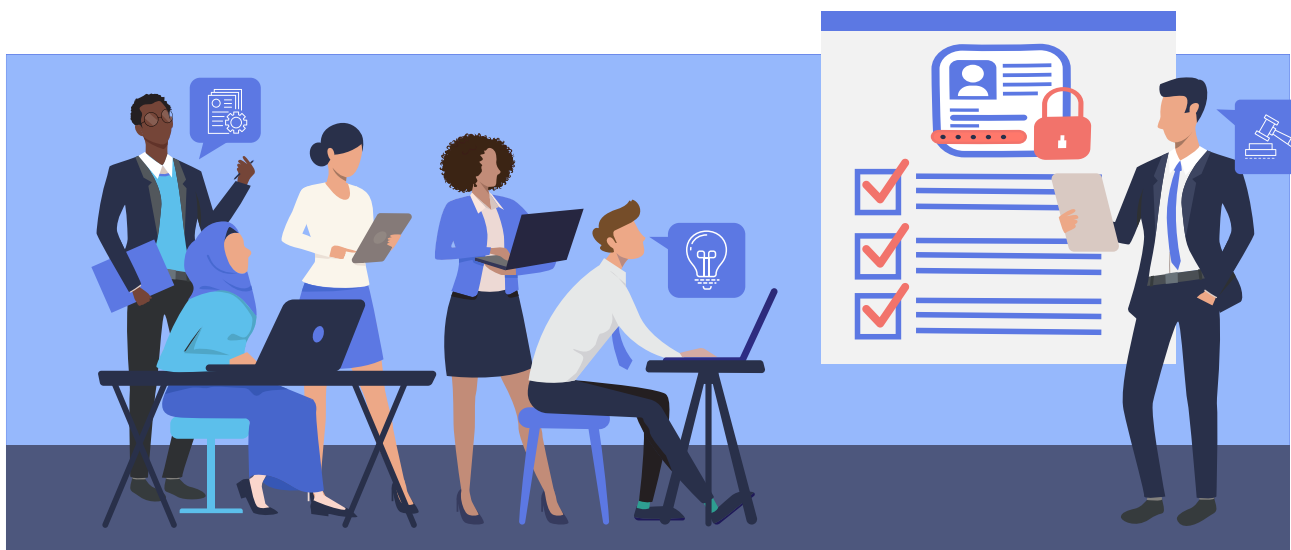
A key issue in many capability programs is a lack of financial resources, which inhibits these programs from reaching scale. Uganda offered an example of a way to marshal

resources to support its inclusion goals in its communications space: The country has a Universal Access Fund to which all licensed communication service providers contribute a percentage of their Gross Annual Revenue. The rate is usually in the range of 1 to 2 percent. The fund then facilitates providing services to areas or communities considered unprofitable, hard-to-reach, or underserved. In Uganda the fund already supports awareness programs on DFS safety. This model can be adopted in the financial regulation space, especially digital finance services that includes communications and financial services. Cerise+SPTF has recommended a similar model for Cambodia, which is currently under consideration. The model requires that FSPs should create a fund, managed by the banking and microfinance associations and drawing from the net profits of FSPs, for strengthening consumer protection. Activities to be funded include consumer protection assessments that can also be used by the regulator to assess market conduct and strengthening consumer empowerment.

In 2021, the World Bank supported Cerise+SPTF in conducting training to strengthen the capability of several actors in the Egyptian inclusive finance sector as part of their national project on consumer

protection. Cerise+SPTF provided a three-day training on consumer protection standards to the staff of the regulatory bodies, the national network, and 15 FSPs (banks, NBFIs, and NGOs). The classroom training was followed by a practical phase to build skills among the staff of the FSPs, enabling them to apply their training directly within their institutions. Ten interested FSPs chose to conduct a consumer protection self-assessment to gauge their current level of implementation of the consumer protection standards and develop action plans to implement practices, benefiting from coaching from the experts at Cerise+SPTF along the way.

As a follow-up, in 2024, IFC offered its investee institutions (some were part of the World Bank project) support so that Cerise+SPTF trained assessors could conduct an external consumer protection evaluation to ensure these FSPs are ready to pass consumer protection certification. Similarly, Sanad/Finance in Motion hired Cerise+SPTF to conduct a two-day training on consumer protection standards and relevant regulations in Egypt to build capacity among 15 investees. This example illustrates how the resources to build capacity in a local market can come from various national and international stakeholders.



