

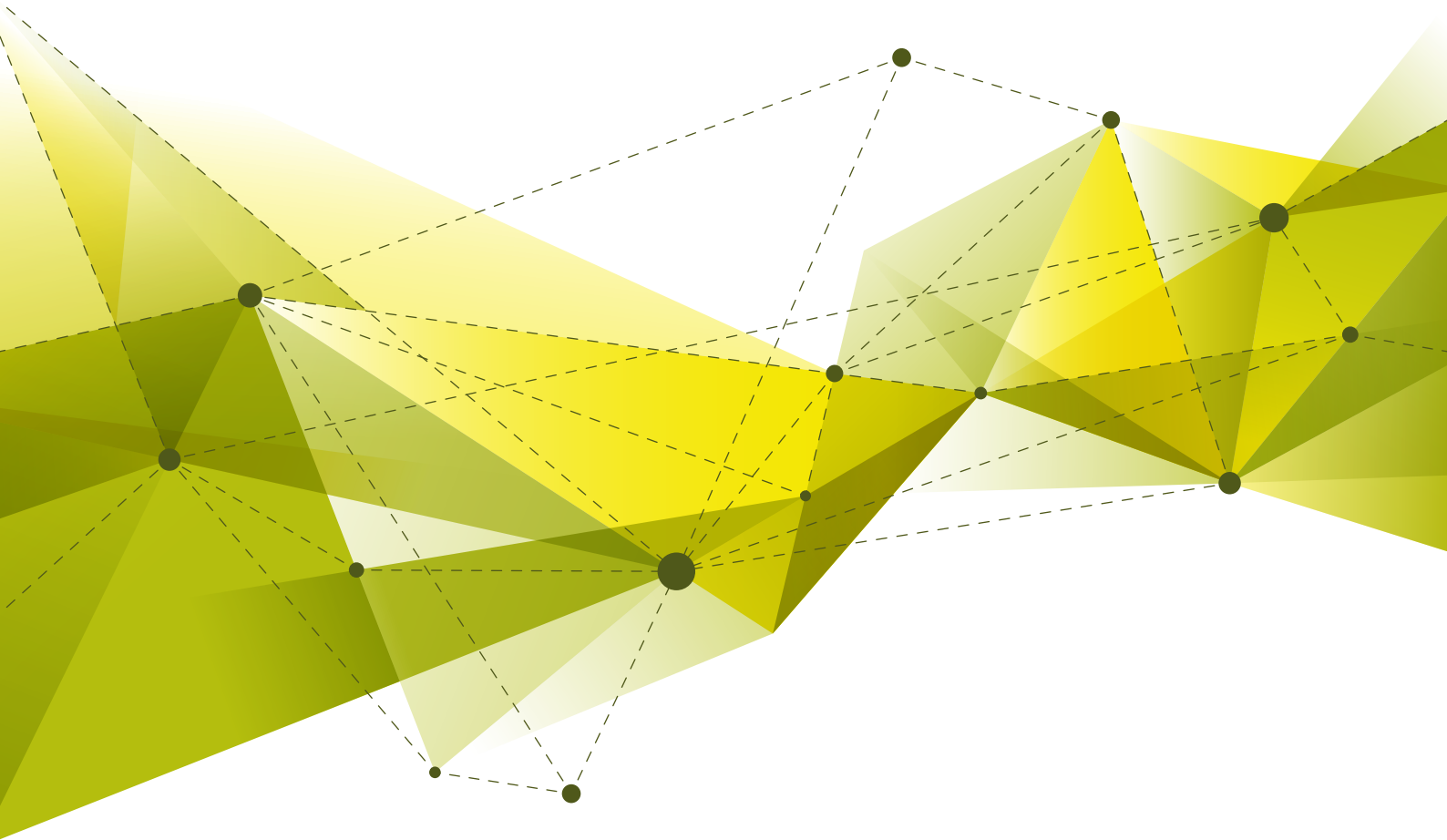


CONSUMER EMPOWERMENT
AND MARKET CONDUCT
(CEMC) WORKING GROUP

BRINGING
SMART
POLICIES
TO LIFE

EXPERIENCES IN THE IMPLEMENTATION OF THE PRINCIPLE OF DISCLOSURE AND TRANSPARENCY IN AFI MEMBER COUNTRIES

SERIES 1: CREDIT PRODUCTS



CONTENTS

ABOUT THIS REPORT	3
CONTEXT	3
AIM OF REPORT	4
IMPLEMENTATION OF PRINCIPLE OF DISCLOSURE AND TRANSPARENCY IN CREDIT PRODUCTS: AFI MEMBER COUNTRY EXPERIENCES	5
INNOVATION AND DISCLOSURE REQUIREMENTS	9
CROSS BORDER DIFFERENCES AND DISCLOSURE REQUIREMENTS	11
SUMMARY	11

ACKNOWLEDGMENT

This is a product of the Consumer Protection Frameworks subgroup of the Consumer Empowerment and Market Conduct Working Group (CEMC WG) and its members.

Author(s) and contributor(s): Susan Kabungaidze - Reserve Bank of Zimbabwe, Norah Mukura - Reserve Bank of Zimbabwe, Sakiusa Nabou - Reserve Bank of Fiji, Francoise Kagoyire - National Bank of Rwanda, Sabina Deklin - Central Bank of Papua New Guinea, Ganga Mlipano - Bank of Tanzania and Elike Boletawa - AFI Head of Policy Programs & Regional Initiatives

We would like to thank AFI member institutions, partners and donors for generously contributing to the development of this publication.

AFI Working Groups are supported by AFI funding partners.

ABOUT THIS REPORT

This survey report was prepared by the Consumer Empowerment and Market Conduct Working Group (CEMC WG) subgroup on Consumer Protection Frameworks. As part of its mandate to advance policy and regulatory issues related to consumer empowerment initiatives and market conduct regulations within the AFI network, the CEMC WG subgroup on Consumer Protection Frameworks conducted a survey to establish the experiences of member countries and gather a deeper understanding on the challenges of implementing the Disclosure and Transparency Principle of Consumer Protection, in relation to credit products.

The survey also attempts to highlight suggested solutions for these challenges from past experiences and also from current developments. The CEMC WG subgroup on Consumer Protection Frameworks is grateful to all the member countries that responded to the survey. A total of twelve member countries provided responses to the survey, namely: Thailand, Tunisia, Malawi, Philippines, Morocco, Armenia, Uganda, Mexico, Fiji, Costa Rica, Honduras, Vanuatu and Zimbabwe. Appendix A shows a synopsis of responses received.

