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For
The Bank of Thailand

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Asian Development Bank

TA8768-THA: Advancing National Financial Literacy

Final Report

on

Financial Market Conduct and Consumer Protection

for

Bank of Thailand



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S W Stevens, 30 April 2016

Table of Contents

- Acknowledgements i
- Market Conduct and Financial Consumer Protection 3
 - Introduction 3
 - Background 3
 - Current situation 4
 - Analysis of regulatory activity 6
 - Fair Treatment of Customers 6
 - Disclosure to Consumers 7
 - Responsible Business Conduct 8
 - Financial Literacy 8
 - Linking with other program initiatives 9
 - Examination of Operational Structure 9
 - Summary of Recommendations 10
 - Draft operational action plan 11
 - Adherence to conduct standards 11
 - Periodic review of conduct standards 11
 - Self-regulation 11
 - Financial literacy 11
- Appendix 1– International comparison with FCP frameworks in Asia 12
 - Legal Framework 12
 - Institutional Arrangements 13
 - Disclosure Requirements 17
 - Business Practices 20
 - Dispute Resolution Practices 21
 - Financial Education 23
- Appendix 2– Workshop Presentation 24

Market Conduct and Financial Consumer Protection

Introduction

1. The purpose of this report is to analyze the performance of BOT on the regulation of *market conduct* and *consumer protection* and to provide:
 - An assessment of progress and achievements of the BOT; and
 - Recommendations on future areas of focus and/or operation.
2. Such analysis is useful for the BOT, as *market conduct rules* for participants and *consumer protection rules* (which guard against abusive conduct, such as misleading information or misrepresentation), are essential for the trust and confidence of users of financial sector services in their integrity and fairness.
3. The approach adopted in this report is to examine the two important areas of financial sector conduct:
 - **Consumer Protection:** Protecting consumers and investors from abuses; and
 - **Education and awareness:** Financial literacy and the promotion of a culture of honesty, openness and integrity, responsibility, cooperation, respect, innovation, competition, professionalism, and commitment.

Background

4. **Strategic focus:** As the financial sector in Thailand has grown,¹ the *conduct of sector participants* has become a strategic issue. Progressively, the Bank of Thailand (BOT) has placed a focus on important conduct concerns, such as good governance by financial sector providers and protection from money laundering, dishonesty, and misrepresentation.
5. BOT has recognized the importance of good conduct as fundamental to the trust and integrity essential to establish and maintain public confidence in, and hence the expansion of, the financial sector services in Thailand.
6. Protections against the basics of fraud and misrepresentation has always been part of the law in Thailand. However, the opportunities for abuse and criminal behavior created by the expansion of the financial sector internationally (especially in boom and bust periods) have shown that (i) sector specific regulation and enforcement, combined with (ii) measures to encourage accepted codes of good conduct, ethics, and governance, have both become an accepted part of the regulation of entities and individuals in the financial sector.
7. Indeed, while Thailand has a high use of informal credit services², the need to focus on conduct in the financial sector has been accepted by the BOT as one of the five important strategies in:

*Promoting a stable financial environment to achieve sustainable and inclusive economic development.*³

¹ 74% of the adult population (51.8 million persons 18 years of age and above) have a bank account. An additional 23% use other formal financial services: FinScope survey, 2013.

² 1.7 million Thais (7.4% of borrowers) borrow from informal money lenders and a further 335,000 or more from unlicensed NBFIs: FinScope survey, 2013.

8. With the expansion of the financial services sector and its increasing sophistication, some countries, such as the UK, have shifted away from the traditional focus on licensing different groups of entities and individuals in the financial sector, towards focusing on market conduct in the financial sector.⁴ This has led the UK regulator to take a more ‘markets-based’ approach to regulation, with different regulatory approaches for different parts of the regulated sectors based on the risks that those sectors pose. Targeted action is undertaken to drive the correct incentives and behavior and the approach recognizes that the market-based approach impacts more quickly across a large number of FSPs and as a result benefits a larger number of consumers, in a timely manner.
9. **Vision for Conduct:** This has led to the development of a new vision for what market conduct should look like to: (i) provide the necessary trust and integrity essential to maintain public confidence; and (ii) promote financial stability and inclusive growth. This new vision for conduct in the financial sector can be summarized as:
- A regulatory environment for participants and the public that requires and enforces **fair, transparent, and competitive practices** to best ASEAN and international standards;
 - Adoption of professional standards for service provider groups that reinforce trust, fair and sustainable outcomes for participants, and excellent practices;
 - Nationally adopted codes of governance and conduct that specify sound practices for company boards and responsible, accountable, fair, and transparent governance;
 - Standards and measures to protect consumers and investors from abuses, such as inadequate or misleading product and service information, dishonesty, misrepresentation, fraud, or manipulation; and
 - Education through the sector and the public to promote a culture of honesty, openness and integrity, responsibility, cooperation, respect, innovation, competition, professionalism, and commitment.

