

Analistas Financieros Internacionales (Afi)

Independent consultants

November 14th, 2014

Panel Client Protection

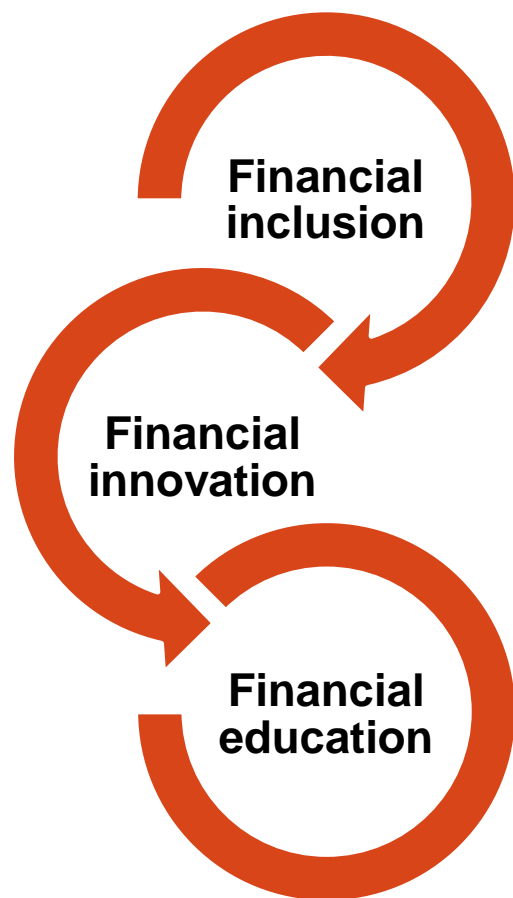
We are independent consultants in finance

- Since 1987, consulting in **economics, banking and finance**
- Based in Madrid (**Spain**)
- Strong international focus on **Latin America and North Africa** (30+ countries)
- Main international clients are **multilateral financial institutions** and their **local beneficiaries**



- Other clients include:
 - **Spanish financial institutions** (deposit institutions, insurance companies, asset managers, etc.)
 - **Private international clients** (financial and corporate sectors)
 - **Public administrations**
- Founding member of the Spanish Microfinance Network – remEX
- Created Fundación Afi (www.fundacionafi.org) as part of its CSR.