## COLLABORATION

The area of collaboration received the most attention from the regulator.

### KEY TAKEAWAYS ON THIS AREA INCLUDE:

1.



Collaboration is key to ensuring effective consumer protection. In a multi-stakeholder environment, the emphasis should not be on defining who is responsible for specific tasks, but rather on focusing on the ultimate goal. The success of client protection relies on shared responsibility and a unified effort toward the end result.

2.



Collaboration helps leverage resources, expertise, and authority to create impactful regulatory frameworks and responses to market inefficiencies.

3.



Multi-stakeholder collaboration should be formally structured. Memorandums of Understanding (MoUs) and regular interagency meetings help to streamline cooperation, understanding, and joint initiatives.

4.



Where structured collaboration may take time, regulators use nudges and incentives to encourage stakeholder cooperation and compliance.

5.



Collaboration's starting point is understanding the overall stakeholder landscape in markets, including the strengths and weaknesses of the other stakeholders. This allows regulators to create stronger partnerships and align stakeholders on the challenges in consumer protection and the role of each stakeholder in addressing these.

6.



Despite structured collaborative mechanisms, meaningful regulation takes five to ten years, indicating the complexities around managing the stakeholder buy-in process.

7.



Collaborative efforts may start as informal (for quicker responses) and can evolve into formal structures over time, aiming for continuous improvement in consumer protection outcomes and regulatory effectiveness.

8.



When resources and time limit direct outreach, regulators must directly engage with the FSP customers and local structures (e.g., consumer associations).

In the Philippines, the enactment of the Financial Consumer Protection Act was a collaborative effort involving various financial regulators like the BSP, Securities and Exchange Commission, Insurance Commission, Cooperative Development Agency and industry associations. Before the Act's creation, there were some coordination efforts, but the compelling impetus for the collaboration and the passing of the Act came from the legislature in the Philippines. It took five years for the Act to come to fruition due to the complexities around building multi-stakeholder collaboration and buy-in.<sup>5</sup>

Effective implementation of the Act requires coordination among government agencies and capacity-building efforts. Regulators hold regular interagency and industry association meetings. BSP is in the process of establishing memorandums of understanding (MOUs) to institutionalize joint processes like complaint handling and financial education initiatives. Internal capacity building within regulatory bodies, such as creating dedicated consumer protection offices and allocating resources, has also been a priority for the Philippines.

For example, in the collaboration between the BSP and the government of Philippines' Department of Trade and Industry (DTI), an inter-agency agreement helped institutionalize the "no wrong door policy" process for handling complaints. An FSP customer can file a complaint with the DTI or BSP. Complaints are then shared and resolved by the appropriate agency/ies.

At the level of the FSPs, regulators have actively engaged them through regular meetings, communication plans, and information dissemination campaigns. The outcomes (the changed mindset of FSP towards consumer protection) of this collaboration are noted in the earlier section on capability.

The Philippines is also an excellent example of an industry association that is taking the lead in collaborating and advocating for more robust consumer protection practices. Members of the Microfinance Council of the Philippines (MCPI) adopted the Universal Standards as self-regulation. As the implementation benefits became apparent, the MCPI engaged and advocated with the Securities and Exchange Commission's Microfinance NGO Regulatory Council for a national policy based on the Universal Standards that MCPI members were following as self-regulation. The Commission set up a technical group to explore the possibility. The result is that the microfinance NGOs accredited on the Universal Standards receive tax relief on gross income (2% of gross tax receipts).

Ecuador has a small, but well-established national microfinance network that supports the government's priorities on consumer protection in microfinance through data collection, report generation, and advocacy for policies that are favorable for the microfinance sector.

There are several lessons from the Uganda Communications Commission's (UCC) experience of building collaborative models in the country. To define the collaboration framework, the UCC invested in understanding each entity with a role in financial inclusion - who will help you, who will ignore you - and constructed a tailored approach for a stakeholder. Critical in this process was the effort to understand the issues or challenges of each stakeholder.