CONTEXT

INTRODUCTION OF THE DISCLOSURE AND TRANSPARENCY PRINCIPLE, IN RELATION TO CREDIT PRODUCTS

The principle of Disclosure and Transparency is one of the 10 G20 General Principles on Consumer Protection in the field of financial services, aimed at promoting transparency in product features, terms and conditions; integrity in promotional activities and clarity of all communication.¹

The principle stipulates that regulated financial services providers and their authorized agents ought to provide consumers with key information that enlightens the consumer of the major benefits, risks and terms of the product in a language that they understand. It requires regulated financial institutions to provide customers with terms and conditions of a banking service, including fees and charges, penalties and relevant interest rates and the customers' liabilities and obligations in the use of the banking service. It also requires financial institutions to provide information on conflicts of interest associated with the authorized agents that sell or deliver the respective products and services.

Disclosure and transparency are required not just at the time of enquiry or entering into a contract but must be maintained throughout the duration of the relationship with the customer. This means that institutions must ensure a healthy balance between disclosing information and educating customers on upholding their responsibilities. In addition, all financial promotional material should be accurate, honest, understandable, not misleading and in a language that the customer understands.

Protection of financial consumers is a key part of public policy frameworks. Disclosure and transparency is one of the key elements of financial consumer protection frameworks. In this regard, laws should provide broad powers to consumer protection authorities to develop policies and practices that promote and enforce disclosure and transparency in the financial sector.