Our take on responsible access to finance

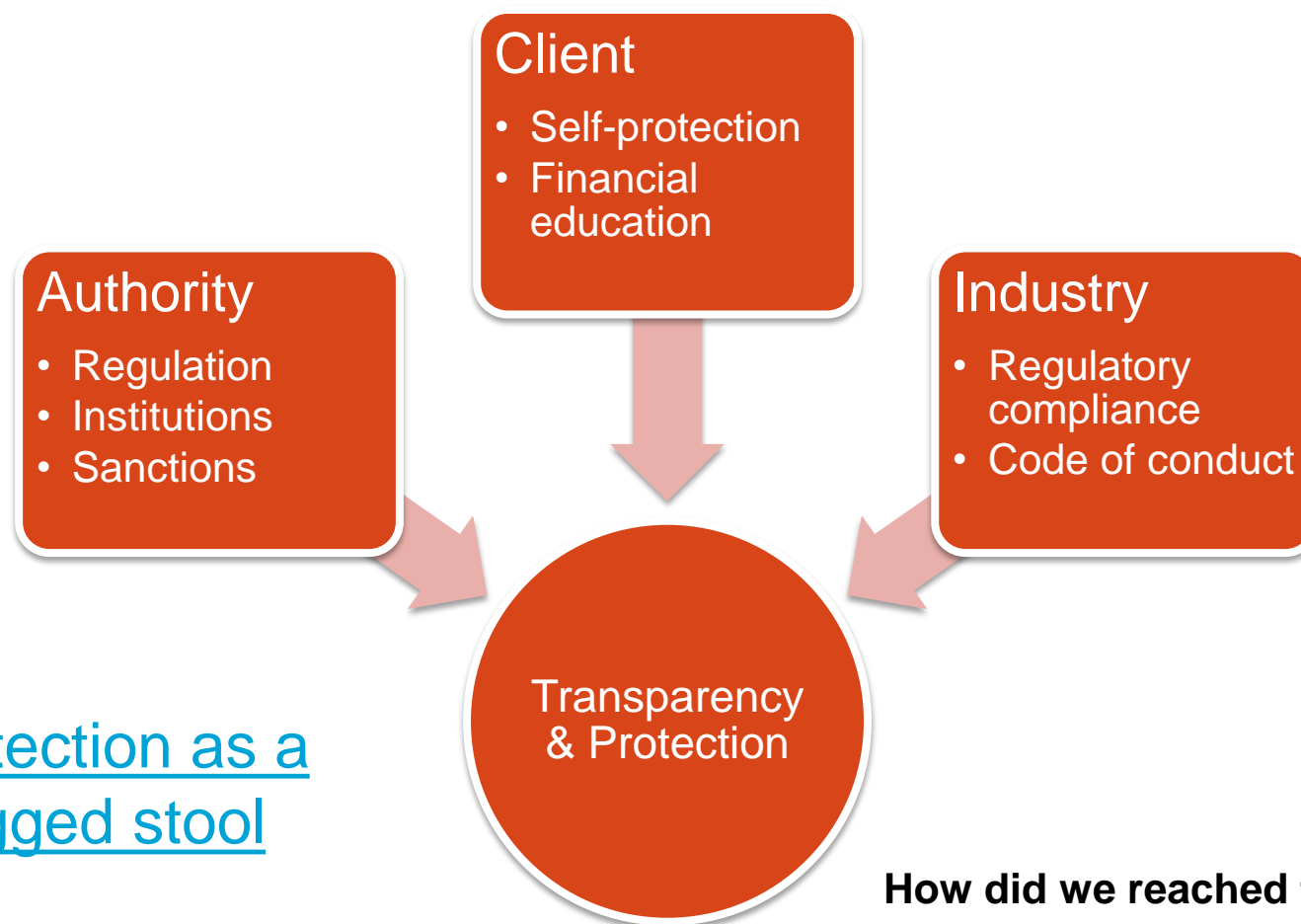


An inclusive financial system is the result of proper **regulation and supervision**, the adequate development of the **financial industry**, and the willingness and capacity to address the needs of the **unbanked**

The application of innovative technologies to the financial sector is a proven **cost-effective** way of swiftly **narrowing the gap** between financial access and financial needs in most emerging and developing countries

A well-informed and trained universe of clients contributes to the desired scenario of **fair provider-customer relationships** and the **freedom of choice** to consumers. It must be accompanied by the most appropriate framework for **consumer protection**

