

Knowledge Exchange Visit

Bangko Sentral ng Pilipinas and Bank Negara Malaysia on Consumer Protection

Presentation for
Alliance for Financial Inclusion
Global Policy Forum 2010
Bali, Indonesia
29 September 2010



Policy Challenge and Exchange Objective

- BSP financial inclusion advocacy to achieve:
 - ◆ Right balance between full financial access and consumer protection
 - ◆ Proactive complaints handling and redress mechanism
 - ◆ Comprehensive, sustainable financial education/ literacy campaign
 - ◆ Seamless institutional coordination/ complementation for consumer protection
- Learn from a fellow regulator 's experience in:
 - ◆ Consumer assistance
 - ◆ Transparency and disclosure
 - ◆ Consumer education



The Knowledge Exchange

- Why Knowledge Exchange:
 - ◆ BSP, as host to several KX, experienced richness and effectiveness of peer-to-peer interactions, focused discussions and onsite observations
- Why Malaysia:
 - ◆ BNM's consumer protection and market conduct framework "works well because it is closely calibrated to its financial sector's stage of product development and customer sophistication...BNM proactively fine-tunes guidelines and standards as new risk areas emerge" *(CGAP. Diagnostic Report: Malaysia. July 2009.)*
- Preparations:
 - ◆ Internal approvals, AFI KX grant application, touch base with BNM, technical preparations through team coordination, logistical preparations



The Knowledge Exchange

■ Who from BSP

- ◆ Top level policy advocate (Monetary Board Member)
- ◆ Policy adviser (Microfinance Consultant)
- ◆ Operating groups (Financial Inclusion and Consumer Affairs)

■ Who from Malaysia

- ◆ Consumer and Market Conduct Department, Bank Negara Malaysia
- ◆ BNM LINK
- ◆ Association of Banks
- ◆ Malaysia Deposit Insurance Corporation
- ◆ Financial Mediation Bureau
- ◆ Credit Counseling and Debt Management Agency

■ When/Where/How: 15-16 July 2010 / BNM Training Facility in Kuala Lumpur / Presentations, discussions, case examples, onsite visit



Key Insights

- **BNM LINK: providing efficient consumer assistance**
 - ◆ Integrated contact center accessed through multi-channels (physical, electronic, mobile)
 - ◆ Efficient allocation of human resources and investment in appropriate infrastructure
 - ◆ Parallel collaboration with bank associations
- **Financial Mediation Bureau: facilitating complaint resolution**
 - ◆ Regulatory “nudge” to set up independent, self-funded mediation body for amicable settlement of complaints
 - ◆ FIs’ realize “business case” of actively participating in mediation (cost sharing, binding decisions)



Key Insights

- Disclosure standards: embedding a culture of transparency and fair consumer treatment in FIs
 - ◆ Regulations specify standards of transparency and disclosure of financial product pricing
 - ◆ Market conduct surveillance (media watch, mystery shopping)
 - ◆ Vigilance of BNM staff in monitoring FIs' marketing strategies
- Consumer education: targeting specific sectors with tailored programs, materials
 - ◆ Abundance of information from multiple sources, targeted for different audiences
 - ◆ Coordinated programs, public-private partnerships to educate consumers, teachers, school children, university students
 - ◆ Importance of scientific and periodic measurement of impact



Impact / Resulting Outcomes

- Increased appreciation of a holistic approach to consumer protection and education
 - ◆ Monetary Board advocacy for integrated, comprehensive financial education and consumer protection
 - ◆ Broader knowledge of barriers and possible solutions
- Proposed regulation on the use of a uniform disclosure statement for all types of loans, by all providers
 - ◆ Ensures disclosure of true cost of credit in a form that clients understand, facilitates comparison of costs and consumer decision making
 - ◆ Promotes healthy competition among FIs, consistent with market based interest rate policy while protecting consumers
 - ◆ Is being adopted by microfinance NGOs



Impact / Resulting Outcomes

- Programmed for 2011:
 - ◆ Comprehensive study on how a mechanism like Malaysia's FMB model can be instituted in the Philippines
 - ◆ Integration of provisions to increase scale and scope of financial education and consumer protection in the proposed amendments to the BSP Charter
 - ◆ Formulation of a national framework for financial inclusion, which incorporates consumer protection, possibly through inter-agency collaboration
 - ◆ Implementation of AFI grant to determine/ address gaps in financial inclusion data/ measurement
 - ◆ Possible grant to measure impact of financial education initiatives



Impressions on Peer to Peer Learning

- Clear learning objectives are important for focused discussions
- Informal, open, small group discussions among peers on topics of mutual interest reinforces learning
- Knowledge exchange mechanism is more effective than traditional learning methods (i.e. seminars)
- Knowledge exchange provides avenue for networking/ building relationships that may be tapped by both parties during policy formulation/ program implementation



Thank you.

