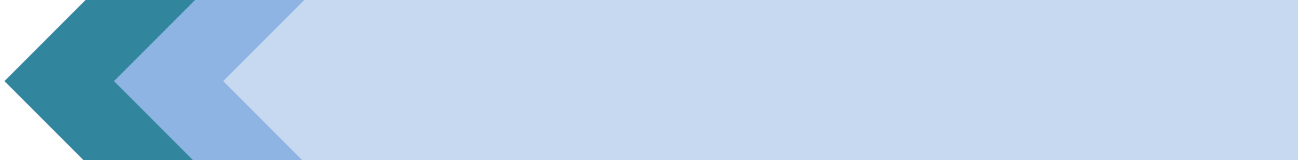


# Guidance Notes on Financial Education and Consumer Protection







## Foreword

Safeguarding the financial sector is one of the Financial Services Authority's mission to promote economic growth and enhance the efficiency of capital. To support such purpose, greater integration of financial education and consumer protection is needed to not only enhance the behaviours of financial services consumers, but to also contribute to the strengthening of the role of financial services providers. Considering the unique characteristics of ASEAN Member States (AMS) with the majority being developing countries, having integrated principles and pillars for financial education and consumer protection at the ASEAN-level is necessary for AMS to improve their practices. This Note aims to serve as guidance for AMS by developing common principles on financial education and consumer protection, and to share the different practices of AMS. It is hoped that the Note can assist in strengthening the level of financial education and consumer protection in ASEAN.



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## CHAPTER 1. INTRODUCTION

The importance of Financial Education and Consumer Protection has been rapidly increasing, especially for the average household to manage their limited income, so the average household could meet their short-term and long-term needs. The regulator or the authority of financial services is responsible to improve public awareness of financial service institutions, including all financial products and services offered in financial industry. As the regulator, we make efforts to increase knowledge level of public related to finance, as well as the level of trust among consumers and public over financial products and services.

### 1.1 Objective of Guidance Notes

The guidance notes are published to develop common principles among ASEAN Member States (AMS) on Financial Education and Consumer Protection in the field of financial services and to strengthen Financial Education and Consumer Protection in ASEAN.

### 1.2 Background/Overview

Financial Education and Consumer Protection play an important role as part of financial inclusion integration and empower financial stability. Financial Education and Consumer Protection aim to raise public awareness of financial service institutions and increase public knowledge and capability in making use of financial service products.

### 1.3 Stakeholders

The stakeholders involved in Financial Education and Consumer Protection are Government, Non-Governmental Organizations and Business Organizations.

### 1.4 Definition of Financial Education & Consumer Protection

**Financial Education** is the process by which financial consumers/investors improve their understanding of financial products, concepts and risks and, through information, instruction and/or objective advice, develop the skills and confidence to become more aware of financial risks and opportunities, to make informed choices, to know where to go for help, and to take other effective actions to improve their financial well-being. **(OECD, 2015)**.

**Financial Literacy** is a combination of awareness, knowledge, skill, attitude, and behavior necessary to make sound financial decisions and ultimately achieve individual financial well-being. **(OECD INFE 2016)**

**Financial Consumer Protection** as insights provided by behavioral economics to enhance understanding of how consumers make financial decisions and the inhibitors to result in competitive outcomes. **(OECD, 2015)**



## **1.5 Rationale for Financial Education & Consumer Protection**

### **1.5.1 Rationale for Financial Education**

- The Challenge of Continuously Developing Financial Product and Services

Increase in GDP, or the economic growth, helped to boost public demands of financial products and services. Therefore, financial institutions are stimulated to continuously create and develop various financial product and services. Financial education is needed to achieve the ideal society that are well literate and have a better understanding of various financial products and services offered by financial institution.

- Improve Consumer Financial Behavior

Consumer behavior in financial management is deeply influenced by the knowledge, skills and confidence they have for financial products. By educating the consumer, a better financial behavior and attitude is expected to be achieved.

- Reduce Potential Risks

Potential risks might come out in consumer with incomplete understanding of financial product and services. By providing knowledge to consumer, consumer is expected to elevate their awareness of potential financial risks and opportunities to make well-informed choices.

- Support Financial Stability

Financial stability is heavily dependent on the actors in the financial market, including the consumer. A better understanding of the financial product and services as well as the potential risks could improve consumer confidence, enhance financial allocation effectiveness, and therefore help to maintain financial stability by doing a better risk management.

### **1.5.2 Rationale for Consumer Protection**

- Support Financial System Stability

By performing consumer protection, consumers become more informed with the problems they have on their hands and how to both mitigate the risk and solve the occurred conflicts. Therefore, consumer protection might decrease chance of failure in maintaining financial stability.

- Improve the Consumer and Society's Ability

Consumer protection has the chance for improving the consumer and society's abilities in financial sector and the utilization they could get from the financial services. Consumer purchasing power and retirement needs, for example, might be made better-off by the existence of consumer protection.



- Implement Concept of Treating Customers Fairly and Level of Paying Field in Financial Service Sector

Consumer protection helps to enhance financial services institutions improvement in providing financial information for consumer to make well-informed decision, and therefore implement the concept of fair consumer treatment.



## CHAPTER 2. STATE STATUS AND BENCHMARKING OF FINANCIAL EDUCATION & CONSUMER PROTECTION

Malaysia, Indonesia, and Singapore have developed a national strategy of Financial Education and Consumer Protection which has been used as a fundamental guideline to implement Financial Education and Consumer Protection. Meanwhile, the Philippines is in the progress of compiling its national strategy, and other AMS currently have roadmaps or regulations for the matter. The following is the status of the implementation of national strategy for financial education and consumer protection:

Status of the National Strategy	Countries
National Strategy in place	Malaysia, Singapore, Indonesia
National Strategy is being planned	The Philippines, Vietnam, Thailand, Brunei Darussalam, Myanmar, Lao PDR, Cambodia

Figure 1 Status of National Strategy

### 2.1 Indonesia

In November 2013, Indonesia – coordinated by the Financial Services Authority (Otoritas Jasa Keuangan, OJK) – launched the National Strategy for Financial Literacy (*Strategi Nasional Literasi Keuangan Indonesia, SNLKI*) which has been updated in 2016. The *SNLKI* is compiled as national guidelines for regulator and financial services to conduct financial education programs.

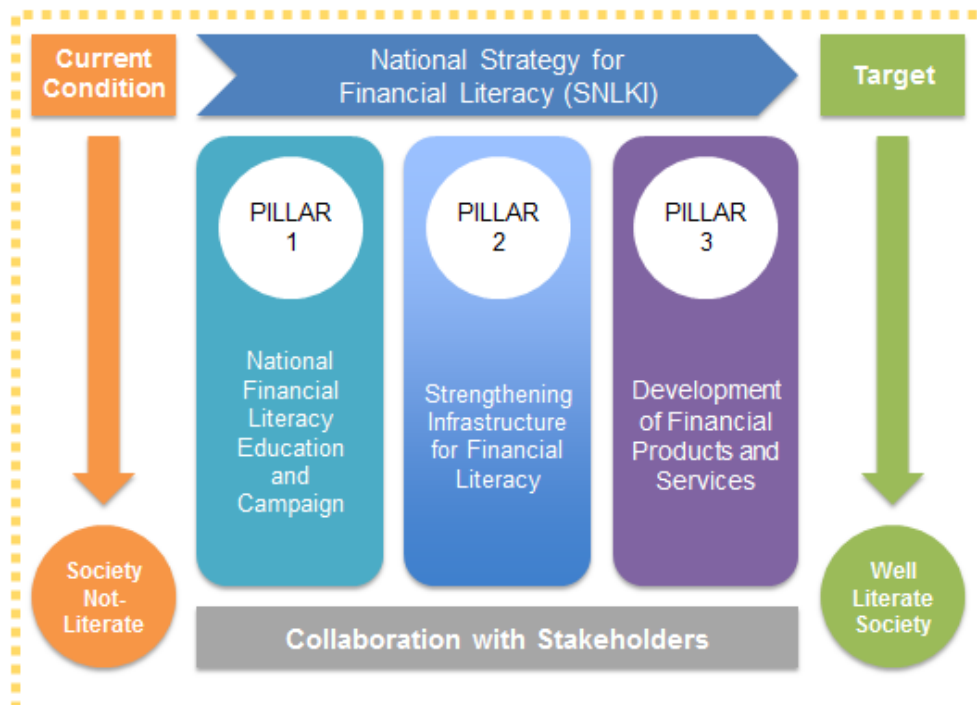


Figure 2 Financial Literacy Strategy in Indonesia



Recently, OJK has launched Financial Consumer Protection Strategy (*Strategi Perlindungan Konsumen Keuangan, SPKK*) for the period of year 2013 – 2027 consisting of four main pillars that are infrastructure, consumer protection regulation, market conduct monitoring, and education and communication.