Basic framework for client protection

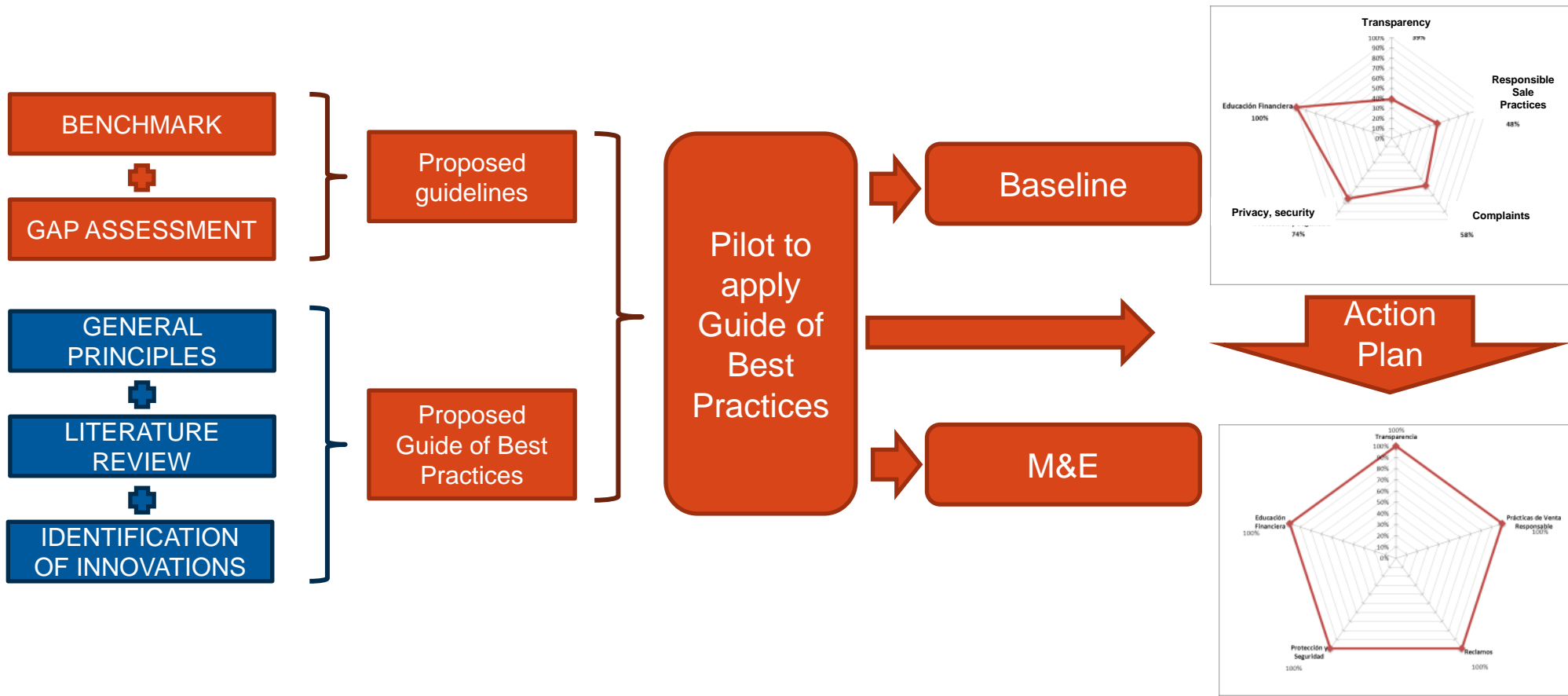


Client protection as a
three-legged stool

How did we reached this conclusión?

Panel Client Protection

Afi's guided assessment of transparency and CP





Gaps assessment (regulatory framework)

Criteria for benchmark - 4 categories:

- Regulatory and institutional architecture for financial regulation and consumer protection (general or specific / financial services or financial institutions).
- Regulation and supervisión:
 - Transparency: pre-contractual clauses, contracts, prices.
 - Abusive & Inappropriate clauses
 - Privacy & Security
- Complaints: resolution, monitoring and disclosure, sanctions.
- Self-regulation (codes of conduct)

Results

Country profile: Bolivia

- ▶ **There are specific provisions for the microfinance sector in Bolivia, included in the general financial legislation**
- ▶ **The main purpose of these specific provisions is to facilitate the growth of the sector, by allowing for more flexibility (e.g. *Bancas Comunes*)**
- ▶ **The Autoridad de Supervisión del Sistema Financiero (ASFI) regulates the financial sector, including microfinance institution. It also carries out inspections on compliance with the Financial Services Law**
- ▶ **Over-indebtedness: microfinance customers are protected by the same law and regulation that applies to the regular financial sector**
- ▶ **Pricing: new rules for all financial institutions to fix certain interest credit rates**
- ▶ **Transparency: currently, there are no specific rules on transparency towards microfinance clients**
- ▶ **Credit reporting bureaus: Central Credit Risk ASFI "CIRC" for regulated entities and INFOCENTER to non-regulated entities**



Bridging the Gap: the case of Bolivia

Situation in 2010

- Law 1488/1993: Banks and Financial **Institutions**
- MFI (non-Banks, non-FFP, non-Cooperatives) unregulated and unsupervised.
- No specific regulation on financial consumer protection.

Situation in 2014

- Law 393/2013: Financial **Services**
- MFI (*Instituciones Financieras de Desarrollo*) under regulation and supervisión (in progress).
- New “*Central de Información de Reclamos y Sanciones (CIRS)*”- ASFI
- Global Microscope 2014: “Existence and effectiveness of (i) market-conduct rules and (ii) dispute-resolution mechanisms”.
 - LatAm is the leader in its capacity to protect the financial consumer, with Peru, Colombia, Chile and Bolivia performing the best in both realms”.

INSTANCIAS DE ATENCION DE RECLAMOS	
1° Reclamos recibidos por las Entidades Financieras en primera instancia	
Reclamos Recibidos por Entidades Financieras (Mensual)	ASFI
Reclamos Recibidos por Tema (Mensual)	ASFI
2° Reclamos recibidos atendidos en ASFI en segunda instancia	
Reclamos Recibidos por Entidades Financieras (Mensual)	ASFI
Reclamos Recibidos por Tema (Mensual)	ASFI
3° Procesos Sancionatorios	
Procesos Sancionatorios	ASFI



Bottom line

- Equal (non-prudential) regulation and supervisión to equal financial products and services.
- Clients deserve equal level of protection regardless of who is providing the (same) financial service.
- Financial service providers should place consumer protection at the center of their business:
 - [Behind the Contracts](#)
- When regulation falls behind, self-regulation (code of conduct) in the meantime. Not a wish-list but a binding and disclosed commitment.
 - [Getting Providers to Think about Client Protection](#)
- Transparency and client protection more effective when accompanied by financial education.



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