Current situation

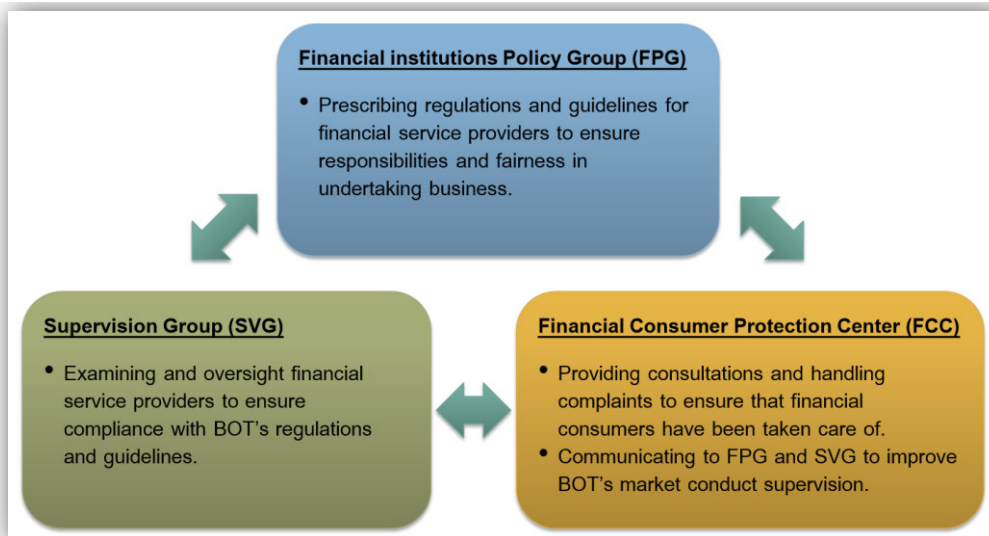
10. BOT has recognized this required shift in focus within the financial sector in Thailand to: -
- The *protection and interests of consumers* of financial products and services; and
 - The *behavior of the providers* of those financial products and services.
11. As a result, the BOT setup the Financial Consumer Protection Center (FCC) in 2012 as the central point of contact and collaboration to ensure adequate financial consumer protection and the promotion of financial literacy. The FCC has three specific mandates:
- Complaints handling;
 - Financial Literacy; and
 - Market Conduct.

³ BOT 5-year strategic plan (2012-2016).

⁴ The Financial Conduct Authority (UK): <http://www.fca.org.uk/about>.

12. The third mandate, the supervision of Market Conduct, is currently shared by FCC with two

Figure 1: BOT market conduct supervision



other departments within the BOT:

13. The FCC provides the single point of accountability on behalf of the BOT for consumer financial protection to: -

- Handle consumer complaints and inquiries;
- Promote financial education;
- Research consumer behavior; and,
- Monitor financial markets for risks to consumers.

14. The FCC also shares the responsibility of Conduct rulemaking, supervision and enforcement with the Financial Institutions Policy Group (FPG) and the Supervision Group (SVG) within BOT.



15. **Data driven analysis:** A key source of intelligence for any regulator is through the collection and analysis of data on consumer inquiries and complaints. The BOT through the FCC has a sophisticated complaints receiving and liaison system between the customer, financial institution and themselves, with multiple points of contact, quality control systems and an advanced management information system.

16. **Innovative use of technology:** Technology is core to FCC meeting its mandates. FCC leverages its technology to enhance its reach, impact, and effectiveness. The existing call center, the use of technology utilizing standardized reporting templates to gather data – all enables complaint and inquiry data to be collected for the FCC to analyze, identify trends and investigate.

17. Internationally regulators are starting to share the data and trend analysis from consumer and market conduct with industry and to publish results annually in order to encourage industry to improve and to ensure consumers are well-informed.

