



Recommendation of the Council on  
High-Level Principles on  
Financial Consumer Protection

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## **Date(s)**

Adopted on 17/07/2012

## **Background Information**

The Recommendation on High-Level Principles on Financial Consumer Protection was adopted by the OECD Council on 17 July 2012 on the proposal of the Committee on Financial Markets. The Recommendation follows from the OECD's strategic response to the financial and economic crisis, which identified the importance of financial consumer protection as an overlooked aspect of the crisis. The Principles are voluntary and non-binding. They are designed to complement, not substitute for, existing international financial principles or guidelines. In particular, they do not address sector specific issues dealt with by relevant international organisations and financial standard setters. The Principles can be adapted to specific national and sectoral contexts. They pay special attention to the legal recognition of financial consumer protection, the need for oversight bodies with the necessary authority and resources to carry out their mission, fair treatment of consumers, proper disclosure and improved financial education, responsible business conduct by financial services providers and intermediaries.

## **THE COUNCIL,**

**HAVING REGARD** to Article 5 b) of the Convention on the Organisation for Economic Co-operation and Development of 14 December 1960;

**CONSIDERING** that the integration of financial consumer protection policies into regulatory and supervisory frameworks contributes to strengthening financial stability;

**CONSIDERING** that consumer trust and confidence is important for the proper functioning of the financial system and that consumers should be knowledgeable, safe and secure in their dealings with financial services providers and their intermediaries;

**CONSIDERING** the need for improved financial education and awareness to ensure consumers make informed choices that support their own financial well-being;

**HAVING REGARD** to the Recommendation of the Council on Principles and Good Practices for Financial Education and Awareness [C(2005)55/REV1] and the Recommendation of the Council on Good Practices on Financial Education and Awareness relating to Credit [C(2009)62];

**NOTING** the endorsement by the G20 on 3-4 November 2011 of the High-Level Principles on Financial Consumer Protection as developed by the OECD Task Force on Financial Consumer Protection of the Committee on Financial Markets;

**CONSIDERING** that governments and relevant public, consumer and private institutions in OECD Members and non-Members may benefit from high-level principles on financial consumer protection;

**CONSIDERING** that the High-Level Principles are voluntary and non-binding and that they are designed to complement, not substitute for, existing international financial principles or guidelines;

### **On the proposal of the Committee on Financial Markets;**

**I. RECOMMENDS** that Members promote the High-Level Principles on Financial Consumer Protection, as set out below, and that, in this regard, governments, regulators, supervisors and other relevant public institutions take due account of and implement these Principles :

#### **A. Legal, Regulatory and Supervisory Framework**

1. Financial consumer protection should be an integral part of the legal, regulatory and supervisory framework, and should reflect the diversity of national circumstances and global market and regulatory developments within the financial sector.

2. Regulation should reflect and be proportionate to the characteristics, type, and variety of the financial products and consumers, their rights and responsibilities and be responsive to new products, designs, technologies and delivery mechanisms<sup>1</sup>. Strong and effective legal and judicial or supervisory mechanisms should exist to protect consumers from and sanction against financial frauds, abuses and errors.

3. Financial services providers and authorised agents<sup>2</sup> should be appropriately regulated and/or supervised, with account taken of relevant service and sector specific approaches.

4. Relevant non-governmental stakeholders – including industry and consumer organisations, professional bodies and research communities – should be consulted when policies related to financial consumer protection and education are developed. Access of relevant stakeholders and in particular consumer organisations to such processes should be facilitated and enhanced.

#### **B. Role of Oversight Bodies**

5. There should be oversight bodies (dedicated or not) explicitly responsible for financial consumer protection, with the necessary authority to fulfil their mandates. They require clear and objectively defined responsibilities, and appropriate governance; operational independence;

accountability for their activities; adequate powers; resources and capabilities; defined and transparent enforcement framework and clear and consistent regulatory processes. Oversight bodies should observe high professional standards, including appropriate standards of confidentiality of consumer and proprietary information and the avoidance of conflicts of interest.

6. Co-operation with other financial services oversight authorities and between authorities or departments in charge of sectoral issues should be promoted. A level playing field across financial services should be encouraged as appropriate. International co-operation between oversight bodies should also be encouraged, while specific attention should be considered for consumer protection issues arising from international transactions and cross-border marketing and sales.

### **C. Equitable and Fair Treatment of Consumers**

7. All financial consumers should be treated equitably, honestly and fairly at all stages of their relationship with financial service providers. Treating consumers fairly should be an integral part of the good governance and corporate culture of all financial services providers and authorised agents. Special attention should be dedicated to the needs of vulnerable groups.

### **D. Disclosure and Transparency**

8. Financial services providers and authorised agents should provide consumers with key information that informs the consumer of the fundamental benefits, risks and terms of the product. They should also provide information on conflicts of interest associated with the authorised agent through which the product is sold<sup>3</sup>.

9. In particular, information should be provided on material aspects of the financial product. Appropriate information should be provided at all stages of the relationship with the customer. All financial promotional material should be accurate, honest, understandable and not misleading. Standardised pre-contractual disclosure practices (e.g. forms) should be adopted where applicable and possible to allow comparisons between products and services of the same nature. Specific disclosure mechanisms, including possible warnings, should be developed to provide information commensurate with complex and risky products and services. Where possible consumer research should be conducted to help determine and improve the effectiveness of disclosure requirements.