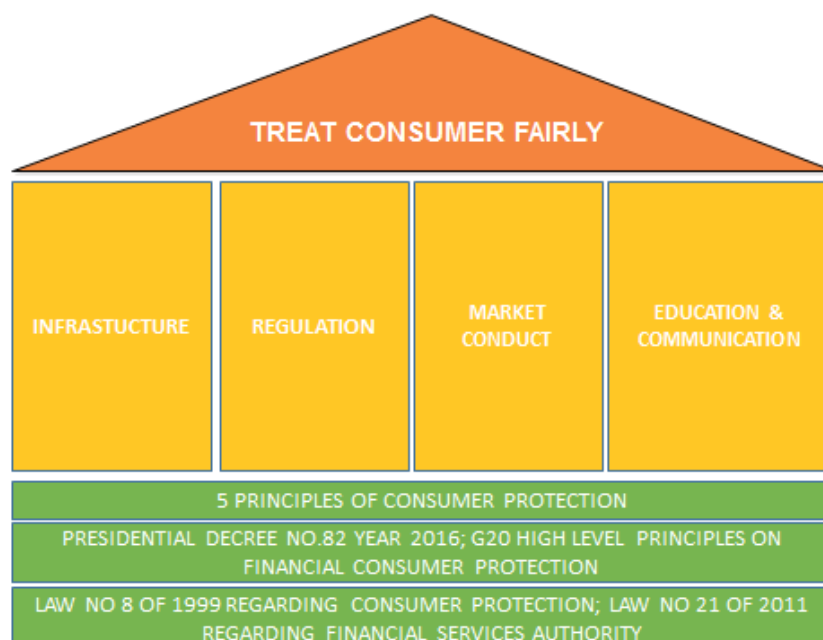


Figure 3 Financial Consumer Protection Strategy in Indonesia

## 2.2 Malaysia

The consumer protection and empowerment initiatives in Malaysia support the mandates of preserving financial stability and promoting financial inclusion. Bank Negara Malaysia (BNM) adopts multi-pronged approaches to promote fair and responsible business practices through market conduct risks identifications, regulatory policy formulation, market conduct surveillance and enforcement of standards and requirements. Strengthening the financial capability of consumers is an important priority to empower consumers to make well-informed and responsible financial decisions and to promote financial well-being.

### Consumer Protection in Malaysia

Consumer protection regime in Malaysia is premised on the following desired outcomes:

- fair dealings and fair treatment of consumers;
- responsible business conduct by our market players;
- enhanced informed participation in the financial system by consumers; and
- sustained public confidence and trust in the financial system

The consumer protection regime focuses on four (4) core policy objectives of transparency, fair treatment and effective recourse that co-exist with financial



capability strategies. The policy objectives are achieved through various avenues as shown in figure 4.

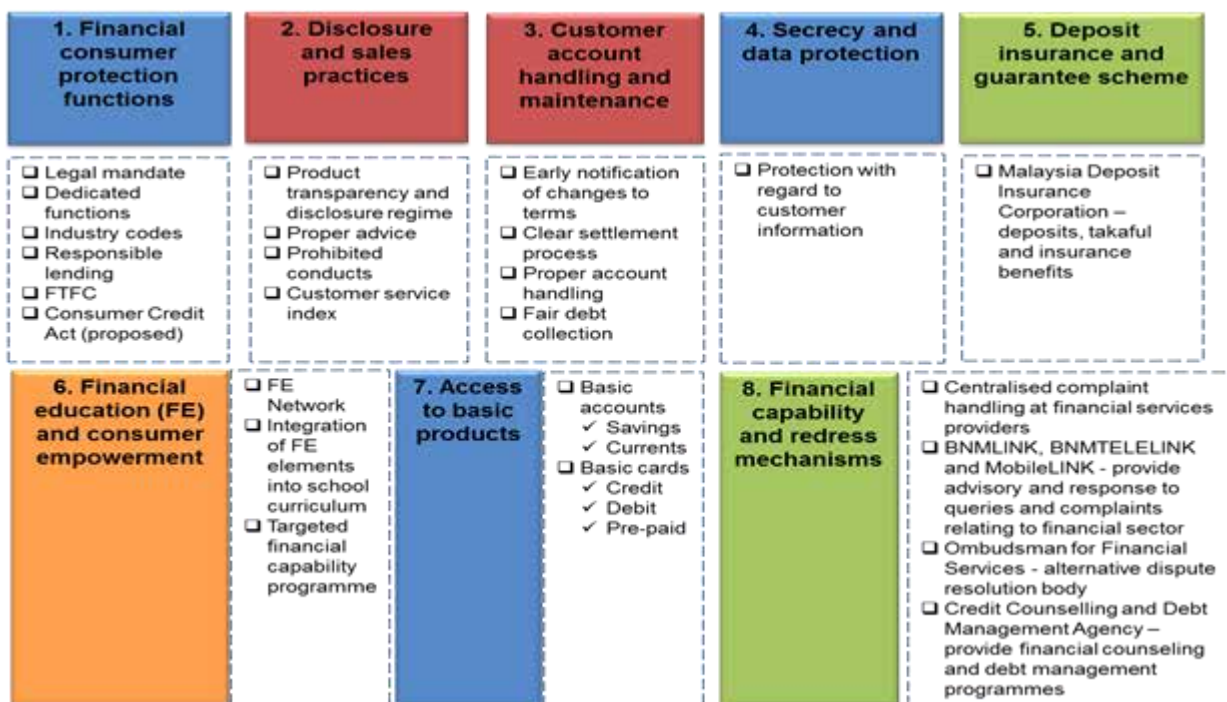


Figure 4 Avenues to Support Consumer Protection Policy Objectives

- Over the years, the consumer protection regime has evolved to keep pace with changes in the operating environment in Malaysia.

Initial years of consumer protection and empowerment (prior to 2005)	Building blocks for consumer protection (2005 – 2009)	Consumer protection as a key function (2009 till now)
<ul style="list-style-type: none"> <li>Basic framework               <ul style="list-style-type: none"> <li>School adoption programme</li> <li>Complaint unit at BNM</li> <li>Insurance Mediation Bureau</li> <li>Banking Mediation Bureau</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Framework &amp; institutional arrangement for consumer protection               <ul style="list-style-type: none"> <li>Basic product and services</li> <li>Deposit insurance scheme</li> <li>Credit counseling and advisory services</li> <li>Disclosure regime</li> <li>Initial policies on fair market practices</li> </ul> </li> <li>Financial Mediation Bureau established</li> <li>Dedicated consumer protection and market conduct department established in BNM</li> </ul>	<ul style="list-style-type: none"> <li>Clear mandate to promote fair, responsible and professional business conduct and consumer protections codified in Financial Services Act 2013 and Islamic Financial Services Act 2013</li> <li>Extensive enforcement powers to protect consumers</li> </ul>

Figure 5 Evolution of Consumer Protection Regime in Malaysia



## **Financial Education (FE) in Malaysia**

BNM drives the FE initiatives at the national level through formulation of policy, setting strategic direction, identification of target groups and priority areas to achieve effective implementation of FE initiatives. The FE initiatives aim to promote good behavioural changes while catering for FE needs throughout key life stages such as school level, tertiary education level, entering workforce, starting a family, raising a family and retirement.

BNM supports the implementation of FE initiatives through the development and dissemination of FE materials and information, consumer engagement and outreach, assessment of financial literacy of consumers, collaboration and partnership with relevant ministries and agencies, industry associations, financial services providers and consumer groups.

Moving forward, the FE initiatives in Malaysia will be spearheaded by the Financial Education Network (FEN)<sup>1</sup>. The FEN will identify new opportunities for improving financial literacy among the Malaysian public through greater alignment, closer collaboration and a strong focus on impact assessments. The FEN will co-ordinate and drive the National Strategy for Financial Literacy (NS) with the aim to promote healthier financial behaviour and to improve financial well-being of Malaysians. The NS will identify key target groups, define priorities, set measureable and realistic goals and allow regular assessment on FE initiatives. Ultimately, the NS aims to help Malaysians to become financially responsible, demonstrated by their ability to make decisions to:

- (i) Save, manage and protect money;
- (ii) Plan ahead and invest for the future; and
- (iii) Protect against financial abuses.

Under the NS, both the public and private sectors will have greater shared responsibilities to implement FE initiatives based on the respective expertise and resources.

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<sup>1</sup>

Established in November 2016 with initial core members comprise of BNM, Securities Commission Malaysia, Ministry of Education, Employees Provident Fund (EPF), Malaysia Deposit Insurance Corporation, Credit Counselling and Debt Management Agency (CCDMA) and Permodalan Nasional Berhad (an investment institution)

## FE in schools evolved from co-curriculum activities to learning in classroom to ensure sustainability and effectiveness of FE implementation