18. **Monitoring market conduct:** Market conduct rules are applied by BOT through:
 - Regulation of participants (as for banks or Investment firms in the stock market);
 - Codes of Conduct for Licensed professionals; and
 - Laws which require proper conduct from all people entering into financial contracts or relationships.
19. The success of this regulatory oversight requires ongoing monitoring of financial markets and the behavior of its participants to identify, mitigate and address risks to consumers.
20. Apart from facilitating consumer complaints and inquiries and the innovative use of technology to provide data driven analysis, FCC also undertakes proactive monitoring of financial markets for risks to consumers with a “secret shopper” program. This program sees FCC/SVG and FPG staff and agents anomalously monitoring actual market conduct with the aim of ensuring that financial service providers are encouraged to compete fairly and openly and are not allowed to build a business model around unfair, deceptive, or abusive practices.
21. By undertaking this proactive process, the FCC is further ensuring that financial institutions are:
 - Undertaking their services in a responsible and fair manner, including complaint handling and grievance procedures with customers; and
 - Following their service level agreements (SLA) and agreed Code of Conduct (when finalized and adopted).
22. **Promotion of financial education:** Consumer financial literacy is another important part of FCC’s responsibility. The aim is to ensure that customers can see *prices* and *risks* up front before they make a decision and are properly informed so that they can easily make product comparisons.
23. Education is therefore critical in creating awareness of products offered in financial markets (and other areas) and consumers understanding their nature, benefits and advantages, costs and liabilities. Financial literacy programs assist the communication of information between sellers and buyers, lenders and borrowers, agents and principals, and everyday traders.
24. **Development and enforcement of financial reporting standards:** Financial reporting standards are important to make it easier for people to produce, understand and use financial information. Coupled with financial literacy programs, clear standards on market conduct, particularly in the disclosure of product information, makes it easier for consumers to assess alternatives and understand what they are being offered.

Analysis of regulatory activity

Fair Treatment of Customers

25. **Adherence to conduct standards:** Ensuring adherence by financial institutions to the SLA and Code of Conduct is an important step of the FCC. The current ability of the FCC to collect intelligence on actual market conduct is positive.

Recommendation (1): A periodic review of the Code of Conduct provisions (when finalized and agreed) and SLA is required to ensure that specific measurable standards for all instances are

detailed, not just general principles in each area. In the first instance, this work should be undertaken by the industry associations then reviewed by FCC, with assistance from SVG and FPG.

26. **Self-regulation:** The SLA and Code of Conduct outlines due diligence required by the financial institutions in assessing whether products or services being sold to the consumer is appropriate given the consumer's actual needs and ability to pay both in the present and in the near future. This requires the financial institutions to understand the financial health of their client before committing them to a costly and / or long term purchase.
27. This is in essence is applying the Know Your Client, KYC concept which is additionally required of certain financial institutions with respect to applying Thailand's anti-money laundering / terrorism financing regulatory framework.
-

Recommendation (2): A periodic review of the performance by financial institutions implementation of proper customer due diligence especially whether products or services being sold to the consumer is appropriate given the consumer's actual needs and ability to pay both in the present and in the near future. Standards for reasonable debt to equity ratio, loan to value restrictions etc. may be set by the regulator and adjusted as a necessary policy tool for macro-prudential policy⁵. This can be picked up by the SVG as part of their normal supervision activities and randomly checked by the FCC.

Disclosure to Consumers

28. The BOT/FCC have developed clear processes around disclosure. Monitoring as to the quality and consistent level of disclosure throughout the market place occurs *indirectly* through the complaints process and *directly* through "mystery shoppers" and the periodic supervision group of the BOT.
29. **SVG disclosure role:** BOT must continue to monitor and verify disclosure practices through their risk-based supervision model undertaken by the SVG, including reviewing the quality of disclosure documents and financial institutions' polices and methods as well as carrying out on-site sampling and verification of consumer files to confirm that disclosure had been provided to the consumer.
30. **FCC disclosure role:** FCC has an oversight role to periodically monitor the market place for false and misleading / selective advertising and marketing material from financial institutions, separate from the receipt of consumer complaints.
-

Recommendation (3): FCC to expand its monitoring role for false and misleading / selective advertising and marketing material from financial institutions. This is separate from its mystery shopper program and from its receipt of consumer complaints. This can be monitored by FCC through scrutiny of the financial institutions' advertising material, financial institutions' brochures, media monitoring (as well as consumer complaints).