This should be done through clear and objectively defined responsibilities, and appropriate governance; operational independence; accountability on their activities; adequate powers and resources to take enforcement actions; and redress mechanisms.

¹ <https://www.oecd.org/daf/fin/financial-markets/48892010.pdf>

AIM OF REPORT

In line with global developments where policymakers, such as Organization for Economic Cooperation and Development, United Nations Capital Development Fund and the World Bank Group, are establishing and strengthening legal and regulatory frameworks for financial consumer protection, this report seeks to establish the experiences of AFI member countries in the implementation of the Disclosure and Transparency Principle of Consumer Protection, in relation to credit products and recommend ways of closing any identified gaps, where necessary.

IMPORTANCE OF DISCLOSURE AND TRANSPARENCY PRINCIPLE IN FINANCIAL INCLUSION AND WITH REFERENCE TO ACCESS TO CREDIT

Disclosure and transparency is an integral part of a sound consumer protection regime, which:

- a) Helps consumers make better informed decisions;
- b) Builds consumer trust in the formal financial sector;
- c) Contributes to establishment of healthy competitive financial markets;
- d) Assists regulators protect the stability and integrity of the financial system;
- e) Promotes healthy and sustainable economic development through financial inclusion; and
- f) Protects financial consumers from harmful business practices.

Consumers can be at a particular disadvantage when purchasing financial products or services, as these are widely marketed but purchased infrequently. Consumers' decision-making processes may be influenced or constrained by a number of inherent factors, which may result in poor financial choices. Effective disclosure and transparency should, therefore, aim to mitigate the effect of these factors by providing appropriate and adequate information and opportunities for consumers to process information with ease and clarity. This should be done by disclosing information in the format, time, medium and volume that best facilitates informed decision-making by consumers.

Rapid developments in the financial services sector, especially those enabled by technology, have brought a sizeable number of new, mostly poorer and vulnerable first-time consumers into the market. Hence, disclosure and transparency requirements help to protect these vulnerable consumers.

Disclosure and transparency principle requires financial institutions to act fairly and reasonably in all dealings with consumers, including prohibition on unfair and deceptive practices, such as using small print, complex languages or voluminous documents to disguise, diminish, obscure or conceal material facts. The principle also requires financial institutions to adopt standardized pre-contractual disclosure practices to allow comparisons among similar products and services. This includes developing specific disclosure mechanisms and providing consumers with a document of key facts that highlights all fees, liabilities or obligations.

IMPLEMENTATION OF PRINCIPLE OF DISCLOSURE AND TRANSPARENCY IN CREDIT PRODUCTS: AFI MEMBER COUNTRY EXPERIENCES

LEGAL FRAMEWORK AND PRUDENTIAL STRUCTURES FOR FINANCIAL CONSUMER PROTECTION

In both developed and developing countries, policymakers are establishing and strengthening legal and regulatory frameworks for financial consumer protection, and building up specialized supervisory departments (World Bank, 2017).

Policymakers are also working on addressing new risks to consumers, such as those arising from digital channels for delivery of financial products and services. They are developing new approaches and tools, such as incorporating behavioral insights into the design of effective disclosure regimes and rules regarding product suitability.

Every jurisdiction should have a clear legal framework that promotes an effective regime for financial consumer protection, including credit products and services.

Authorities in charge of implementing the financial consumer protection legal framework should have an explicit and clear legal mandate for consumer protection. They should have legal powers to issue binding regulations for financial consumer protection, as well as guidelines or other instruments under these regulations; and implement and enforce the application of the financial consumer protection legal and regulatory framework.

The authorities should also be adequately resourced and be operationally independent of external interference from political, commercial, and other sectoral interests. Appropriate legal protection should be established to protect the authorities and their supervisory staff from personal litigation against their supervisory duties that are exercised in good faith.