Engagement also required that the stakeholders understand their role in client protection, and there were unclear cross-cutting market issues. For example, the Ministry of Telecom has a role to play in preventing DFS fraud (e.g. sim swapping) but was unaware of its role

---

5. Dominican Republic followed a similar path where the President wanted to update the legal frameworks to institutionalize the client protection. The updated third version of the Consumer Protection Act took six years to be adopted.

in fraud prevention. The exchange of research and data on market issues and complaints aided the process of building understanding and buy-in across ministries.

At the level of the FSP customer, “if you are trying to protect the customers, the first step is to reach them and talk to them.” A power dynamic exists between the regulators, the FSPs and the FSP customer. The burden of circumventing this dynamic lies with the regulator via directly engaging with the FSP customers. This engagement is most effective when FSP customers trust the regulator and the process. Building trust in Uganda has been central to direct and effective consumer outreach. The process of trust building has included ensuring an open dialogue for FSP customers by talking about the “hard things” that impact consumers.

This approach worked well when Uganda’s mobile phone market faced an influx of fake phones. There was pressure on the UCC to remove these phones from the mobile grid. The UCC recognized that this would negatively impact low-income households and small businesses who depend on these phones for income-generating activities and financial services. The Commission launched a six-month direct outreach (to consumers and phone traders) communication campaign and reached 19 million Ugandans. The sensitization process included clear communication that fake phones would be off-grid in a few months. The outreach increased customer complaints, which numbered more than the average annual complaints received.

The example from Uganda provided in the capability section offers insights into collaboration. There is a need to strengthen collaboration between financial service regulators and technology regulators, given that the DFS regulation in many countries is shared by the two sectors. In Uganda the collaboration between the Communications regulator and the Bank of Uganda has facilitated client awareness programs and complaints/redress processes through information/data sharing to inform regulatory

interventions. This is executed through a formal Memorandum of Understanding between the two regulators.

As in the case of Uganda, Zambia is an apt example of using field data to inform the collaborative model. Initially, there were issues around the jurisdiction of the various entities with regards to financial consumer protection supervision and enforcement. Implementation of measures in the National Financial Inclusion Strategy 2017 - 2021 led to a dialogue resulting in a unified vision for consumer welfare, shifting the focus from jurisdiction control to collaboration and positive outcomes. “The focus is not on who is in charge of what, but the end game” – effective consumer protection.

There is extensive collaboration in Ecuador across the range of stakeholders active in consumer protection. On financial education, the regulators are collaborating with the Ministry of Education. To access high quality data on customers and FSPs for informed decision making, the financial regulatory authorities work with the Ministry of Economics and Finance as well as the Institute for Statistics, while the work on DFS involves the Ministry of Telecommunication. Currently the regulators are working with 18 public entities, 11 private corporations, and four national networks (covering MFIs, banks, and cooperatives) to ensure that all the relevant stakeholders are engaged in the work on institutionalizing consumer protection in the country.

In Egypt, rising complaints revealed numerous unlicensed mobile apps offering credit services, leading to customers being fraudulently charged and causing a surge in complaints. FRA investigated and learned that most of these mobile apps were not licensed. To address this issue, FRA collaborated with the Ministry of Telecom to block such apps on the internet. FRA and other concerned government entities held discussions with Google and Facebook to prevent the offending apps from operating within Egypt. While the effort was ultimately successful, it required substantial effort to demonstrate

the negative impact of these apps and established the need for stronger oversight of mobile applications offering credit.

Understanding customers and how to approach them is crucial for developing the collaboration model. For microfinance consumers, regulators can often be intimidating “with their formal suits and formal language.” For customer engagement purposes, regulators should consider this and try to dress casually. Speaking in the local language can effectively bridge the power gap. Utilize consumer associations to gather information. Collaboration with consumer associations can be an asset as they can play a pivotal role in bringing customer voices to the table. They are especially critical for circumventing the power imbalance between regulators and consumers (highlighted by the UCC) and when resources are limited.

Consumer associations can be leveraged for FSP customer engagement as well. Regulators can partner with these structures for a continuous feedback loop on customer feedback and complaints resolution. This can be valuable as a solution for a rapid start in the short term/in times of a crisis and in the longer term, where power dynamics hamper the flow of customer's voice and resources are limited.

Formal regulation, which can take time, is not always needed for collaboration to correct market inefficiencies, especially under urgent circumstances, where self-regulation may also prove challenging.