⁵ RBNZ: <http://www.rbnz.govt.nz/faqs/loan-to-value-ratio-restrictions-faqs>

31. **Linking financial literacy to effective disclosure:** Where there is a low level of literacy, effective disclosure is especially difficult in particular if the financial institution offers products and services that have detailed terms and conditions in their contracts using legal terminology. In these circumstances there is a high probability that many consumers will not understand their full obligations and the consequences or risks of not meeting those obligations on time. Further, they may not understand the contracted rights of the financial institutions to take action against them including foreclosure on security and charging of fees and a downgrade of their credit rating. As the market place in the rural and hard to reach areas develops, the lack of effective disclosure could lead to increasing number of disputes and levels of consumer dissatisfaction. Without a way of resolving those disputes in a fair and inexpensive manner, consumer confidence in the sector will be eroded.
32. The significance of financial literacy is recognized by the BOT and reflected in its strategic plan.

Responsible Business Conduct

33. The essential component of a fair and honest market place is that financial institutions have as an objective, to work in the best interest of their customers in assessing the suitability of the financial product or service being requested.

Recommendation (4): The SVG (and FCC) should review the adequacy of financial institutions' governance with respect to management's internal compliance monitoring, use of written policies, enforcement mechanism used by financial institutions related to ensuring their staff are in compliance with the law, codes of conduct, corporate policies and practices that are designed to protect the consumer. In the financial sector there is a challenge in constantly training staff due to staff turnover and the introduction of new products or services, but this is a cost of doing business.

Financial Literacy

34. A key aspect of information disclosure requirements under Consumer Protection is lifting the capability of consumers to understand and use the information being provided. Therefore a focus on financial literacy is an essential element in market conduct.
35. **Urban:** There remains in the urban centers in Thailand a sophistication among investors and the public about savings and pension provision opportunities, but there are still gaps in understanding. Therefore, efforts to improve consumer protection in the urban-based financial sector needs to be ongoing.
36. Ongoing awareness and education programs can benefit from having experienced senior directors, and managers who can relate their experiences at workshops and thereby command the respect and attention of local audiences. Capacity building programs and financial literacy programs that complement disclosure and other conduct requirements are recommended in the strategy as part of capacity building through this sector.
37. Earlier financial literacy skills should also be introduced into the education curriculum from as early as possible in order that the skills and habits are learnt at an early stage. This will require the FCC to coordinate with the Ministry of Education to ensure that students leaving high school into the employment sector have a basic understanding of financial literacy. This

curriculum could be tailored differently for teaching in the urban versus rural and poorer areas.

38. A useful example of the success of a targeted literacy program is the Network for Teaching Entrepreneurship (Originally National Foundation for Teaching Entrepreneurship), also referred to as *NFTE* (pronounced *Nifty*), an international non-profit organization providing entrepreneurship training and education programs to young people from low-income urban communities. Originally started in the Bronx in New York it started on the basis that children from poor and at risk families had innate “street smarts” that could be built on to provide financial and business skills.

Recommendation (5): FCC and industry develop curricula on financial literacy for teaching in schools at all levels. Examine similar programs elsewhere.

39. Rural: As well as youth education programs, targeted financial literacy programs are being developed by the FCC with ADB help for people in the rural and poor communities.

Linking with other program initiatives

40. One of the biggest challenges in delivering financial literacy programs to the poor and rural communities is the difficulty in convincing the people in these communities the benefit of participating in such financial literacy programs. Most people in these communities are focused on meeting their day-to-day needs and do not perceive any value in participating in financial literacy programs. Their experience has traditionally been with informal lenders and when they do access MFIs for finance there is no understanding of why or how financial literacy can benefit them. Simply put, “they don’t know what they don’t know”.
41. One successful method used in other developing countries has been to link the successful training in financial literacy programs as a pre-requisite for participating or being eligible for other government supported programs, such as credit guarantee schemes. For example, for a person to be eligible for a credit guarantee to help them get a loan in the absence of appropriate collateral, the borrowers and guarantee recipients are required to participate in a financial literacy program, prepare a business plan and keep basic financial accounts.

Recommendation (6): Examine whether financial literacy programs can be linked into eligibility to participate in other programs, such as credit guarantee programs.