FINANCIAL CONSUMER PROTECTION ENSHRINED IN LEGISLATION OR REGULATORY AND PRUDENTIAL STRUCTURES

YES	77%
NO	23%

The majority of AFI member countries have laws and regulations that incorporate financial consumer protection. Of the 13 member institutions that provided responses, eight member countries, namely Thailand, Tunisia, Philippines, Morocco, Armenia, Uganda, Zimbabwe and Mexico, have financial consumer protection enshrined in their laws and regulations. Costa Rica, Samoa and Vanuatu have no laws that specifically provide for financial consumer protection.

Out of the eight member institutions that indicated incorporation of financial consumer protection in their laws and regulations, Morocco is in the process of amending laws and regulations to include financial consumer protection in the banking sector, while Tunisia established a department in April 2019 to facilitate the implementation of financial consumer protection in the banking sector.

Although Fiji does not have a financial consumer protection law yet, it carries out its consumer protection duties for regulated financial institutions through a policy statement issued under the general powers of the Reserve Bank of Fiji as the financial sector regulator. Fiji is in the process of developing a Consumer Protection and Market Conduct Framework to align its practices with the G20 General Principles on Consumer Protection.

It was noted that all member countries that indicated they have protection of financial consumers established in their laws and regulations, also specified that their laws and regulations provide enforcement powers to consumer regulatory authorities. On the contrary, all the three that have no laws for financial consumer protection, also do not have laws and regulations that provide powers to consumer regulatory authorities.

ARE LAWS AND REGULATIONS ADEQUATE TO PROMOTE RESPONSIBLE LENDING PRACTICES BY CREDIT PROVIDERS?

YES	38%
NO	62%

Out of the nine member countries that responded to this question, five representing 62 percent have inadequate laws and regulations for the promotion of responsible lending practices.

Four countries, namely Malawi, Philippines, Zimbabwe and Mexico have adequate laws and regulations to promote responsible lending. However, Philippines indicated that enforcement of the laws is a challenge due to the existence of multiple financial sector regulators

The survey revealed that there are shortcomings in the member countries' regulatory frameworks that are hindering the smooth implementation of the Principle of Disclosure and Transparency, with respect to credit products.

There is a need for all members in the AFI network to ensure that their laws provide for financial consumer protection. Regulatory bodies responsible for financial consumer protection must have adequate powers and resources to conduct their duties, including enforcement. In addition, laws and regulations must adequately provide for responsible lending practices.

KEY INFORMATION ABOUT THE PRODUCT OR SERVICE

Disclosures and communications should give prominence to key features of a product/service, such as price, risks, return, amounts due, and access conditions and restrictions to encourage the consumer to pay attention to such features and, if needed, seek further clarification with the staff or agent of the financial service provider.

All information provided to customers should be easy to read and understand. Information should be available to consumers via numerous channels, such as in branches and online. In all communications, adequate fonts and layout should be used. Communication channels and language should take into account the participant's varying levels of knowledge and information. All communications should be based on a clear vocabulary of expressions; unusual words and technical jargon should not be used or, at least, should be explained.

DO YOU HAVE INDICATORS OF UNSUITABLE PRODUCT FEATURES AND BENCHMARKS FOR FINANCIAL PRODUCTS THAT CAN BE USED SAFELY BY A WIDE VARIETY OF CONSUMERS?

RESPONSE	NUMBER OF MEMBER INSTITUTIONS	% OF TOTAL RESPONDENTS
Yes	1	11%
No	8	89%

The responses above reveal that most member countries have no indicators of unsuitable product features and benchmarks for financial products that can be used safely by a wide variety of consumers.

Mexico is the only one out of the nine countries that responded with indicators of unsuitable product features and benchmarks for financial products. It has laws that provide for regulation, supervision and penalization for abusive clauses, as well as for regulation/supervision of total annual cost of credit and total annual gains for deposits.

ARE THERE DISCLOSURE GUIDELINES ON RISKS TO THE BORROWER?

