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

<table>
<thead>
<tr>
<th>Country</th>
<th>Number of Documents Reviewed</th>
<th>Number of Primary Regulatory Documents Reviewed</th>
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<tr>
<td>Bangladesh</td>
<td>17</td>
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<tr>
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<td>95</td>
</tr>
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</table>

- 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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Please direct comments or questions about this research to Principal Investigators C. Leigh Anderson and Travis Reynolds at epar.evans.uw@gmail.com.