Examination of Operational Structure

42. FCC is the single point of accountability for BOT on consumer financial protection for (i) complaints handling, and (ii) financial literacy and shares responsibility for market conduct with the SVG and FPG.
43. With regards to market conduct, the data driven analysis undertaken by FCC is vitally important and FCC should continue to be responsible for collecting and analyzing market conduct data. The SVG are able to access this data to help focus its supervision process.
44. This does not deal with systemic breaches by financial service providers, the monitoring of which would normally be undertaken by a general Consumer Protection Board. In Thailand

the Consumer Protection Board is responsible for all consumer protection monitoring and enforcement, but possibly lacks the skills to adequately monitor general consumer protection issues in the financial sector.

45. In some instances, once a breach has been identified, immediate investigation and enforcement may be required. A rapid response and enquiry process may need to be instigated. A decision needs to be made whether such an investigation needs to be undertaken by the SVG or the FCC. There are valid arguments that given the specialist nature of these investigations may require a special team within FCC outside the normal supervisory process. Examples of such breaches internally that have arisen, include incorrect foreign exchange rate calculations on credit cards, resulting in significant settlements from industry to customers.

Recommendation (7): Examine whether the FCC should include a special investigation unit.

Summary of Recommendations

1. A periodic review of the Code of Conduct provisions and SLA is required to ensure that specific measurable standards for all instances are detailed, not just general principles in each area. In the first instance, this work should be undertaken by the industry associations then reviewed by FCC, with assistance from SVG and FPG.
2. A periodic review of the performance by financial institutions implementation of proper customer due diligence especially whether products or services being sold to the consumer is appropriate given the consumer's actual needs and ability to pay both in the present and in the near future. This can be picked up by the SVG as part of their normal supervision activities and randomly checked by the FCC.
3. FCC to expand its monitoring role for false and misleading / selective advertising and marketing material from financial institutions, separate its mystery shopper program and separate from the receipt of consumer complaints. This can be monitored by FCC through scrutiny of the financial institutions' advertising material, financial institutions' brochures, media monitoring (as well as consumer complaints).
4. The SVG (and FCC) should review the adequacy of financial institutions' governance with respect to management's internal compliance monitoring, use of written policies, enforcement mechanism used by financial institutions related to ensuring their staff are in compliance with the law, codes of conduct, corporate policies and practices that are designed to protect the consumer. In the financial sector there is a challenge in constantly training staff due to staff turnover and the introduction of new products or services, but this is a cost of doing business.
5. FCC and industry develop curricula on financial literacy for teaching in schools at all levels. Examine similar programs elsewhere.
6. Examine whether financial literacy programs can be linked into eligibility to participate in other programs, such as credit guarantee programs.
7. Examine whether the FCC should include a special investigation unit.

Draft operational action plan

46. A suggested action plan may include:

Adherence to conduct standards

- Develop processes for reviewing financial institutions;
- Hold workshop with financial institutions on the review process;
- Complete pilot review to confirm appropriate review process.

Periodic review of conduct standards

- Research best practice from other countries
- Hold workshops with institutions on standards
- Conduct random audits of institutions reviews

Self-regulation

- Review all institutions Know Your Client (KYC) processes;
- Develop best practice processes check list from the review of the KYC processes for all institutions;
- Hold workshop for stakeholders and institutions on KYC processes.

Financial literacy

- Staff attend international conferences on financial literacy and or complete a study tour of a country in the region that has developed and implemented financial literacy programs.
- Research and develop programs in financial literacy that use a variety of media which is appropriate for communities in the rural areas.
- Meet with Education Ministry to develop options to get financial literacy into the school curriculum at different levels.
- Develop financial literacy programs for new employees in public service and for factory workers (i.e. organizations that employ a large number of staff who are in one location)

Appendix 1– International comparison with FCP frameworks in Asia

47. The following provides a comparison of 10 Asian economies that have pursued the development of a financial consumer protection agenda. The responses in the WB survey are from various authorities from each jurisdiction; they have not been verified. In these charts CP as used here refers to Consumer Protection, FI to Financial Institutions and FCP to Financial Consumer Protection. For all the following charts 1 and 3 -18, the data was extracted taken from the World Bank's Global Survey on Consumer Protection and Financial Literacy (CPFL) 2013⁶