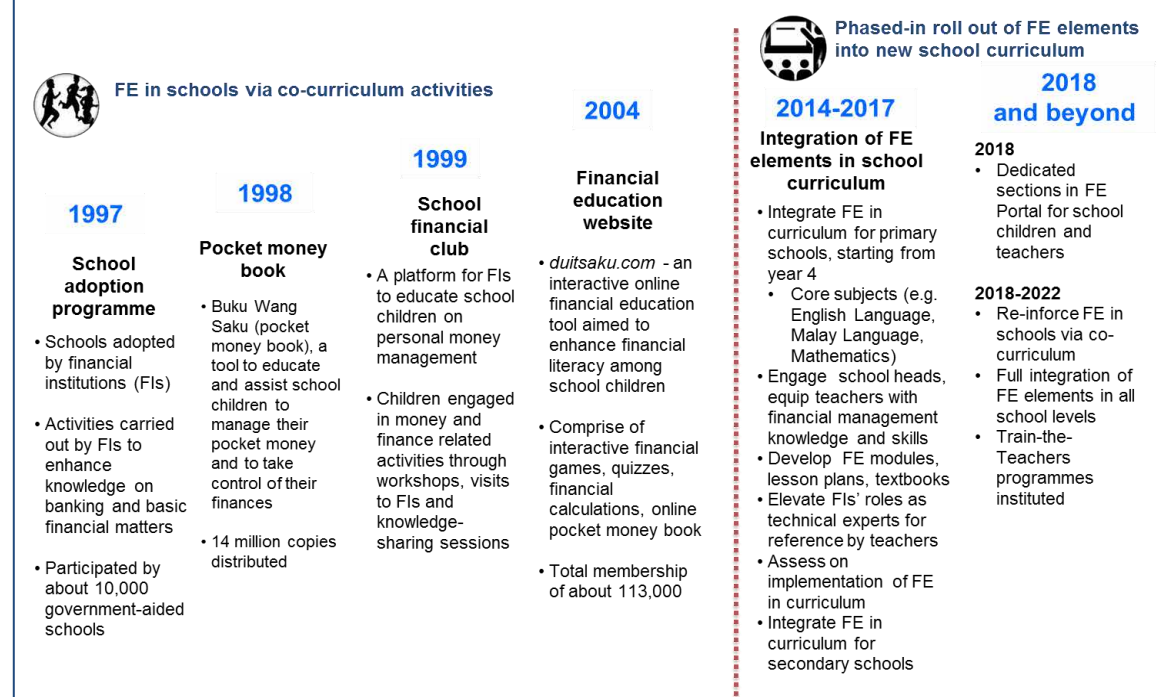


Figure 6 Evolution of FE initiatives for children

## FE for adults evolved with changes in consumers landscape and aligned to various life stages

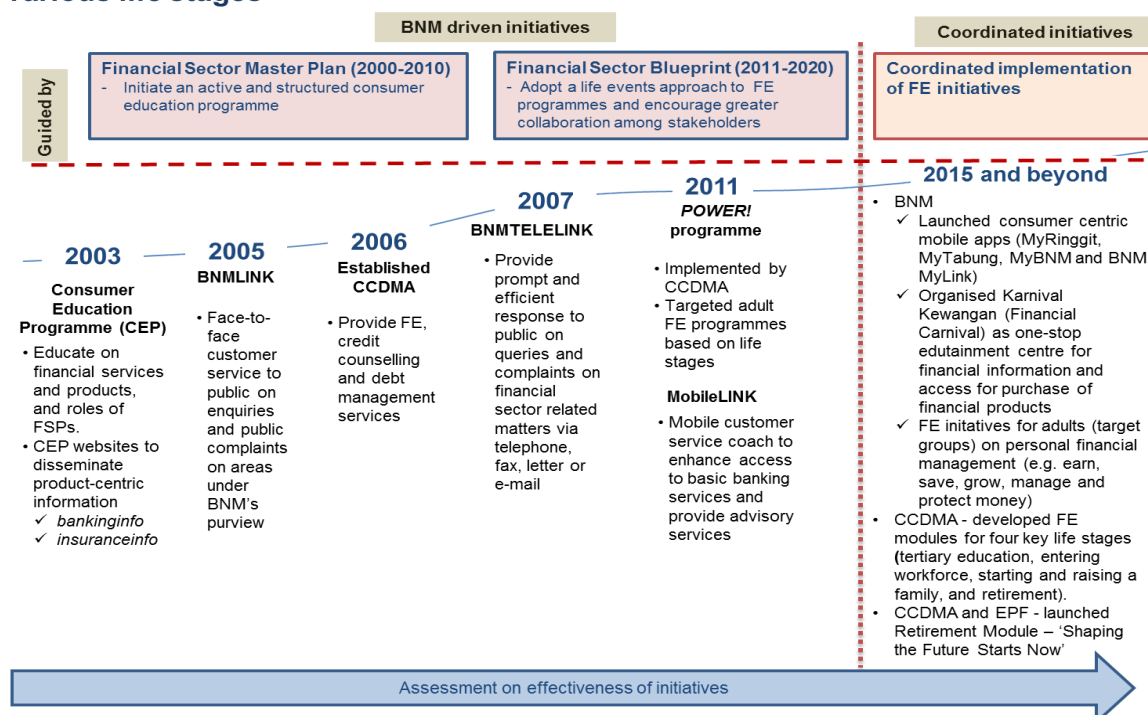


Figure 7 Evolution of FE initiatives for adults



## 2.3 Singapore

Consumers must be self-reliant when managing their financial affairs. We help consumers make informed financial decisions in two ways. Firstly, we do so by equipping consumers with the financial capabilities to manage their money and plan ahead for their financial wellbeing. MoneySense, the national financial education programme, offers a variety of platforms and collaborates with many partners to engage consumers from all walks of life, at all income and education levels. There is the Institute for Financial Literacy, MoneySense website, Facebook and IG interactions, plus My Money seminars for the public and students alike.

The second way that MAS safeguards the decision-making process is to require financial institutions to provide consumers with adequate, accurate and timely information and disclosures to help them make a decision on whether a product suits their needs. Education can equip consumers with the knowledge and skills to determine their financial needs and broadly identify products suitable for them based on the information they are provided. MAS also regulates the provision of financial advice. Retail investors in Singapore also has access to an affordable alternative dispute resolution channel which encourages and assists in the resolution of financial sector disputes between consumers and financial institutions in an amicable manner.

More information on MoneySense

MoneySense is the national financial education programme in Singapore. Launched in 2003, the programme aims to enable consumers to become more self-reliant in their financial affairs by helping consumers acquire the knowledge and skills to manage their day-to-day finances, make prudent investments, plan for their longer-term needs and exercise their rights as consumers of financial services. This, in turn, serves the twin objectives of helping consumers to attain financial well-being and consumer protection.

### **MoneySense Initiatives**

MoneySense initiatives aim to equip Singaporeans with the basic knowledge and capabilities to perform four key activities in a prudent way:

- Manage their cash flow and live within their means
- Buy a home that they can afford
- Be financially prepared should unforeseen events like accidents and illnesses occur (providing for themselves and their dependents' health care and other financial needs)
- Plan ahead and take steps to have sufficient income for life (including during retirement)

### **MoneySense initiatives cover the three tiers of financial literacy as follows:**

- Tier I - Basic Money Management: This covers skills in budgeting and saving, as well as responsible use of credit.
- Tier II - Financial Planning: This aims to equip Singaporeans with the skills and knowledge to plan for their long-term financial needs.
- Tier III - Investment Know-how: This aims to impart knowledge about different investment products and skills for investing.





The **MoneySense** Core Financial Capabilities Framework identifies five core financial capabilities. The capabilities aim to help individuals apply their knowledge and skills across the different tiers of financial literacy when making financial decisions.

**The five core financial capabilities are:**

- **Understanding money** is about having the numeracy skills to evaluate the costs and benefits of options available. It is also about understanding how economic conditions can affect a person.
- **Understanding yourself, your rights and responsibilities** is about knowing how personal circumstances, like how much a person earns, his or her age, the number of children he or she has, affect his or her financial decisions. It is also important to know your rights and responsibilities as a consumer of financial products and services.
- **Managing everyday money** is about being able to budget, to live within one's means and to use credit facilities responsibly (e.g. for major items like buying a home).
- **Planning ahead** is about being able to put together a financial plan to help one manage one's resources (e.g. income, debt, savings and investments) prudently.
- **Selecting financial products** is about understanding the purpose, features, risks and costs of common financial products (e.g. debit and credit cards, loans, insurance, and investments), the key factors to consider and questions to ask before deciding whether to take up a product.



*Figure 8 The five core financial capabilities*

Since its launch, MoneySense has delivered initiatives to equip Singaporeans with core financial capabilities over multiple platforms. These are:



Awareness building population-wide media campaigns e.g. through ads, print media, television and radio, as well as social media outreach via the MoneySENSE website, Facebook and Instagram; and

In-the-classroom-type education provided by the MoneySense-Singapore Polytechnic Institute for Financial Literacy, which has reached out to over 140,000 individuals since 2012 on a comprehensive range of financial planning topics, at work places and to the public. We also have the investor-education focused My Money Seminars and My Money@Campus which engages students before they enter the workforce. In 2017, we ran a series of industry-investor townhalls, in conjunction with the IOSCO initiative World Investor Week, which we will do again this year.

## 2.4 Thailand

To promote sustainable and inclusive development of the Thai economy and financial sector, the Ministry of Finance (MOF) and the Bank of Thailand (BOT) have been working together to ensure that there is an inclusive and fair financial access with a sufficient level of consumer protection.

The MOF and the BOT leverage collaboration with financial institutions and other government agencies to promote quality financial inclusion in two main areas stipulated in the (1) National Strategy for Financial Consumer Protection and (2) National Strategy for Financial Literacy.

### 2.4.1 National Strategy for Financial Consumer Protection

In accordance with the National Strategy for Financial Consumer Protection and in its role as the main supervisory body for financial institutions, the BOT is tasked with ensuring fairness and protection for consumers of financial services. This is achieved through the supervision of financial institutions' market conduct, handling of complaints and issuance of policies with regards to the protection of consumers in case of problems or disputes in using financial services. The BOT also provides financial knowledge and keeps consumers well-informed about any new financial development and increasingly diverse forms of financial threats.

Recognizing the importance of consumer protection, **the BOT Strategic Plan on Financial Consumer Protection** was launched in 2012 and successfully sets out a strategy to systematically harmonize the work process for financial consumer protection. The Strategic Plan lays out a framework to provide financial consumers with appropriate consumer protection. While mandates and policies are determined and executed by the BOT head office, the regional offices handle requests and complaints to supplement its policy implementation and ensure nation-wide coverage.