The example of the corporate governance workshops (see Capability) supported by the NBC is an example of regulatory nudges to bring multiple stakeholders (Cerise+SPTF, Association of Banks, and Cambodia Microfinance Association) together to rapidly build capability of FSP CEOs and shareholders on managing consumer protection risks.

Cambodia's Safe Finance initiative is a collaborative effort that includes multiple stakeholders in the responsible inclusive

finance sector . The NBC and the Ministry of Interior have collaborated to use national infrastructure (local government officers in Communes) to deliver financial education and customer empowerment content. The collaborative model was initially informal, and over time, it has become formalized by establishing the terms of reference for a Project Management Central Committee. While NBC builds and maintains the administrative buy-in and access, Cerise+SPTF, the two sector associations, and CBC bring in the content and financial resources under this collaboration.

Safe Finance is also an example of a collaborative financial education learning model. While NBC has established a standard pricing formula, its communication to customers is FSP-driven, not uniform, and sometimes not as transparent as FSPs could be. Learning from each other helps the customers, and in the long run, they have a constant peer resource they can rely on. Having financial education programs that build in that component is very helpful. Research data supports peer learning as an effective model for financial education and customer empowerment. The Safe Finance peer (FSP clients) learning methodology allows for peer collaboration/learning to develop FSP customer capability.

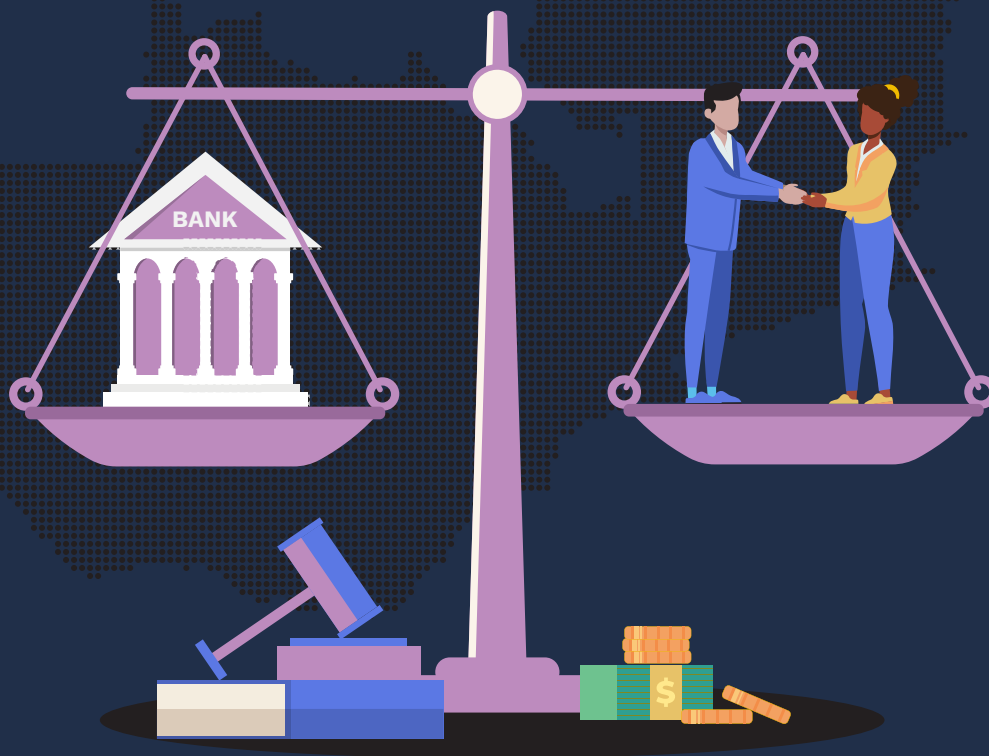
A third example is the drive to standardize loan contracts across the FSPs and for all loans under US\$5,000 in Cambodia. The sector associations led the contract development process, but the initial idea was driven and subsequently supported by NBC. A standard contract drives a uniform understanding of loan terms and conditions and is a good tool for Safe Finance's financial education efforts. The NBC has noted a drop in contract-related complaints since the initiative's implementation.

These examples from Cambodia provide insights into how regulatory nudges can be critical in bringing stakeholders together to collaborate on addressing market inefficiencies.