Legal Framework

Table 1: Legal Framework

INDICATOR →	General CP law without explicit reference to financial services	CP law with explicit reference to financial products and services	Separate FCP law	CP regulations within the framework of financial sector legislation	Other FCP law or reg.	No FCP law or reg.	Applicable laws
COUNTRY ↓							
CHINA	Y	N	N	Y	N	N	Law of the People's Republic of China on the Protection of Consumers' Rights and Interests (1994)
INDONESIA	Y	N	N	Y	Y	N	Consumer Protection Act (1999)
JAPAN	Y	N	Y	Y	N	N	Act No. 21 (2008) concerning Sharia Banking
KOREA REP	Y	N	N	Y	N	N	Act No. 6 (2009) concerning Bank Indonesia;
MALAYSIA	Y	N		Y	N	N	Money Lending Business Act 2010
MONGOLIA	Y	N	N	Y	N	N	Act on Sales of Financial Products (2000); Banking Act (1981); Money Lending Business Act (1983); Financial Instruments and Exchange Act.
NEPAL	Y	N	N	Y	N	N	Financial Services Act (2013)
PHILIPPINES	Y	N	N	Y	N	N	Law on Protection of Consumer's Rights (2003)
TAIWAN, CHINA	Y	Y	N	Y	N	N	
THAILAND	Y	N	Y	Y	N	N	Consumer Protection Act (1997)

⁶ WB summary report: <http://responsiblefinance.worldbank.org/~media/giawb/fl/documents/publications/global-consumer-protection-and-financial-literacy-results-brief.pdf> and the link to WB survey results by country: <http://responsiblefinance.worldbank.org/surveys/providers-of-financial-services>

Institutional Arrangements

Table 2: Institutional arrangements

Economies	Multiple financial sector regulators with FCP functions	Consolidated Financial Regulator	Central Bank has the sole responsibility for FCP for banking	Within the Central Bank there is there a separate unit responsible for FCP	There is also a “general” consumer protection department/agency
CHINA	Y	N	N	Y	Y - The State Administration for Industry & Commerce under which there is a Consumer Protection Bureau
INDONESIA	N	Y: Centralized under the Financial Services Authority that includes a separate FCP unit	N	N	Y - Consumer Education and Protection Body
JAPAN	N	Y: Centralized under Financial Services Agency (Has FCP functions but no separate FCP unit)	N	N	Y - Consumer Affairs Agency
KOREA REP	N	Y: Currently centralized under the Financial Services Commission. A stand-alone FCP agency to be created covering all financials sectors (twin peaks)	N	N	Y - Korea Consumer Agency
MALAYSIA	N	Y Centralized under the Central Bank	Y FCP for all financial sectors	Y Consumer And Market Conduct Department	Y - The Ministry of Domestic Trade and Consumer Affairs appoints the Controller of Consumer Affairs (excludes securities sector) Tribunal for Consumer Claims National Consumer Advisory Council
MONGOLIA	Y	N	Y	N	Y: Agency For Fair Competition And Consumer Rights
NEPAL	Y	N	N	N	Y: Consumer Protection Act and Regulation: Ministry of Supply chief enforcement agency for CPL, with CP Council undertaking consumer education & awareness programs.
PHILIPPINES	Y	N	Y	Y: Financial Consumer Affairs Group and Consumer Education Committee	Y: Bureau of Trade Regulation And Consumer Protection
TAIWAN,	N	Y: Under One Regulator: Financial Supervisory Commission	N: Central Bank Has No Role In FCP	N	Y: Consumer Protection Committee Has Authority Over The Financial Supervisory Commission For Approving

CHINA		(FSC)(Has FCP functions but no separate FCP unit)			Regulations. Operations are under Department of Consumer Protection, who Coordinate with FSC.
THAILAND	Y	N	Y	Y: Financial Consumer Protection Center, BOT	Y - Consumer Protection Board

INDICATOR → COUNTRY ↓	Financial institutions are required to report statistics on the number of complaints to the agency	Financial institutions are required to report rates & fees for financial services – then posted on the agency website	To ensure compliance, agency operates a hotline/call center to receive complaints
CHINA	Y	N	Y
INDONESIA	Y	Y	Y
JAPAN	Y	N	Y
KOREA REP	Y	Y	Y
MALAYSIA	Y	Y	Y
MONGOLIA	N	N	N
NEPAL	N	N	Y
PHILIPPINES	N	N	Y
TAIWAN, CHINA	Y	Y	Y
THAILAND	Y	Y	Y