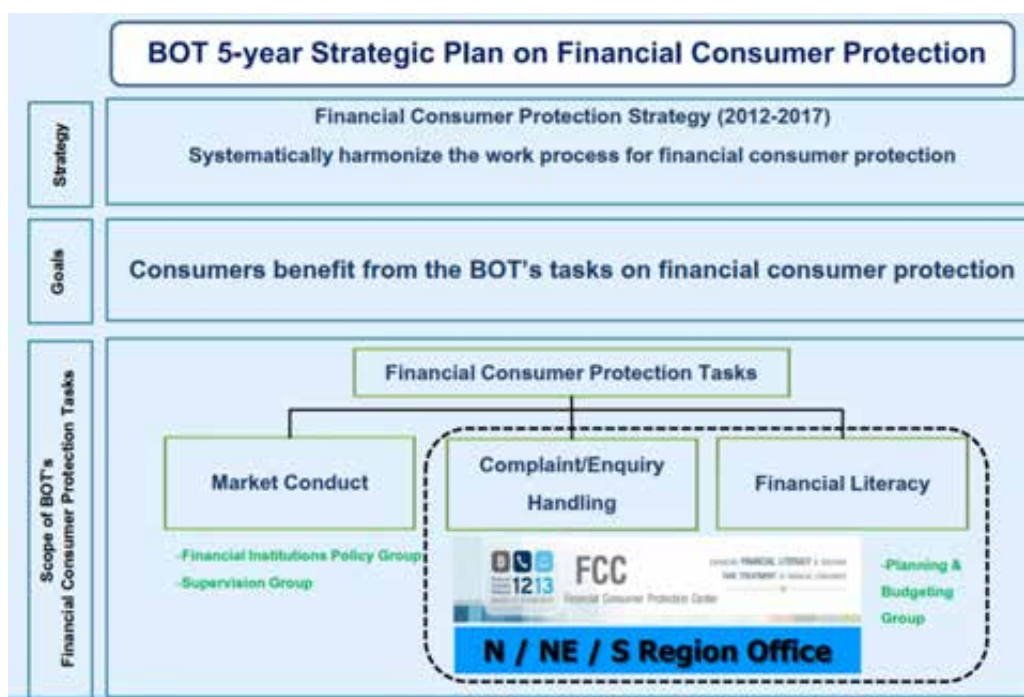


Figure 9 BOT 5-Year Strategic Plan on Financial Consumer Protection

Source: Bank of Thailand (2012)

To ensure that the Thai financial system is able to withstand upcoming challenges arising from the fast-changing environment and in-line with the 20-year National Strategy framework (2017-2036), the **BOT's 3-year Strategic Plan for 2017-2019** lays out a framework to strengthen financial consumer protection.

According to the BOT's Strategic Plan, BOT's supervisory role has been strengthened with regards to the market conduct of financial institutions. As a result, **the Financial Consumer Protection and Market Conduct Department (FCD)** was set up in order to ensure fair and healthy competition on financial service quality and fees. The FCD outlines three success factors to achieve its ultimate goal namely:

- (1) effective supervision where regulations are comprehensive, clear and result-oriented along with seamless collaboration with other regulators, especially the Securities and Exchange Commission, the Office of Insurance Commission, and the Office of the Consumer Protection Board;
- (2) a fair culture upheld by financial services providers where the board of directors and senior management maintain supports.
- (3) customers satisfaction earned through disclosure, financial literacy and supportive mediation.

All of these goals will be driven by uplifting the standard level of service providers' market conduct management systems in nine areas (including corporate culture and roles and responsibilities of board of directors, product development and client segmentation, remuneration scheme, sales process, communication and training, data privacy, problem and



complaint handling, three lines of defense, operation and business continuity) together with a requirement for service providers to disclose information on products, complaint statistics, and penalties.

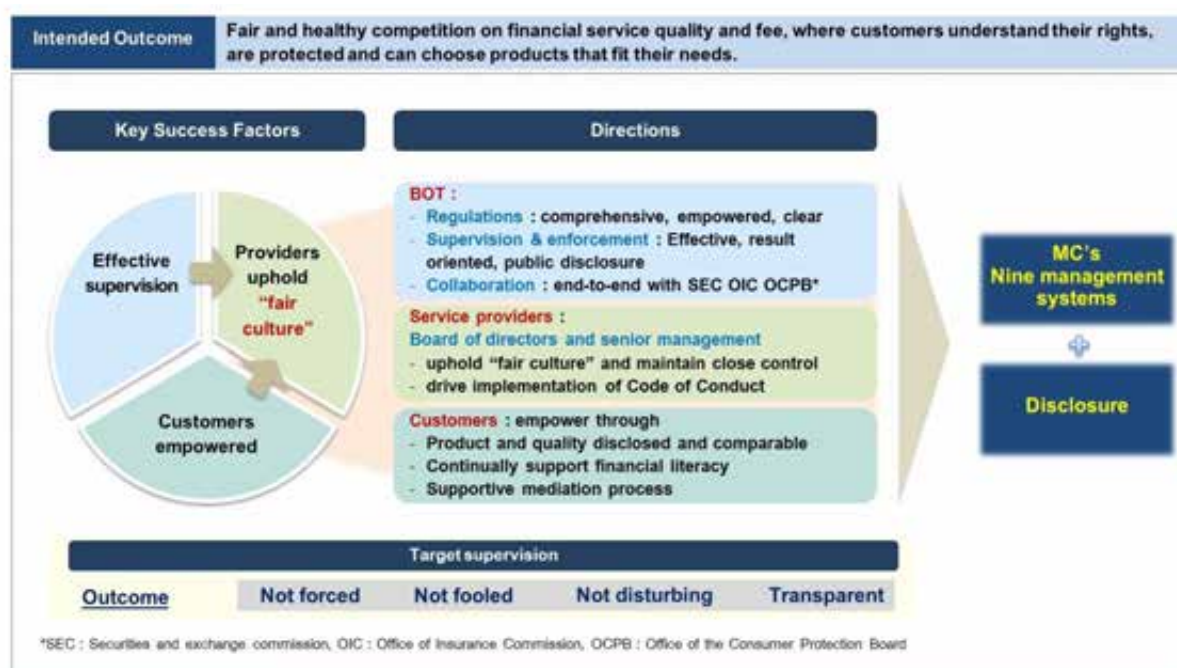


Figure 10 Intended outcome of market conduct supervision

## 2.4.2 National Strategy for Financial Literacy

To address the issue of Financial Literacy in Thailand, the Committee on Financial Literacy was established in 2012 comprising related stakeholders from both public and private sectors, such as the Ministry of finance, the Ministry of Education, the BOT, the Securities and Exchange Commission, the Office of Insurance Commission, and the Thai Bankers' Association. Currently, the national strategy for financial Literacy in Thailand is being reviewed by Office of the National Economic and Social Development Board<sup>2</sup>.

The Strategy aims to raise financial awareness and enhance financial capability of the Thai people in accordance with the 20-year National Strategy framework and the Twelfth National Economic and Social Development Plan (2017-2021). The Strategy outlines six major goals as follows:

- 1) Building public awareness about financial literacy and available resources by promoting a national campaign and setting a national agenda for financial literacy.
- 2) Developing core competencies and national standards for financial literacy.
- 3) Strengthening financial literacy of the next generation through the formal education system.
- 4) Strengthening the population's financial literacy through financial literacy programs and workshops tailored for each potential target groups.

<sup>2</sup> As of July 2018



- 5) Making financial literacy more accessible by developing online learning tools and resources. This measure will be useful especially for youth who are comfortable with online media.
- 6) to enhance supporting regulations related to financial education

Implementation of the Strategy is expected to increase the efficiency and effectiveness of financial literacy programs in Thailand which will eventually lead to the financial well-being of the Thai people and stability of the national economy.

At the regulatory level, the MOF and the BOT focus on continually providing financial knowledge to the general public including topics on financial management, financial harm and new financial innovations. This is delivered through various channels to ensure that the general public receive necessary information.

To this end and to further align with the BOT's Strategic Plan, a **Financial Literacy Department (FLD)** was established in 2016. The FLD supports major policies in the National Strategy for financial education and oversees the Bank of Thailand Learning Center which commenced operations in January 2018. The learning center aims to nurture and inspire students, academia, and general public by acting as a research and activity hub of economic and financial literacy know-how. In addition to the learning center, the BOT also communicates with the general public through online channels such as Facebook (Hotline 1213) and Website ([www.1213.or.th](http://www.1213.or.th)). Since the ultimate goal is to promote financial wellness, the BOT also works closely with the specific target group namely Generation Y (e.g., vocational college student, and first jobber) to promote financial discipline and financial capability as well as to prevent them from being over-indebted.

## 2.5 Vietnam

In Vietnam, the National Financial Education Program has not been established, but the State Bank of Vietnam already mapped out the urgency, challenges and potential plans for national financial education. At this moment, Ministry of Education and Training is considering to include financial education subjects into General Education Curriculum (K-12 curriculum). In addition, State Bank of Vietnam also initiates some TV programs (gameshows...) to provide basic information and knowledge on banking/finance.

Currently, there are already several banks that are conducting financial education programs by themselves even without a formal national strategy of financial education. As the goals of those banks are for commercial purpose and marketing, the targeted audience is quite small and without continuous education. Therefore, it is necessary for financial education to be facilitated by government regulations with the participation of all relevant entities with an establishment of a national financial education strategy for the country to protect financial consumers and to improve financial literacy.

