

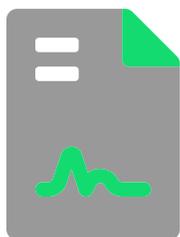
As digital technologies transform financial inclusion, with new providers, products, and delivery channels reaching out to the financially excluded, the need increases for effective legal and regulatory frameworks to protect low-income consumers. A sound legal framework for consumer financial protection will support financial inclusion and innovation, allow new products and services to responsibly reach previously underserved consumers, and provide for empowered and capable regulators to oversee and enforce these frameworks.

Consumer Protection Policy Guidelines & Discussion



Strengthening the Legal Framework for Digital Financial Services

The Handbook, a joint project between experts at the Center for Financial Inclusion at Accion and DLA Piper/New Perimeter, presents updated and revised guidance for consumer financial protection regulators organized around the Client Protection Principles (CPPs). It expands upon a previous document, the Client Protection Principles: Model Law and Commentary for Financial Consumer Protection (Model Legal Framework) to reflect updated standards from the Smart Campaign, new and emerging guidance from international organizations and collaborative working groups, and consultation with a broad range of experts regarding the unique characteristics of digital financial services (DFS), with an emphasis on digital credit.



Global Lessons and Model Legislation for Policymakers

In the Handbook, the Client Protection Principles are matched with legal provisions that promote the realization of these principles in practice. The Handbook was developed together with the Smart Campaign's Standards and Detailed Guidance on the Client Protection Principles, each of which reflect the needs of different stakeholders and have been updated to encompass DFS risks.

Expanded areas of the Handbook include the unique characteristics presented by DFS, new content around data privacy, fraud, and security, and product-specific recommendations. The tool is intended as a resource for financial consumer protection policymakers by providing model language, illustrative examples, and actionable recommendations. The aim is to support dialogue and foster collaboration between government and industry.

Three main uses of the Handbook include:

1. As a practical resource for policymakers and regulators seeking to develop or revise legal frameworks in whole or part, to fill in legal or regulatory gaps. Legislators and regulators can use recommendations in the Handbook to draft specific language appropriate for their respective jurisdictions' legal regime, on a comprehensive or selective basis.
2. As a diagnostic tool for commentators to assess a given jurisdiction's current legislation, regulation or other directives in comparison with this recommended approach.
3. To support industry engagement and dialogue with regulators and supervisors by providing concrete and actionable recommendations and fostering collaboration to advance consumer protection through voluntary standards

Shifting Legal Frameworks to Protect Consumers in a Digital World

What's New in the Shift to Digital Financial Services?

CPP-01

Appropriate Design of Products, Services and Delivery Channels

- ▶ Customer-centric design of product, services, and delivery channels
- ▶ Cooling off periods and alternatives (e.g., for digital credit)
- ▶ Emphasis on consumer protection by design
- ▶ Use of financial capability & behavioral insights in design process and monitoring
- ▶ Preventing predatory or deceptive sales and marketing techniques (push marketing)
- ▶ Partner selection (agents, agent networks and third-party service providers)
- ▶ Conditions of liability for fraudulent/mistaken transactions
- ▶ Non-discrimination in design

CPP-02

Prevention of Over-indebtedness

- ▶ Client underwriting process, including repayment capacity analysis, algorithm-based lending, and algorithm governance
- ▶ Credit reporting thresholds and exceptions
- ▶ Monitoring systems for both traditional and algorithmic underwriting

CPP-03

Transparency

- ▶ Clear and concise disclosures on digital interfaces
- ▶ Accessibility for clients with disabilities, illiteracy
- ▶ Standardized metrics
- ▶ Partner relationships
- ▶ Product-specific disclosures
- ▶ Key Facts Statement (KFS) and DFS

CPP-04

Responsible Pricing

- ▶ Emphasis on pricing procedures
- ▶ Permissible fees
- ▶ Pricing trends as FSPs and DFS products mature

CPP-05

Fair and Respectful Treatment of Clients

- ▶ Appropriate incentive structures and sales practices
- ▶ Commitment to code of ethics
- ▶ Defaulting client rights

CPP-06

Privacy and Security of Client Data

- ▶ Data ownership and control
- ▶ Data minimization
- ▶ Informed consent
- ▶ Data purpose and storage limits
- ▶ Robust and secure infrastructure/processes
- ▶ Well-trained staff
- ▶ Fraud detection and management

CPP-07

Mechanisms for Complaint Resolution

- ▶ Complaints handling policy and procedures
- ▶ Transparency to clients advising on how and to whom to file complaints
- ▶ Assessment of complaints data