



Review of Developing Country DFS Consumer Protection Regulations

Prepared for the Consumer Experience and
Protection Working Group
of the ITU's FG-DFS by the
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Agenda

Research Questions

Overview of Research Methods

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Summary of Key Findings

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Research Questions - DFS Consumer Protection Regulatory Frameworks

1. *Regulatory Actors for Digital Financial Services (DFS) Consumer Protection:*
 - What are the primary relevant regulatory institutions within each country, what are their general responsibilities, and what are their roles in monitoring or regulating DFS consumer protection issues?
2. *DFS Consumer Protection Regulatory Documents:*
 - What existing and/or planned regulatory documents include relevant provisions for DFS consumer protection regulation in each of the reviewed countries, and what are the characteristics of these documents?

Research Questions - Coverage of DFS Consumer Protection Issues in Regulations

3. How do DFS consumer protection regulations address what **prices, fees, or other charges** may be charged to DFS consumers?
4. How do DFS consumer protection regulations address who bears the legal and financial **responsibility for customer financial losses or other harm**?
5. What measures do regulations mandate in order to **protect consumers from financial losses and other harm**?
6. How do DFS consumer protection regulations address **transparency in DFS Terms & Conditions**?
7. How do DFS consumer protection regulations address **dispute resolution** in the event of fraud or other customer grievances?

Research Methods

- Desk review of DFS consumer protection regulations in 22 selected developing countries:
 - 4 in Latin America
 - 6 in South and Southeast Asia
 - 12 in Africa
- Sources of information:
 - Relevant country regulatory documents
 - Websites of relevant regulatory institutions
 - Academic and non-published literature on DFS consumer protection regulation
- Supplemental interviews with regulators from Bangladesh, India, and Uganda

Evidence Reviewed

Country	Number of Documents Reviewed	Number of Primary Regulatory Documents Reviewed
Bangladesh	17	6
Brazil	19	7
Colombia	16	4
DR Congo	5	1
Ecuador	15	6
Egypt	9	2
Ghana	10	3
India	19	6
Indonesia	22	7
Kenya	14	5
Lesotho	6	2
Malaysia	14	3
Nepal	10	3
Nigeria	10	4
Pakistan	15	6
Peru	10	7
Rwanda	14	4
Sierra Leone	4	1
South Africa	18	7
Tanzania	17	7
Uganda	12	2
Zambia	9	2
TOTAL	285	95

- 94 regulatory documents
- 166 unique results from academic and grey literature
- Documents in English, French, Spanish, Portuguese, and Indonesian
- Other regulatory documents may exist that are not publicly available online, not in one of the above language, or not clearly related to DFS and/or consumer protection

Findings - Regulatory Institutions

- In all 22 countries, a financial regulator (often the central bank) is involved in DFS regulation.
 - The central bank is the primary institution responsible for regulating DFS consumer protection in 17 of the 22 countries
 - 5 countries (Colombia, Ecuador, Peru, Indonesia, and soon South Africa), have adopted a regulatory structure that separates regulatory powers that are often held in a country's central bank and vests them in a separate financial regulator
- In many countries, telecommunications regulators license MNOs, oversee aspects of market competition, and manage quality of service within DFS channels.
 - The specific roles for telecoms and financial regulators are often unclear and sometimes appear to overlap
- 14 of 22 countries have a competition authority, 8 of which also have some responsibility for consumer protection.
- 8 countries have separate consumer protection authorities.

Findings - Regulatory Documents

- DFS consumer protection regulations are included in regulatory documents covering a variety of topics:
 - mobile money/electronic transactions (20 of 22 countries)
 - consumer protection/competition (14)
 - agent/branchless banking (12)
 - payment systems/banking (9)
 - customer service/dispute resolution (4)
- Regulations relevant to DFS consumer protection may also be found in many other regulatory documents, without clear indication that those documents include relevant regulations.

Findings - Regulation of Responsibility for Consumer Financial Losses or Other Harm

- Regulatory documents often do not cover responsibility for costs from potential sources consumer financial losses or other harm
- Specific regulations exist placing responsibility for costs on the MMO/DFS provider in the event of:
 - System malfunctions (7 of 22 countries)
 - Hacking/Fraud (3) - 3 other countries leave it up to provider to determine how to allocate responsibility
 - Agent misconduct (16)
 - Bankruptcy (16)
- Regulations on erroneous transactions in 5 countries require proof that the customer did not knowingly authorize the transfer, and have varying safeguards protecting customers from making erroneous transfers.

Findings - Regulations for Reducing Risk of Consumer Financial Harm or Other Losses

- 18 of 22 countries have regulations that mandate transparent communication of costs associated with DFS
 - 7 countries mandate equity provisions for specific population groups
 - 6 mandate regulator reviews of provider Terms & Conditions
 - 8 mandate that providers or regulators should carry out regular checks on agents
- 18 of 22 countries have regulations mandating security policies for DFS providers to reduce the risk of loss of funds or data, including:
 - pin/password requirements (11 countries)
 - data security requirements (12)
 - standards for accessing consumer funds or data (6)
 - limits to sharing of consumer data with third parties (9), and
 - training for agents and employees on risk prevention (10)

Findings - Regulations for Dispute Resolution

- 10 of 22 countries have regulations mandating specific mechanisms for consumers to report complaints
 - In 8 countries, regulations state that complaint channels should be free
 - 13 countries mandate maximum times to resolve complaints, ranging from 2 days in Indonesia and Nigeria (for certain complaints) to 30 days in Kenya and Peru
- 14 countries require providers to collect/report data on complaints
- 15 countries have regulations specifying alternative dispute resolution channels in case consumers are not satisfied with provider mechanisms
 - Central Bank, ombudsmen, small claims/consumer court

Discussion

- Initial feedback on findings
- Potential approaches to incorporating findings into broader working group deliverables



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