The strategy should meet the following requirements:

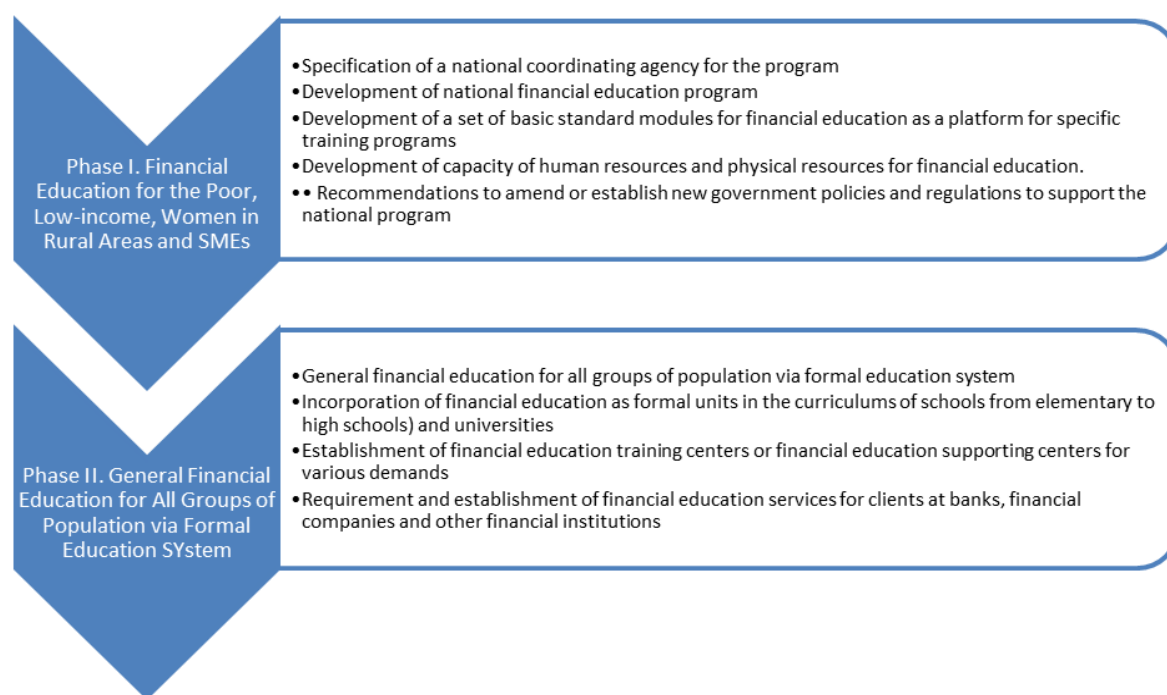
- a. Provide a common guidance or standards for specific financial education programs, ensure them practical.



- b. The national financial education program should cover wide range of location and beneficiaries.
- c. The national financial education program should be continuous.
- d. The program should follow a national strategy.
- e. Promotion the involvement of various parties in the program. Principles of sharing responsibilities, efficiency, expansion of good models.
- f. Develop action plan for the program and establish a roadmap with milestones within a time frame.

It is also important for various entities to be involved together in the efforts for financial education program by establishing a coordinating agency. The coordinating agency should have adequate resources and authority to coordinate joint efforts for various relevant entities.

The National Strategy for Financial Education program are divided into two phases. The first phase is financial education for the target group, then followed by general financial education for all groups of population.



*Figure 11 Phases of National Financial Education Program*

Source: State Bank of Vietnam (2015) and Prof. Pham Thi Hoang Anh, Banking Academy of Vietnam (2017).

### **Financial Consumer Protection Regulation in Vietnam**

Viet Nam does not have any specific Law on financial consumer protection. However, consumer protection aspects have been separately indicated in various Laws and Regulation:

Law on competition (2004): regulate illegal competition activities, procedure and penalties;



Law on Consumer Protection (2010): indicate rights, responsibilities of consumer; dispute mechanism; obligation of manufacturers, service providers, social organization, and government authorities;

Law on State Bank of Viet Nam (2010): regulation on information disclosure of State Bank of Viet Nam (Article 37);

Revised law on Credit Institutions (2017) and Law on Credit Institutions (2010): regulation on customer protection (Article 10), information disclosure (Article 13), banking operation information disclosure (Article 25), interest rates and banking fees (Article 91) and other banking prudential regulations;

Law on Deposit Insurance (2012): regulate rights and responsibilities of depositors and all related parties.

## **2.6 The Philippines**

Alongside its pursuit of financial inclusion, the Bangko Sentral ng Pilipinas (BSP) implements policies and regulations that protect the rights of financial consumers and ensure the responsible provision of financial services by BSP-supervised financial institutions (BSFIs). These are necessary conditions to ensure that financial consumers are adequately protected, and public trust in the financial system is maintained.

The BSP requires BSFIs to adhere to the Financial Consumer Protection Framework. The BSP enforces and checks their compliance to this Framework as part of its regulatory and supervisory functions. This Framework espouses that BSFIs adhere to the following standards of conduct, to enable consumers to make informed decisions about their financial products and transactions.

- a. Disclosure and transparency – providing clients with clear information about fees, charges, features, terms and conditions pertinent to their accounts and transactions.
- b. Protection of client information – prohibition from sharing client data with third parties, or using client data for purposes other than those directly related to managing clients' accounts, without prior informed consent by the clients themselves.
- c. Fair treatment – honest, professional treatment of clients; prohibition against unfair collection practices, and selling unsuitable financial products or services detrimental to clients' welfare.
- d. Effective recourse – providing clients with effective avenues for complaints resolution and redress.

As a second level recourse, the BSP provides assistance to financial consumers through the Consumer Assistance Mechanism (CAM). Through CAM, complaints not adequately



addressed by BSFIs are elevated by clients to the BSP, through email, regular mail, phone call, or in person. In turn, the BSP raises these complaints to the Senior Management of concerned BSFIs for appropriate action within defined timelines. Complaints data and information gathered through CAM is used as input into the BSP supervision process. The BSP is working to develop a chatbot that relies on mobile and popular communications platforms - like SMS and Facebook Messenger – as convenient channels for consumers to lodge complaints. The objective is to optimize the complaints processing time, and enable the BSP to focus more on complaints analytics as input to policymaking and financial system supervision.

Even with all the above mechanisms in place, consumer protection remains a collective responsibility. Consumers themselves need to exercise their rights and responsibilities, and elevate their financial literacy and financial capability. This is why the BSP advocates for, and implements financial education initiatives, under the BSP Economic and Financial Learning Program (EFLP). A financially-learned citizenry with the ability to understand, select, and use financial services that fit their needs; can better benefit from participating in the formal financial system as depositors, investors and economic agents. They would have the ability to protect themselves from fraud and harmful financial practices; and be more effective partners of the BSP in maintaining stable prices and ensuring a stronger, safer banking and payment systems.

Under the EFLP 2010-2017, the BSP has designed 10 learning programs targeted for specific audiences like children, college students, the working sector, investors, overseas Filipinos, and selected unbanked sectors. More than 30,000 learning programs were conducted in 79 out of 81 provinces, reaching 2.2 million participants, who have rated the programs with an average of 4.7, with 5 as highest possible score. About 46 learning materials, videos and brochures were developed and continuously shared with participants, partners, and the general public. The BSP is ramping up its financial education campaign called PisoLit through social media, using Facebook as a primary platform for reaching online millennials.

Moving forward, the BSP is focusing more on partnerships with public and private institutions, leverage and add value to existing financial education initiatives of various players and advocates. With multi-sectoral partnerships, the BSP aims to create a multiplier effect and elevate the financial literacy level of Filipinos.

The need for effective financial education programs remains great, as survey shows that, on average, Filipino adults were able to correctly answer only three financial literacy-related questions out of seven. Only two percent (2%) of Filipino adults were able to correctly answer all questions<sup>4</sup>. Hence, the BSP has partnered with the Department of Education to mainstream financial education in the formal curriculum of

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<sup>4</sup> World Bank, 2015, Enhancing Financial Capability and Inclusion in the Philippines: A Demand-Side Assessment





public primary schools, junior and senior high schools. With private sector support, financial literacy videos and teaching guides are being developed for deployment in more than 47,000 public schools nationwide. These learning tools are targeted to reach around 700,000 teachers and non-teaching personnel, as well as 24 million students. Other similar partnerships in the pipeline are focused on financial education programs for the soldiers and overseas Filipino workers.



*Figure 12 Advocacy for financial education*

## 2.7 Brunei Darussalam

Brunei Darussalam's economic vision over the next two decades, as set out in the nation's long-term vision (Wawasan 2035) is to develop a diversified, dynamic and sustainable economy, with income per capita within the top 10 countries in the world. To achieve this, the Wawasan 2035 has envisaged for the contribution of the financial sector to GDP to increase to 8% of GDP by 2035.

Based on this vision, the Brunei Darussalam Financial Sector Blueprint (FSBP) has laid out a high-level roadmap on how Brunei Darussalam's financial services will grow to play a central role in contributing to GDP and supporting economic growth. The FSBP recognizes that, to maintain economic sustainability, having financially literate citizens with understanding of self-sufficiency and financial discipline is a necessity.

The FSBP is also aware that a holistic approach at the 'grass-roots' level is critical to raise national financial literacy standards, and as such, many programmes have been conducted to raise financial literacy and awareness for the public.

Several agencies, both from the public and private sector, are involved in promoting financial awareness programmes. This includes, but is not limited to, Autoriti Monetari Brunei Darussalam, Ministries, the Employees' Trust Fund, financial institutions and non-government organizations. Throughout the year, these agencies are actively involved in conducting programmes such as school roadshows, ministerial roadshows, etc. Brunei Darussalam also



celebrates National Savings Day annually on 28 May; and regularly participates in Global Money Week. Financial education is also incorporated into the school syllabus through subjects such as Mathematics, Bahasa Melayu, and Melayu Islam Beraja (the national philosophy).