YES	11%
NO	89%

From the survey results, it is evident that the majority of member countries do not have guidelines on disclosure of risks to borrowers.

This means that consumers may unknowingly take up products that are harmful to them. Malawi, Philippines and Mexico have disclosure guidelines on risks to the borrowers; some have guidelines that cover all products, while one has guidelines that cover a few products, such as credit.

DO YOU HAVE MANDATORY RULES/REQUIREMENTS FOR THE DISCLOSURE OF PRODUCT FEATURES AND RISKS TO BORROWERS?

YES	56%
NO	44%

The countries that have mandatory rules/requirements for the disclosure of product features and risks to borrowers are Mexico, Malawi, Zimbabwe, Armenia and Philippines. In Philippines, mandatory rules/requirements apply to loan interest and fees only. In Malawi, disclosure of product features and risks to borrowers are done as part of key facts statements. In Armenia, the laws and regulations stipulate that financial services providers should disclose the main features and risks to the consumer before signing an agreement and include the features in the agreement.

IS THE ISSUE OF COMPETITION FOR CLIENTS A CHALLENGE RELATED TO THE REQUIREMENTS OF DISCLOSURE AND TRANSPARENCY IN YOUR JURISDICTIONS?

YES	44%
NO	56%

Five member countries representing 56percent of the member countries indicated they have no challenges related to the requirements of disclosure and transparency that emanate from competition for clients.

Fiji highlighted that there are instances where competition for clients result in financial institutions not giving consumers the opportunity to take home agreements so as to enable clients to peruse/review them. Instead, financial institutions make clients sign contracts while still at their offices. In Malawi, microfinance institutions have a tendency of retaining customer details in their systems, which affects loan collections with direct deductions before loan disbursements. In Zimbabwe, some financial service providers violate the requirement for full disclosure in order to entice consumers to take up their products without full information.

CHALLENGES IN RESPECT OF INFORMATION EXPRESSED IN OVERLY COMPLEX LEGAL OR TECHNICAL JARGON?

YES	38%
NO	62%

The majority of the member countries do not face the challenge of information expressed in overly complex legal or technical jargon. Mexico, Philippines, Zimbabwe, Fiji and Tunisia indicated that they were facing challenges of information expressed in overly complex legal/technical jargon. Furthermore, this situation is worsened by the use of languages not understood by most consumers.

In addition, financial institutions face challenges in simplifying the terms and conditions of their products and services, hence, the jargon remains technical to lay persons. Of the member countries that indicated a challenge with complex jargon, two, namely Philippines and Mexico, are amending regulatory frameworks to alleviate the situation.

ARE THERE CHALLENGES IN RESPECT OF INFORMATION BURIED IN LENGTHY TERMS AND CONDITIONS?

YES	54%
NO	46%

Member countries that indicated a challenge with lengthy terms and conditions are Mexico, Morocco, Fiji, Philippines, Malawi, Zimbabwe and Tunisia. It was highlighted that financial institutions face challenges in simplifying the terms and conditions of their products and services, resulting in them being lengthy. The situation is exacerbated by the fact that the terms and conditions are in small fonts, which make it difficult for consumers to read.

ARE THERE CHALLENGES IN RESPECT OF INFORMATION COMMUNICATED IN LANGUAGE THAT THE CUSTOMER IS NOT PROFICIENT?

YES	46%
NO	54%

Responses revealed that the use of foreign languages in financial contracts is the major challenge. There may be a need for regulatory authorities to ensure that their laws and regulations require financial service providers to use languages that are understood by the consumers and where possible, use the consumer's native language.

There is a need for most members of the AFI network to enhance their regulatory frameworks to ensure that they have guidelines on disclosure of risks to borrowers and have mandatory rules/requirements for the disclosure of product features and risks to borrowers. In addition, there is also a need to develop indicators of unsuitable product features and benchmarks for financial products that can be used safely by a wide variety of consumers so they can make informed decisions. These can also help in conducting market conduct supervision.