## Market Conduct and Consumer Protection: The Case of Zambia

The Dialogue focused on monitoring consumer protection or market conduct. Several central banks have either established market conduct departments or are considering doing so. A principal challenge encountered in the initial buy-in for and set-up of the department has been turf issues with prudential supervision. The work of the Alliance for Financial Inclusion on market conduct supervision highlights that the core difference is that prudential regulation is more focused on the stability of the FSP, and market conduct emphasizes the relationship between the FSP and its customers.<sup>6</sup>



6. See Alliance for Financial Inclusion's *Market Conduct Supervision – A Toolkit*

Given the limited resources of several central banks, a critical question that emerged in the Dialogue was the level of staffing of the market conduct department. At the time of department establishment, the range is between three to five staff. Staff levels expand to 15 to 20 over time. The regulators agreed that the expansion was mainly a result of the established value of the market conduct department over time.

The Bank of Zambia offers an interesting case study of how market conduct can be implemented and improved in a regulatory setting.

## “START SMALL, ANYTHING RIGHT MAKES A DIFFERENCE”: MARKET CONDUCT AND THE BANK OF ZAMBIA

The mission of the Bank of Zambia (Bank) primarily focuses on achieving and maintaining price and financial system stability. Several studies on the financial sector highlighted the need to strengthen consumer protection regime. Amongst the challenges highlighted were the inadequate consumer protection regulation and supervision, lack coordination and cooperation among stakeholders and insufficient financial sector consumer empowerment levels. It was noted that **high level of financial exclusion (40.7%)** was associated with **low level of consumer confidence and trust** which were in turn related to **low financial capability and consumer protection**.

Given the above concerns, consumer protection emerged as a priority for Financial Sector Development in the quest to increase financial inclusion and to address challenges emanating from rapid increases in the use of financial services especially Digital Financial Services. The Bank decided in its 2016 – 2019 Strategic Plan to reorganize the supervision function to cater for Consumer Protection and Market Conduct.

In response, the Bank wanted to establish a market conduct department but needed to get the buy-in both internally and from other market players. To establish this buy-in, designated officers in the Bank prepared a detailed concept paper highlighting the problem statement, the significance of consumer protection and market conduct and a strategy for resolving the market inefficiencies.

On implementation, the paper focused on low-hanging fruits including a cost-benefit analysis of added monitoring driven by insights from complaints. The Bank conducted a study tour of two other central banks to study established market conduct policies and systems and learn about key performance indicators.

Following the approval of the Concept Paper, a Financial Conduct Supervision Department was established, tasked with overseeing all matters on market conduct and consumer protection. The Consumer Protection and Market Conduct Division has an establishment of nine (9) members of staff.

Consumer protection and market conduct are key performance areas in the Bank of Zambia. The Financial Conduct Supervision Department lists risk indicators related to customer relationship management. Some risk indicators include the availability of staff in charge of customer service, staff training and evaluation, comprehensive policies and procedures, and the nature of customer complaints. The department conducts off-site surveillance, thematic reviews, and mystery shopping.

**WHEN DOING EXAMINATIONS, THEY FOCUS ON FIVE KEY AREAS:**

1. The financial services rendered by the financial service provider (the terms and conditions, the content of contracts, the fees and the charges)
2. The interaction between the FSP and its customers
3. Internal redress mechanisms, i.e., how are complaints managed
4. Corporate governance structures related to consumer protection
5. Transparency related to advertisements and other FSP published information

Additionally, the Bank monitors the effectiveness of internal dispute redress mechanisms in financial service providers through quarterly receipt of Customer Complaints Reports.

**BOZ INVESTIGATES AND TAKE SUPERVISORY MEASURES AGAINST A REGULATED ENTITY WHOSE PERIODIC REPORTS REVEAL:**

1. An unusual number of or significant increase in customer complaints;
2. A significant backlog in the resolution of complaints; or
3. A material changes in the severity of the complaints.

The Bank of Zambia also has an interagency financial inclusion committee. This committee comprises all the Bank's departments that have a role in financial inclusion and consumer protection. The committee's purpose is to foster collaboration and increase the impact of each department's work related to ensuring better consumer protection outcomes.

The key message from the Bank of Zambia for central banks looking to establish a market conduct department is "Start small, anything right makes a difference."



# Feedback from Dialogue Participants



## Overall satisfaction:

The average rating of the facilitation and satisfaction with the overall Dialogue was 4.8 out of a total score of 5.