In November 2017, Brunei Darussalam officially established the National Financial Literacy Council (NFLC), with the objective to ensure that the Bruneian society reaches the highest level of financial well-being through access to quality and trusted products, information and advisory services. The NFLC comprises different agencies and stakeholders, and its Secretariat is made up of the Autoriti Monetari Brunei Darussalam (AMBD), Ministry of Education (MOE) and Employees Trust Fund (TAP). The NFLC will spearhead, coordinate and monitor financial literacy initiatives in the nation, and will also develop a National Financial Literacy Strategy.

Autoriti Monetari Brunei Darussalam is also responsible for promoting consumer protection in the financial services industry. In 2017, AMBD issued two notices relating to financial consumer protection: Notice on The Establishment of a Complaints Handling Function Within Financial Institutions; and Notice on Market Conduct.

The Notice on The Establishment of a Complaints Handling Function Within Financial Institutions was issued to all financial institutions for the establishment of a Complaints Handling Function within financial institutions which has become effective from 1st January 2018. As part of AMBD's continuous effort in strengthening financial consumer protection, the notice gives financial consumers an effective redress mechanism of their complaints on financial products and services.

Under this notice, financial institutions are required to establish a Complaints Handling Function, including complaints handling and redress procedure, providing financial consumers with an accessible, independent, fair, accountable, timely and efficient means for resolving complaints with regard to their financial transactions.

Essentially, the Complaints Handling Function will be the first stop for customer(s) to lodge complaints against the financial institutions. The financial institutions are to provide the complainants with a final response within 30 working days after the date of receipt of the complainant's complaint or provide a written response informing the complainant of the reasons for the delay, and the client's right to refer the complaint to AMBD.

If complaints are not satisfactorily resolved by the financial institutions within six (6) months of first receiving the complaint, the complainants may escalate their complaints to the AMBD. AMBD may, if applicable, direct that the complaint be settled through mediation at the Brunei Darussalam Arbitration Centre.

The Notice on Market Conduct requires all financial institutions to exhibit greater disclosure and transparency of the financial products and services that they offer; provide fair treatment to financial consumers; and to undertake appropriate actions to address identified deficiencies in controls or provision of financial products. This Notice has become effective from 1st January 2018. The introduction of this Notice is part of AMBD's continuous effort to strengthen financial consumer protection by promoting better understanding of the products and services offered by financial institutions among consumers. This will help consumers make informed financial decisions and in turn, increase their trust and confidence in dealing with financial institutions.





## 2.8 Lao PDR

### Financial Literacy:

In Lao PDR financial literacy has become one of the important topics within society. Since 2014, the Bank of the Lao PDR has cooperated with international organizations and stakeholders to start action by preparing the National Strategy for Financial Literacy. Different organizations in the Lao PDR have started to put a stronger focus on financial literacy, which shows its importance. Financial literacy is very important for the peoples' daily life because it helps them to make the most of their money, to avoid becoming over-indebted and to manage financial risks.

Different organizations have promoted financial literacy within each work area.

- The BoL-GIZ managed project Microfinance Access to Finance for the Poor (AFP) has conducted a survey in three target provinces to assess the level of the financial literacy with several key findings.
- At the time being the “Plan for strengthening financial literacy in Lao PDR” has been drafted. The main stakeholders such as the Bank of the Lao PDR and the Ministry of Education and Sport have discussed about the possible cooperation.
- Since 2015, the AFP project, implemented by the Bank of the Lao PDR and the GIZ with financial support from the German and Australian government, several financial literacy trainings have been conducted for the villagers in the target provinces (6 out of 17 provinces). Up to now there are around 27,000 peoples have been trained on financial literacy.
- Financial training material such as: training handbook, participant handbook, participant flyers and posters have been developed since 2015.
- Even the financial literacy in Lao PDR has not been systematically developed, the Bank of the Lao PDR (BoL), has taken the lead to and coordinated some exchange meetings between the stakeholders, so financial literacy has been promoted:
  - Financial institutions have also started to promote financial literacy by providing financial literacy trainings to target groups.
  - Financial service provider and the Microfinance Association have started their financial literacy activities: promote saving program for school children using AFLATOUN curriculum.
- There was also a cross-sectoral cooperation between the financial and educational sector between the BoL and the Ministry of Education and Sports by bringing the financial literacy training to the integrated vocational schools across the country in 2016.
- In November 2017, a financial literacy minivan and financial literacy short films have been launched. The aim of the minivan is together with the short films to be touring though the target provinces to show the financial literacy short films. This activity is to supplement to the physical existing financial literacy trainings, so lao peoples (who are not literate) can also



understand the financial literacy messages. It is very important, that people can enjoy learning about financial matters in the entertaining way, so they feel learning about finance is easy and fun.

### **Financial Consumer Protection:**

The **Financial Consumer Protection decree** has been drafted by the BoL with the support of AFP project and other international organizations.

At the time being the draft decree is in the process of approving by the Prime Minister's Office and will be implemented in 2018.

In October 2017 a **training on financial literacy and financial consumer protection** has been conducted, where more than 100 representatives of the stakeholders, financial institutions and staff of the BoL learnt about the importance of the financial literacy and consumer protection.

### **Draft National Plan for Strengthening Financial Literacy for a period of 8 years (2018-2025)**

#### **1. Vision**

"Lao people plan and use money and financial services properly which leads to an improvement of their living conditions. This will contribute to the socio-economic development of the country."

#### **2. Mission**

To provide Lao people with access to learning opportunities on personal financial management.

#### **3. Priority Target Groups**

Financial literacy is an important life skill for everyone. To improve the financial knowledge of the target groups set out below, and in order to meet the needs of each target group, training material and equipment and training method should be adjusted to suit the age and the level of the knowledge of each target group. For example, young people will have different financial planning needs and methods compared to older people, entrepreneurs and students. To avoid overlapping in implementing the financial literacy activities, organization should discuss, share information and compile a report for information in implementing activities in accordance with the priority target group as below.

- User of financial services
- Households in rural areas
- School students, students, youth
- Small and medium entrepreneurs and self-employed entrepreneurs
- Women

## **2.9 Cambodia**

### **Background**



Cambodia embedded the legal provisions on financial consumer protection in the Law on Banking and Financial Institutions (1999); Article 70 states *“the supervisory authority shall define, after having consulted the profession, a corpus of rules of good conduct aimed at ensuring consumer protection, in particular concerning: 1) transparency, openness and the level of charges and remuneration for banking or financial operations; 2) opening and termination of credit line; and 3) renegotiation of loans”*. In addition to existing regulations, National Bank of Cambodia (NBC) recently issued Regulation on Resolution on Consumer Complaints in September 2017.

Financial Sector Development Strategy 2016-2025 (FSDS 2016-2025) has indicated that consumer protection rules (which guard against abusive conduct, such as misleading information or misinterpretation) are essential for the trust and confidence of financial users in their integrity and fairness. The consumers benefit from standards, particularly in disclosure of product information that makes it easier for them to assess alternative and understand what they are being offered. Financial reporting standard are important to make it easier for people to produce, understand and use financial information. Also, education is equally important in creating awareness of products offered in financial markets and understanding their nature, benefits and advantages, and costs and liabilities. Financial literacy programs assist the communication of information between sellers and buyers, lenders and borrowers, agents and principals, and everyday traders.

### **Progress and Achievements**

**Financial Consumer protection:** National Bank of Cambodia (NBC) in 2011 issued a Prakas that protects consumers by requiring banks and microfinance institutions to provide their services, particularly loans to customers in a transparent, fair, reasonable, and responsible manner. In 2017 NBC issued a Prakas on Resolution of Consumer Complaints with purpose to set up the mechanism to resolve the complaints lodged by consumers of banking and financial institutions, aiming at improving consumer protection the rights and the benefit of consumers using institution’s products and services through a proper and effective complaint resolution. The institutions shall also establish a Consumer Complaint Management Framework (CCMF) that at a minimum includes: 1) a position of senior Consumer Relation Officer (SCRO) responsible for the implementation of the institution’s CCMF; 2) a written policies and procedures that are clear, complete, and accessible for the institutions’ staffs; 3) policies and procedures for establishing the consumer complaint process, keeping the consumer’s complaint information confidential, keeping the record of consumer complaint in secure manner for at least three years, and preparing the training programs for management and staff involving in CCMF; 4) The regular report to the senior management on the complaint management and resolution; 5) A code of conduct on reporting, avoidance and management of any complaints related to conflict of interest; 6) Clear roles, responsibilities and delegations of authorities of the members of the board of directors, the management, and the staff in the CCMF; and 7) The procedures for carrying out an annual review and reporting to the board of directors on the performance of the Consumer Complaint Management Framework including timeliness of the resolution process, level of consumer satisfaction, and the results of the consumer referrals of the complaints made to the NBC. NBC will also review the desirability of expanding consumer protection principles in existing regulations by setting out more specific



requirements on lending products, advertising and promotional materials, complaint procedures, fees, interest rate calculations, and collection practices.

**Financial literacy:** NBC is working to promote financial literacy by: (i) working with UNCDF to develop a national financial inclusion strategy; (ii) participating as a principal member of the Alliance for Financial Inclusion (AFI); (iii) working with World Education Australia Limited (WEL)/Good Return on improving financial literacy and financial capability; (iv) working with the Ministry of Education, Youth, and Sports the inclusion of financial literacy in the formal school curriculum; and (v) conducting public awareness campaigns in many provinces.