KEY FACT STATEMENTS (KFS)

Consumers may not read the contractual terms and conditions of an agreement or they may not understand them, or the agreement may be too long, especially in the case of less-sophisticated or low-literacy consumers, or when products are delivered electronically.

KFS are an important tool to ensure that consumers understand and realize the costs, risks, and benefits of the product or service and compare the features of a specific product with that of other providers. KFS are useful for both the shopping and the pre-contractual stages. They should, however, not become a substitute for a full, written agreement.

IS THE KFS REQUIREMENT FOR THE DIFFERENT TYPES OF CREDIT PRODUCTS EASILY COMPLIED WITH?

YES	40%
NO	60%

Compliance with the KFS requirement for the different types of credit products is still a challenge with most member countries, as 60 percent of respondents indicated that the requirement is not easily complied with.

Armenia, one of the leaders in financial sector consumer protection, has implemented a standardized KFS for all types of consumer credits, mortgages and agricultural credits. Uganda indicated that it checks for compliance with the requirement during on-site examinations; hence, regulated entities endeavor to comply by ensuring that financial consumers sign these KFS.

COST OF DISCLOSURE

Disclosure requirements should not result in excessive costs to providers, with little or no significant benefit in terms of consumer understanding.

HAVE YOU RECEIVED ANY COMPLAINTS REGARDING THE COST OF DISCLOSURE RELATED TO PUBLICATION OF INFORMATION IN DIFFERENT LANGUAGES?

YES	22%
NO	78%

It is evident from the survey results that cost of disclosure related to the publication of information in different languages is not an impediment in ensuring compliance with the Principle of Disclosure and Transparency, with respect to credit products; 78 percent of the respondents have no challenges in this regard.

INTEREST RATE CALCULATIONS AND COOLING-OFF PERIOD

Financially capable consumers have the knowledge, skills, attitudes, and confidence to make informed decisions and act in their own best financial interest. Lending institutions need to disclose to the borrower the interest charged and the manner in which it is to be calculated; any applicable fee or other charge, the manner in which it is calculated and every term or condition applicable to the credit, must clearly describe the obligations of the borrower.

Cooling-off period is the right to cancel or rescind a loan agreement without having to provide reasons and without incurring any penalty or suffering any legal consequences arising from the agreement. This is particularly useful for financial products with a long-term commitment, those that are commonly sold using high-pressure sales practices, and those sold remotely (e.g., via telephone).

IS THE CAPACITY OF BORROWERS TO UNDERSTAND INTEREST RATE COMPUTATIONS A CHALLENGE IN YOUR JURISDICTION?

YES	70%
NO	30%

The survey results reflect that financial literacy is still a major challenge in member countries. Of the total respondents, 70 percent face the challenge of borrowers who do not have the capacity to understand interest rate computations; namely, Mexico, Uganda, Armenia, Philippines, Fiji, Zimbabwe and Malawi.

Most countries facing challenges in this respect indicated that they are involved in financial literacy and education campaign programs to alleviate the challenge.

Uganda embarked on aggressive financial literacy campaigns and insists on the inclusion of a loan schedule that shows the amount payable per month and a decomposition of the interest and principal.

DO YOU HAVE CHALLENGES IN IMPLEMENTING COMPLIANCE WITH THE REQUIREMENT FOR DISCLOSURE OF EFFECTIVE INTEREST RATES?

RESPONSE	NUMBER OF MEMBER INSTITUTIONS	% OF TOTAL RESPONDENTS
Yes	4	44%
No	5	56%

The member countries that have no challenges in implementing compliance with the requirement for disclosure of effective interest rates are Mexico, Malawi, Costa Rica and Honduras.

Member countries that indicated challenges in this area are Zimbabwe, Fiji, Uganda, Armenia and Philippines. Armenia highlighted that the challenges largely emanate from financial institutions failing to understand the concept of effective interest rates, which results in inaccurate calculations.