## KEY PERSONAL TAKEAWAYS FOR THE DIALOGUE PARTICIPANTS INCLUDED

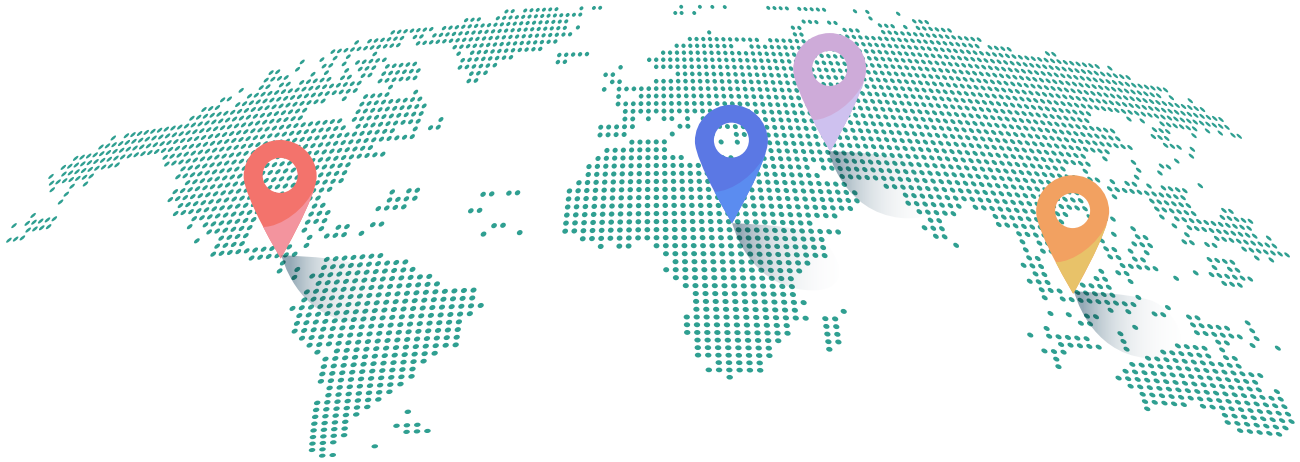
1.		<b>Importance of Collaboration and Peer Learning</b>	<ul style="list-style-type: none"> <li>• Effective market conduct and consumer protection require collaboration among stakeholders.</li> <li>• Peer-to-peer dialogues and forums across regions enhance learning and implementation.</li> <li>• Coordinated efforts among regulators, supervisors, and stakeholders are crucial.</li> </ul>
2.		<b>Focus on consumer protection and empowerment</b>	<ul style="list-style-type: none"> <li>• Consumer protection should be integrated into corporate governance.</li> <li>• Empowering consumers and considering their voices in product design is essential.</li> <li>• Effective supervision and enforcement are necessary for meaningful regulation.</li> </ul>
3.		<b>Market conduct and financial inclusion</b>	<ul style="list-style-type: none"> <li>• Addressing market conduct is crucial for promoting financial inclusion.</li> <li>• Strategies should align with consumer needs and market realities.</li> </ul>
4.		<b>Best practices and data utilization</b>	<ul style="list-style-type: none"> <li>• Learning from other countries' best practices in microfinance pricing and compliance is valuable.</li> <li>• Data analytics and technology can improve consumer outcomes and responsible product design.</li> <li>• A data-driven approach supports effective regulation and consumer decision-making.</li> </ul>
5.		<b>Building strong foundations and strategic approaches</b>	<ul style="list-style-type: none"> <li>• Starting with strong foundational principles and a customer-centric approach is essential.</li> <li>• Effective regulation requires understanding local contexts and needs.</li> <li>• Stakeholders, including consumers, play strategic roles in shaping and implementing regulations.</li> </ul>

The areas that the regulators want more peer-to-peer dialogues on include addressing critical areas of market conduct, digital financial inclusion, sustainable finance, regulatory practices, and emerging challenges in fintech and financial inclusion. These are summarized below:

Market conduct and supervision	Regulatory collaboration and practices	Green/sustainable finance	Fintech and financial inclusion
<p>Specific regulatory practices, including responsible pricing, customer empowerment, disclosures, risk-based supervision, and risk indicators for supervision.</p>	<p>More discussion on best practices related to collaboration between different government authorities to assess market conduct risk indicators.</p>	<p>Affordable eco-friendly products for consumers.</p>	<p>Addressing the challenges and innovations in fintech and evolving market dynamics, strategies to enhance digital access and deliver financial services to underserved populations.</p>