**Financial inclusion:** Financial inclusion exists when all people have effective access to a wide range of financial products. The Cambodia Royal Government's vision is to promote financial inclusion initiatives that (i) reduce the level of financial exclusion; (ii) promote sustainable and inclusive growth; (iii) enable the development of a comprehensive ecosystem to support financial inclusion; and (iv) allow the benefits of financial inclusion to be shared by all people. The Government's Financial Inclusion Strategies will allow space for innovation and creativeness towards the attainment of financial inclusion; ensuring that client protection principles are adhered to; initiating programs that promote and advocate financial inclusion such as financial education programs; developing partnerships between policy makers, government entities, and private sector stakeholders; and developing and using social marketing to popularize financial inclusion.

### **Future Strategy and Plan**

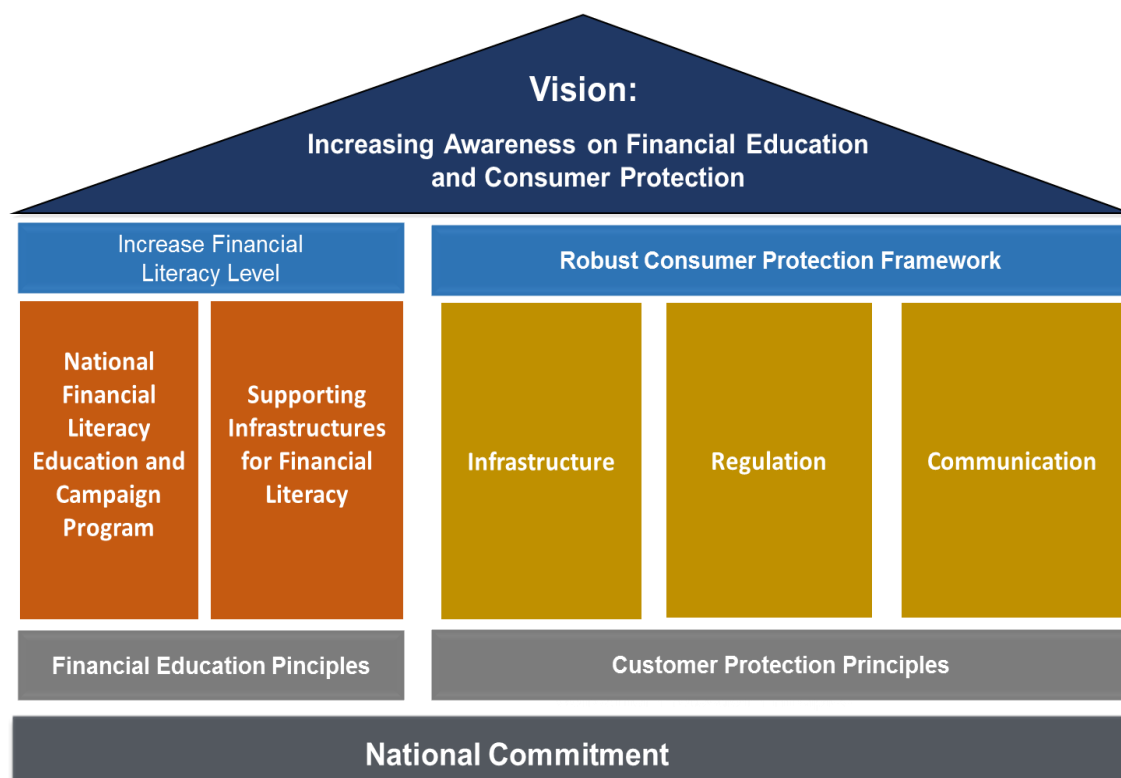
**Short-term target (2016-2019):** NBC to strengthen consumer protection prioritizing: (i) lending; (ii) advertising; (iii) complaints; (iv) fees; (v) interest rates; and (vi) collection practices.

**Medium-term target (2019-2022):** NBC to implement the principles and regulations on consumer protection.

**Long-term target (2022-2025):** NBC to assess regulatory framework and revise regulations where needed.



## CHAPTER 3 - DEVELOPMENT OF FRAMEWORK



*Figure 13 Financial Education and Consumer Protection Framework*

Based on the importance of Financial Education and Consumer Protection and the benchmarking study on Financial Education and Consumer Protection practices in AMS, there is the need of a mutual Financial Education and Consumer Protection framework to be implemented in AMS that could be used as a guidance. The development of framework is derived from the vision of Financial Education and Consumer Protection, the principles, pillars and then the stage of development.

The suggested framework is divided into two major visions, which are (1) Increase Financial Literacy Level, as the objective of Financial Education and (2) Robust Consumer Protection Framework as the objective for Consumer Protection.

### 3.1 Financial Education

#### 3.1.1 Principles

For the financial education, the principles to support achieving the objective are as the followings:

- 1) **Inclusive.** The financial literacy program should cover all people, regardless of income level, ethnicity, nationality, religion, race, residence, and education level.
- 2) **Systematic and Measurable.** The financial literacy program should be well prepared in advance, designed in a systematic way, easy to understand, simple, and having several measurable Key Performances Indicators (KPI).



- 3) **Easy Access.** Services and information related to financial literacy should be widespread and easy to be accessed. For this purpose, it might be preferable if the mediums/channels used for financial literacy to be designed compatible with the specific characteristics of the target market. For example, financial literacy in the urban area could be done through high technology tools, but people living in the rural area might need certain assistance in form of financial literacy agents.
- 4) **Collaboration.** To ensure the success of financial literacy, the program should involve all stakeholders in the whole process of the program from the planning to the implementation stage.

### 3.1.2 Pillars

Whereas the pillars to support achieving the objective, and to be implemented along with the principles are as follows:

#### 1) **National Financial Literacy Education and Campaign Programs**

National Financial Literacy Education and Campaign Programs have a long-term purpose for increasing financial literacy level to all people in every segment. These programs aim to improve public awareness, knowledge, and skills on financial products and services to enable a change in the of public mindset and behavior for the financial market that is hoped to create impact in increasing the number of financial consumers.

#### 2) **Supporting Infrastructures for Financial Literacy**

Financial literacy and education programs could not be efficiently implemented if there are no adequate infrastructures to support the access for financial product and services. Therefore, the infrastructure need to be built and designed in a certain way that could be able to fulfil the following objectives:

- Improve and support national financial literacy and education campaign;
- Expand and ease the access for information on financial literacy; and
- Ensure the sustainability of the financial literacy program.

### 3.1.3 Stage of Development of National Strategy on Financial Education

In implementing the National Strategy on Financial Education, there are several stages of development that need to be done in order, as follows:

#### 1) **Identify financial literacy levels in each AMS.**

Any strategy needs to be made compatible and suited with the current condition of financial literacy level in each country, so the first step needed is to identify the financial literacy levels. For that purpose, each AMS should conduct a national survey for financial literacy and education. The survey is expected to reflect the real condition of financial education and literacy in the country along with the challenges and opportunities. The following is the details of this stage:

##### a) **Sampling Frame**

Before conducting the survey, a proper sampling frame should be designed carefully. Sampling frame is the source material or device from which a sample is drawn in the form of a list of all those in a population that could be taken as the sample



respondent with specific requirements of certain degree of representativeness. The samples might include individuals, households or institutions representing the social and economic structure groups in each AMS.

**b) Questionnaire Design**

After selecting the sample, a suitable questionnaire regarding Financial Literacy level needs to be mapped out. The questionnaire may include few ad-hoc questions that the AMS deem as important based on a specific concern at the time.

**c) Data Collection**

After designing the questionnaire, the next stage would be to conduct the survey and collect both the quantitative and qualitative data. The data collection stage is a systematic approach to gather and measure information from various resources to get a complete and accurate picture of the area of interest.

**d) Data Analysis**

After all the data are collected, the last and most important stage is to analyse the data. Data analysis is the process of evaluating data using analytical and logical reasoning to examine each component of the data provided in order to get a clear comprehensive understanding of the question at hand which is the current level of financial literacy and its trend for each social and economic group, the factors determining the level, and the potential opportunities for future development.

**2) Setting strategic direction**

After determining the current level of financial literacy, strategic directions are needed to provide sustainable financial well-being for individuals and household in particular countries. Such strategic directions could be documented through National Strategy, Policy, Blueprints, etc. Those documents should set the strategic directions for policy, education, practice, research and coordination in the field of financial literacy. The contents within those documents should include the following aspects:

**a) Background and Introduction of the individual country's current condition in comparison to the global condition.**

This part should present the basic economic data, financial and demographic data, potential benefits of strategic direction, key performance indicators, vision, mission, aims, strategic action plan and the stakeholders involved.

**b) Presentation and evaluation of the current necessity of financial education.**

This part requires at least an assessment of financial education level and the previous efforts in financial education, namely the progress and evaluation, which aspects that are already good enough and which aspects that could be improved.

**c) Policy design.**

This part should include main assumptions used in the policy design, such as the minimum substantial scope of the education and the target groups. The integral



issue on this part should be focused on the education for the unbankable and possible policy or actions needed for the unbankable to use financial services.

**d) Institutional arrangement taking into account the requirement of cooperation between national public and private stakeholders and guidance for them.**

This part should describe the institutional arrangement for the policy, which institutions are involved, the cooperation and the integrated scheme among them, and what roles each institution is responsible of, in details. Especially for the national and public institutions, the bureaucracy process is very important to ensure that sustainability aspect of the cooperation and the law as the basis of the policy. Meanwhile, the cooperation with private stakeholders also need to be mapped out and to provide the guidance for all stakeholders involved.

**3) Identification of target groups and priority areas**

The third stage is to identify the target groups for Financial Education and the priority area. Financial education is provided to the entire community, with a focus on the unbankable people such as the low-income group, SMEs and cross-community communities such as migrant workers, women, community groups with social welfare problems, remote areas, student groups, and the young people. Their characteristics need to be identified and to distinguish the different life necessity of each target group.