In addition, consumers in Uganda do not fully appreciate the concept of cost of credit, thus, when calculated, the indicator is not effective. Zimbabwe disclosed the need for common guidance in the computation of effective interest rates by financial service providers.

ARE THERE ANY CHALLENGES IN IMPLEMENTING THE COOLING-OFF PERIOD?

YES	36%
NO	64%

Member countries that are facing challenges in dealing with interest accrued during the cooling-off period are Malawi, Fiji, Philippines and Uganda. Malawi indicated that financial institutions complain that they pay their funders interest during the cooling-off period, yet they cannot recoup the same from clients when clients decide to cancel the contract. As a result, some financial institutions still breach the laws by charging interest during the cooling-off period, even when clients decide to cancel the contract.

It was also noted that in some jurisdictions, namely Uganda and Philippines, the concept of a cooling-off period is not understood by both clients and some staff of the regulated entities. In a bid to improve the situation, Uganda embarked on aggressive awareness campaigns. Zimbabwe indicated that its legal framework does not provide for cooling-off period.

The survey showed that the majority of member countries have challenges of financial literacy; hence, member countries need to enhance financial literacy initiatives. Furthermore, there is a need to ensure enhanced capacity at financial institutions in financial literacy matters, as well as implementing strong regulatory compliance monitoring tools.

INNOVATION AND DISCLOSURE REQUIREMENTS

Digital developments bring new types of disclosure challenges associated with aspects such as the use of agents, complex interfaces, limited space in digital devices or opaque terms, conditions and fees, especially regarding complex digital products.

Disclosure requirements should not form undue barriers to ethical and healthy innovation in product design and service delivery; policymakers will need to consider what unique challenges may arise with respect to digital financial services. The regulatory frameworks for digital financial services and electronic channels should allow for disclosures in electronic format. Although usually more difficult to read and understand than a paper-based receipt, they should not be rendered invalid.

Consideration of disclosure requirements is also relevant to the issue of data privacy, in terms of how effectively privacy policies that govern the use, collection, sharing and storage of a consumer's personal data are implemented. The need to use clear, objective, and simple language cannot be overemphasized, with respect to credit products and services

Digital financial services carry new risks for financial consumers arising from a number of factors, including: misuse of unfamiliar or new types of products, uninformed consumers, new forms of fraud, lack of security, inadequate disclosure and redress mechanisms, lack of digital and financial literacy, privacy and confidentiality of data, inappropriate or excessive use of digital profiling to identify potential customers and exclude unwanted groups, rapid access to high-cost short-term credit and essentially speculative products (e.g. initial coin offerings), and other market practices that can reinforce behavioral biases.

In addition, increased use of algorithms may affect decisions about credit, insurance or investments and can lead to denied access to certain services or inappropriate charges based on inaccurate or wrong correlations made without human interpretation. Misuse of data, including big data and small data, unreliability of mobile networks and digital finance platforms may also lead to the inability to carry out transactions, inaccessibility of funds or cybersecurity risks.

DO YOU FACE CHALLENGES IN BALANCING BETWEEN DISCLOSURE REQUIREMENTS AND INNOVATION IN PRODUCT DESIGN AND SERVICE?

(e.g. SMS as a transaction receipt as opposed to a paper-based receipt or reading an agreement via mobile phone instead of hard copy).

YES	44%
NO	56%

Uganda still requires financial institutions to use hard copies for financial contracts, despite technological advancements. In Philippines, most clients prefer hard copies, while in Malawi, some clients complain to regulatory authorities that they were not given terms and conditions of the products (e.g. loans) that they access via mobile application platforms.

In Armenia, the format and content of statements for loans and deposits are standardized, which is presenting challenges for digital products. The regulatory authorities are planning to amend the laws to allow financial institutions to change the format but still provide the relevant information.

In Zimbabwe, compliance with full disclosure requirements is a key requirement before any new product or design is approved by the central bank. However, regulation of credit products, such as airtime credit offered by Mobile Network Providers (MNOs), is proving to be a challenge given that MNOs fall outside the purview of Bank Supervisors. Some of the disclosure requirements do not apply to airtime or electronic credit and may not be accepted in case of litigation, for instance electronic signatures.