# Annex 1: Dialogue Participants



The list of dialogue participants includes

NAME	COUNTRY	ORGANIZATION	DESIGNATION
<b>ASIA</b>			
EM Kamnan	Cambodia	National Bank of Cambodia	Deputy Director General
MEN Pheakdey	Cambodia	National Bank of Cambodia	Director
Naomi Triyuliani	Indonesia	Otoritas Jasa Keuangan (OJK)	Deputy Director of Microfinance and Pawnbroker Supervision
Saykham Damlongboun	Lao PDR	Bank of Laos	Head of Division
Mouksavanh Sintanak	Lao PDR	Bank of Laos	Legal Officer
Yanjinkham Myagmantsoodol	Mongolia	Financial Regulatory Commission of Mongolia	Senior Referent of the Money Loan Regulatory Unit
Khongorzul (Zula) Khasbaatar	Mongolia	Transcapital NBF and Mongolian NBF Association	Business Development Manager (Acting Translator)
Charina B. De Vera-Yap	Philippines	Bangko Sentral ng Pilipinas	Managing Director
Charlou Gala-Leyson	Philippines	Securities and Exchange Commission	Securities Examiner II
Chelsea Mae Chincuanco	Philippines	Securities and Exchange Commission	Securities Examiner II
Nguyen Thi Huong Thanh	Vietnam	Banking of Strategy Institute, State Bank of Vietnam	Expert, Banking Strategy Department
Nguyen Thanh Son	Vietnam	Vietnam Banking Association	Training Director (Nominated by State Bank of Vietnam)

NAME	COUNTRY	ORGANIZATION	DESIGNATION
<b>AFRICA</b>			
Dr. Ahmed Abd Elgawad	Egypt	Financial Regulatory Authority Egypt	Head of Microfinance Supervision Department
Joseph Kizito	Uganda	Uganda Communications Commission	Head of Consumer Affairs
Moses Musantu	Zambia	Bank of Zambia	Principal Examiner
<b>MIDDLE EAST</b>			
Haifa'a Ahmad Falah Al Hbahbeh	Jordan	Central Bank of Jordan	Bank Examiner
Laila Sami Jamil Sawaqed	Jordan	Central Bank of Jordan	Assistant Executive Manager
<b>CENTRAL AMERICA</b>			
Xiomy Ramírez	Dominican Republic	Superintendency of Banks of the Dominican Republic	Financial Inclusion Manager
Natalia Sánchez García	Dominican Republic	Superintendency of Banks of the Dominican Republic	Head of the Consumer Protection Office
Catalina Pazos Chimbo	Ecuador	Financial Policy and Regulatory Council, Ecuador	Director
Dra. Jim Madriz Lopez	Nicaragua	Comisión Nacional de Microfinanzas (CONAMI)	Director
<b>OTHER STAKEHOLDERS</b>			
Sheila Senfuma Nakanyike	Uganda	Consumers International	Head of Programme – Digital Finance
Laura Foose	United States of America	Social Performance Task Force	Executive Director
Cecile Lapenu	France	CERISE	Executive Director
Nitin Madan	Cambodia	Social Performance Task Force	Director, Responsible Inclusive Finance Facility for Southeast Asia
Ally Ryder	United States of America	Social Performance Task Force	Manager, Client Protection Pathway
Cara S. Forster	United States of America	Social Performance Task Force	Director, Responsible Inclusive Finance Facility for Central America and Caribbean
Rula Mheissen	Jordan	Social Performance Task Force	Client Protection Specialist and Head of Outreach, Middle East and North Africa
Oricel Caminero	Dominican Republic	Social Performance Task Force	Consultant and SEPM Pro



[cerise-sptf.org](https://cerise-sptf.org)

[spi-online.org](https://spi-online.org)

[info@sptfnetwork.org](mailto:info@sptfnetwork.org)

**France**

71 cours Anatole France  
33000 Bordeaux

**United States**

7816 Carteret Road  
Bethesda, MD 20817

**Luxembourg**

39 rue Glesener  
L-1631 Luxembourg