10. The provision of advice should be as objective as possible and should in general be based on the consumer's profile considering the complexity of the product, the risks associated with it as well as the customer's financial objectives, knowledge, capabilities and experience.

11. Consumers should be made aware of the importance of providing financial services providers with relevant, accurate and available information.

### **E. Financial Education and Awareness**

12. Financial education and awareness should be promoted by all relevant stakeholders and clear information on consumer protection, rights and responsibilities should be easily accessible by consumers. Appropriate mechanisms should be developed to help existing and future consumers develop the knowledge, skills and confidence to appropriately understand risks, including financial risks and opportunities, make informed choices, know where to go for assistance, and take effective action to improve their own financial well-being.

13. The provision of broad based financial education and information to deepen consumer financial knowledge and capability should be promoted, especially for vulnerable groups.

14. Taking into account national circumstances, financial education and awareness should be encouraged as part of a wider financial consumer protection and education strategy, be delivered through diverse and appropriate channels, and should begin at an early age and be accessible for all life stages. Specific programmes and approaches related to financial education should be targeted for vulnerable groups of financial consumers.

15. All relevant stakeholders should be encouraged to implement the international principles and guidelines on financial education developed by the OECD International Network on Financial Education (INFE). Further national and international comparable information on financial education and awareness should be compiled by national institutions and relevant international organisations in order to assess and enhance the effectiveness of approaches to financial education.

#### **F. Responsible Business Conduct of Financial Services Providers and Authorised Agents**

16. Financial services providers and authorised agents should have as an objective, to work in the best interest of their customers and be responsible for upholding financial consumer protection. Financial services providers should also be responsible and accountable for the actions of their authorised agents.

17. Depending on the nature of the transaction and based on information primarily provided by customers financial services providers should assess the related financial capabilities, situation and needs of their customers before agreeing to provide them with a product, advice or service. Staff (especially those who interact directly with customers) should be properly trained and qualified. Where the potential for conflicts of interest arise, financial services providers and authorised agents should endeavour to avoid such conflicts. When such conflicts cannot be avoided, financial services providers and authorised agents should ensure proper disclosure, have in place internal mechanisms to manage such conflicts, or decline to provide the product, advice or service.

18. The remuneration structure for staff of both financial services providers and authorised agents should be designed to encourage responsible business conduct, fair treatment of consumers and to avoid conflicts of interest. The remuneration structure should be disclosed to customers where appropriate, such as when potential conflicts of interest cannot be managed or avoided.

#### **G. Protection of Consumer Assets against Fraud and Misuse**

19. Relevant information, control and protection mechanisms should appropriately and with a high degree of certainty protect consumers' deposits, savings, and other similar financial assets, including against fraud, misappropriation or other misuses.

#### **H. Protection of Consumer Data and Privacy**

20. Consumers' financial and personal information should be protected through appropriate control and protection mechanisms. These mechanisms should define the purposes for which the data may be collected, processed, held, used and disclosed (especially to third parties). The mechanisms should also acknowledge the rights of consumers to be informed about data-sharing, to access data and to obtain the prompt correction and/or deletion of inaccurate, or unlawfully collected or processed data.

#### **I. Complaints Handling and Redress**

21. Jurisdictions should ensure that consumers have access to adequate complaints handling and redress mechanisms that are accessible, affordable, independent, fair, accountable, timely and efficient. Such mechanisms should not impose unreasonable cost, delays or burdens on consumers. In accordance with the above, financial services providers and authorised agents should have in place mechanisms for complaint handling and redress. Recourse to an independent redress process should be available to address complaints that are not efficiently resolved via the financial services providers and authorised agents internal dispute resolution mechanisms. At a minimum, aggregate information with respect to complaints and their resolutions should be made public.

#### **J. Competition**

22. Nationally and internationally competitive markets should be promoted in order to provide consumers with greater choice amongst financial services and create competitive pressure on providers to offer competitive products, enhance innovation and maintain high service quality.

Consumers should be able to search, compare and, where appropriate, switch between products and providers easily and at reasonable and disclosed costs.

**II. RECOMMENDS** that Members ensure the widest possible dissemination of these Principles and encourage their active use by all relevant stakeholders, including consumer and private institutions.

**III. INVITES** non-Members to take due account of and adhere to this Recommendation.

**IV. INSTRUCTS** the Committee on Financial Markets to monitor the implementation of this Recommendation and report to the Council not later than three years following its adoption, and as appropriate thereafter.

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<sup>1</sup> Where relevant, appropriate mechanisms should be developed to address new delivery channels for financial services, including through mobile, electronic and branchless distribution of financial services, while preserving their potential benefits for consumers.

<sup>2</sup> Authorised agents are understood to mean third parties acting for the financial services provider or in an independent capacity. They include any agents (tied and independent agents) brokers, advisors and intermediaries, etc.

<sup>3</sup> Financial services providers and authorised agents should provide clear, concise, accurate, reliable, comparable, easily accessible, and timely written and oral information on the financial products and services being offered, particularly on key features of the products and (where relevant) on possible alternative services or products, including simpler ones, they provide. In principle, information should include prices, costs, penalties, surrender charges, risks and termination modalities.

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