**a) Professional**

A professional is any person who earns their living from a specified professional activity. Most professionals are subject to specific strict codes of conduct, and serving important aspects of public interest and the general good of society.

**b) MSMEs**

Micro, Small and Medium Enterprises (MSMEs) are collectively the largest employers in many countries, yet their viability can be threatened by lack of access to risk-management tools such as saving, insurance and credit. Access to financial services can therefore boost job creation, raise income, reduce vulnerability, and increase human capital investments.

**c) Migrant Workers**

Migrant workers are people working in different areas outside their hometown or region. Especially for overseas workers, the migrant worker group typically has limited access to formal financial services to support the migration process. The limited access might be due to the difficulty in managing the required documents for formal financial services and several other problems for sending and receiving money from other areas such as remittance services.

**d) Women**

In traditional belief, women are perceived to be helpless and have to rely on their husband for income source. However, the growing access to financial services (bank account, loan, etc) has made women's bargaining power in society increases as they are now equipped with productive tools that help them earn and maintain a living. Studies show that women are more likely to save, allocate, and invest money in





order to be protected against unexpected expenses, and in their children's education.

**e) Pensioners**

Sustainable pension system linked to financial services has the ability to support elderlies to have a more predictable and adequate income. Many elderlies do not have access to bank accounts in which they can store cash safely, and they also face difficulty in accessing credit from financial institutions due to blanket age caps.

**f) First Jobbers**

First jobbers face the challenge of managing their money without assistance by their parents, which might turn out in an undesirable outcome if they were not given a proper financial education.

**g) Students and the Young Generation**

This generation still face many barriers in accessing financial services, including restrictions in the legal and regulatory environment, inappropriate and inaccessible products and services, and low financial capabilities. If they were to register for a financial service, they might need to submit certain documents that stated their parent permission to use the financial services.

**h) Remote society**

Remote society is communities living in remote area that are relatively less developed than other areas in aspects of economy, human resources, infrastructures, local financial abilities, accessibility and regional characteristics. Low accessibility might hinder their opportunities to utilize from the financial market.

**i) Other groups of population**

Group with minorities such as abandoned children, severely disabled persons, elderlies, ex-convicts, and others. These groups are sometimes judged as a country's burden because they have difficulty to access certain opportunities, therefore, they are eligible to become social welfare program recipients. These special groups, along with their constraints on managing for daily living, should be given the proper financial education to strengthen their lifetime financial management and to prevent undesirable problems.

**4) Mapping of Stakeholders Financial Education and Consumer Protection.**

In general, the Financial Education Strategy is centrally coordinated by relevant ministries or regulatory authorities which should rely on cooperation between national public and private stakeholders including the central and state (local) governments, financial regulators, financial institutions, civil society, academician, and others. The implementation of a financial education strategy by multiple stakeholders demand for the definition of appropriate governance principles as well as the mechanism to ensure sustainability, monitoring, and communication.

**5) The coordination of the financial education initiatives and organizing pilot programs.**



Coordinating financial institutions is necessary to create educational programs regarding financial services institutions, products and/or financial services, that focus to improve consumer skills in assessing the benefits, costs and risks of a product and/or financial services, and having confidence in financial institutions or products and/or financial services.

**6) Monitoring and evaluating financial education strategy and programs.**

Monitoring and evaluation activities are needed to ensure that the financial literacy program is working well in accordance to the plans that have been developed. Monitoring and evaluation are carried out on the process as well as the impact of the activities in order to improve the Financial Literacy conducted. The results of such monitoring and/or evaluation can be used as references in the policy planning and activities implementation in order to improve Financial Literacy in the following year.

## **3.2 Consumer Protection**

Consumer protection aims to provide a sense of security to the community in interacting with the financial institutions, as well as having the principles of transparency, fair treatment, reliability, confidentiality and consumer data/information security, complaint handling, and consumer dispute resolution in a simple, fast manner at affordable fees.

Consumer Protection aims to provide a secure feeling to the community in interacting with the financial institutions, as well as having the principles of transparency, fair treatment, reliability, confidentiality and consumer data/information security, complaints handling, and consumer dispute resolution in a simple and fast manner at affordable fees. The principles for consumer protection are as follows:

### **3.2.1 Principles**

The principles for consumer protection based on G20 principles are as follows:

#### **1) Legal, Regulatory and Supervisory Framework**

Financial consumer protection should be an integral part of the legal, regulatory and supervisory framework, meaning that it should reflect the diversity of national circumstances, global market and regulatory developments within the financial sector.

#### **2) Role of Oversight Bodies**

In managing financial protection, there should be oversight bodies – whether specifically dedicated or not – that are explicitly responsible for financial consumer protection with the necessary authority to fulfill their mandates.

#### **3) Equitable and Fair Treatment of Consumers**

Fair treatment of consumers means that treating consumers fairly should be an integral part of the good governance and corporate culture of all financial services providers and authorized agents. Meanwhile, equitable treatment of consumers means that every consumer needs to be met with specific approach based on their strengths and weaknesses. For example, special attentions should be dedicated to the needs of vulnerable groups.



#### **4) Disclosure and Transparency**

Disclosure and transparency are significant components to ensure a sustainable consumer protection. Consumers should be made aware of the details, terms and conditions and possible consequences in using their chosen financial services and products.

#### **5) Financial Education and Awareness**

Financial education and awareness should be promoted by all relevant stakeholders and clear information on consumer protection, rights and responsibilities should be easily accessible by consumers.

#### **6) Responsible Business Conduct of Financial Services Providers and Authorised Agents**

Financial services providers and authorized agents should have as an objective to work in the best interest of their consumers and be responsible for upholding financial consumer protection.

#### **7) Protection of Consumer Assets against Fraud and Misuse**

Relevant information, control and protection mechanisms should appropriately and with a high degree of certainty protect consumers' deposits, savings, and other similar financial assets, including against fraud, misappropriation or other misuses.

#### **8) Protection of Consumer Data and Privacy**

Consumers' financial and personal information should be protected through appropriate control and protection mechanisms. Especially in the era of digital technology, consumer data protection became a strategic issue with many important stakeholders putting their attention on it. To enable a good business environment in financial services sector, consumer should be ensured that their personal information and privacy are well protected by the financial services institutions through the definite power of the regulator.

#### **9) Complaints Handling and Redress**

Jurisdictions should ensure that consumers have access to adequate complaints handling and redress mechanisms that are accessible, affordable, independent, fair, accountable, timely and efficient.

#### **10) Competition**

Nationally and internationally competitive markets should be promoted in order to provide consumers with greater choice amongst financial services and create competitive pressure on providers to offer competitive products, enhance innovation and maintain high service quality.

### **3.2.2 Pillars**

Meanwhile, the pillars for consumer protection are as follows:



### **1) Infrastructure**

The development of consumer protection infrastructure is essential to be provided to empower consumers and society as well as financial services institutions. The infrastructure might include reliable communication channels and information systems that is easy to use and accessible for the consumers and community.

### **2) Regulation**

Consumer protection arrangements are required to realize the principles of benefit, justice and legal certainty for relevant stakeholders. Consumer Protection protected by the legal regulation and law will provide more certainties for the stakeholders involved, and financial consumer can rest assured by knowing that there is a legal foundation for possible dispute resolution. However, it should be noted that such regulation must be designed for an improvement in the financial services sector and consider the interest of both the consumer and the financial services institutions.

### **3) Communication**

Communication becomes one of the important aspects in supporting the creation of good consumer protection. With good communication, the public will understand better the important role of consumer protection in the use of financial products and services.

## **3.2.3 Three Main Factors in Conducting Consumer Protection Strategy**

In conducting Consumer Protection strategy, there are three main factors that must be carefully considered and determined before making any action.

### **1) Urgency**

For each pillar in Consumer Protection, there should be an underlying urgency and purpose to justify the actions executed. The urgency comes from the interest of the Financial Services Authority, the Central Bank, the government and the public interest. Consumer protection strategy should be designed and tailored specifically for the urgency stated. For example, the urgency for the first pillar (infrastructure) might be stated such as the followings:

- Consumer Protection infrastructure development is a very important matter to be provided for communicating with consumer in the financial services sector.
- Consumer Protection infrastructure are built to empower consumer and society as well as financial services institutions. Such infrastructure is available in the form of communication channel and information system that is reliable and easy to access.

### **2) Target**

Every Consumer Protection plan should be created with its own target based on the urgency and purpose above. In the process of determining the target, it should be well remembered that the target must be measurable and achievable for future evaluation and be used as performance indicator. The time frame of the target should be well considered, either in short term, medium term or longer time horizon. For example, the target might be decided such as the followings:



- The availability of communication channel that is easy to access by consumer and society (including consumer with disability or special needs) that support the conduct of consumer service and financial literacy.
- The presence of Internal Dispute Resolution (IDR) as a responsive and effective first line of resolution.

### **3) Strategy**

To achieve the targets that have been decided, the regulator or other responsible institutions should create a well-planned strategy designed especially for the purpose. A strategy carries out more technical plans and assistances needed for the task on hand. For example, the strategy for the target above may have such strategy as creating an integrated financial consumer services which are easy to access and easy to use by consumer and society (including consumer with disability and special needs). The regulator realizes that it is important to provide to quickly provide communication channel that ease consumer and society in delivering information, receiving answer on questions asked, and reporting complaints. Therefore, it is important to establish the integrated financial customer services as the media for consumer and society in the financial services sector to encourage complaint reporting, in line with the efforts to improve financial literacy and education as well as improvement of financial products and services.