DO YOU FACE ANY CHALLENGES WITH TIMING AND CONTENT OF ELECTRONIC DISCLOSURE?

e.g. feasibility of viewing loan agreements on mobile phones.

RESPONSE	NUMBER OF MEMBER INSTITUTIONS	% OF TOTAL RESPONDENTS
Yes	4	44%
No	5	56%

Costa Rica, Mexico, Zimbabwe, Armenia and Vanuatu indicated that they are not facing this challenge, while those facing challenges in this regard are Fiji, Malawi, Philippines and Uganda.

Malawi highlighted that financial institutions using FinTech platforms do not give customers enough time to review the content, e.g. of loan agreements, as they require clients to sign immediately. Philippines also explained that challenges emanate from clients who at times change email addresses without notifying financial institutions, and/or do not check their emails regularly, which results in them missing critical notices/communication from financial institutions.

Fiji reported that it is using consumer awareness campaigns to deal with the situation, whereas Uganda suggested that the use of ICT in supervising financial institutions may also solve some of the challenges faced. Zimbabwe indicated that it requires downloadable electronic disclosures to enable the borrower to read and understand the terms and conditions before acceptance or otherwise, of any financial service.

Member countries need to align disclosure requirements and regulatory approaches with FinTech developments.

CROSS BORDER DIFFERENCES IN DISCLOSURE REQUIREMENTS

Challenges in disclosure and transparency may also arise from cross-border differences in policy frameworks. To ensure that consumers are generally protected, irrespective of the origin and domiciliation of consumer credit providers, jurisdictions normally require foreign consumer credit providers to be licensed and regulated locally.

DO YOU FACE CHALLENGES EMANATING FROM CROSS-BORDER DIFFERENCES IN THE POLICY FRAMEWORKS FOR CONSUMER FINANCE PROTECTION?

Particularly with regard to product regulation when dealing with foreign consumer credit providers.

RESPONSE	NUMBER OF MEMBER INSTITUTIONS	% OF TOTAL RESPONDENTS
Yes	0	0%
No	9	100%

The survey shows that member countries do not face challenges emanating from cross border differences in policy frameworks for consumer finance protection with regard to product regulation when dealing with foreign credit providers.

Costa Rica, Zimbabwe, Mexico, Uganda, Armenia, Philippines, Vanuatu, Fiji and Malawi responded to this question.

SUMMARY

The table below outlines some recommendations for dealing with the challenges that AFI members are encountering in the implementation of the disclosure and transparency principle of consumer protection, in relation to credit products, based on the survey findings.

AREA	RECOMMENDATION
Legal framework	AFI member countries should ensure that their laws adequately provide for financial consumer protection. Regulatory bodies responsible for financial consumer protection must have adequate powers and resources to conduct their duties, including enforcement.
Disclosure	There is a need for most AFI member countries to enhance their regulatory frameworks to incorporate guidelines on disclosure of risks to borrowers and mandatory rules/requirements for the disclosure of product features and risks to borrowers. There is also a need to develop indicators of unsuitable product features and benchmarks for financial products that can be used safely by a wide variety of consumers to help consumers make informed decisions.
Cooling-off period and interest rate computation	There is a need to enhance financial literacy initiatives within the AFI network to facilitate effective financial consumer protection. There is also a need to promote enhanced capacity in financial institutions in financial literacy matters, as well implement strong regulatory compliance monitoring tools.
Innovation and disclosure requirements	AFI member countries need to align disclosure requirements and regulatory approaches with regards to FinTech developments.

Alliance for Financial Inclusion

AFI, Sasana Kijang, 2, Jalan Dato' Onn, 50480 Kuala Lumpur, Malaysia
t +60 3 2776 9000 e info@afi-global.org www.afi-global.org

 Alliance for Financial Inclusion  AFI.History  @NewsAFI  @afinetwork