INDICATOR → COUNTRY ↓	Responsible agency ensures compliance by monitoring the market incl. advertisements & websites	Mystery/ incognito shopping	Interviews, focus groups and research with consumers are carried out to ensure compliance	On-site inspection and investigation of FIs to ensure compliance	Off-site inspection and investigation of FIs to ensure compliance	Agency Action in relation to complaints: register/ record complaints
CHINA	N	N	Y	Y	Y	Y
INDONESIA	N	N	N	Y	Y	Y
JAPAN	Y	Y	Y	Y	Y	Y
KOREA REP	Y	Y	Y	Y	Y	Y
MALAYSIA	Y	Y	Y	Y	Y	Y
MONGOLIA	N	N	N	N	N	N
NEPAL	N	N	N	N	N	Y

PHILIPPINES	N	N	N	N	N	Y
TAIWAN, CHINA	Y	Y	Y	Y	Y	Y
THAILAND	Y	N	N	Y	Y	Y

INDICATOR → COUNTRY ↓	Agency Action in relation to complaints: responds to complaints	Agency Action in relation to complaints: analyze/publish complaints statistics	Agency Action in relation to complaints: assist directly in resolution of complaints	Agency Action in relation to complaints: assist indirectly in resolution of complaints	Agency Action in relation to complaints: make binding decisions for any of the parties involved	Agency enforces consumer protection laws by issuing warnings to FIs
CHINA	Y	Y	Y	Y	N	Y
INDONESIA	Y	Y	Y	Y	N	Y
JAPAN	Y	Y	Y	Y	Y	Y
KOREA REP	Y	Y	Y	N	N	Y
MALAYSIA	Y	Y	Y	Y	N	Y
MONGOLIA	N	N	N	N	N	N
NEPAL	N	Y	Y	Y	Y	Y
PHILIPPINES	Y	N	Y	Y	N	N
TAIWAN, CHINA	Y	Y	Y	Y	Y	Y
THAILAND	Y	Y	N	Y	N	Y

INDICATOR → COUNTRY ↓	Agency enforces consumer protection laws by requiring providers to refund excess charges	Agency enforces consumer protection laws by requiring providers to withdraw misleading advertisements	Agency enforces consumer protection laws by imposing fines and penalties	Agency enforces consumer protection laws by issuing public notices of violations	Agency enforces consumer protection laws by withdrawing offending provider's license to operate
CHINA	Y	Y	N	Y	N
INDONESIA	Y	N	N	Y	N
JAPAN	Y	Y	Y	Y	Y

KOREA REP	Y	Y	Y	Y	Y
MALAYSIA	Y	Y	Y	N	Y
MONGOLIA	N	N	N	N	N
NEPAL	Y	Y	Y	Y	N
PHILIPPINES	N	N	N	N	Y
TAIWAN, CHINA	Y	Y	Y	Y	Y
THAILAND	N	Y	Y	N	N

Disclosure Requirements

Table 3: Disclosure Requirements

INDICATOR → COUNTRY ↓	Law specifies disclosure requirements in plain language	Law specifies disclosure requirements in local language	Law specifies requirement for prescribed standardized disclosure format	Law specifies requirement for recourse rights and processes	Law specifies disclosure requirement of annual percentage yield and interest rate for deposit products	Law specifies disclosure requirement of compounding method for deposit products
CHINA	Y	Y	Y	Y	Y	Y
INDONESIA	Y	Y	Y	-	Y	-
JAPAN	Y	Y	Y	Y	Y	Y
KOREA REP	Y	-	Y	-	Y	-
MALAYSIA	Y	Y	Y	Y	Y	-
MONGOLIA	-	-	-	Y	Y	Y
NEPAL	Y	Y	Y	-	Y	-
PHILIPPINES	Y	-	Y	-	Y	Y
TAIWAN, CHINA	Y	Y	Y	Y	Y	-
THAILAND	Y	Y	Y	Y	Y	Y

INDICATOR → COUNTRY ↓	Law specifies disclosure requirement of minimum balance requirements for deposit products	Law specifies disclosure requirement of fees and penalties for deposit products	Law specifies disclosure requirement of early withdrawal penalties for deposit products	Law specifies disclosure requirement of annual % rate using standard credit products formula	Law specifies disclosure requirement of fees for credit products	Law specifies disclosure requirement of computation methods for credit products
CHINA	Y	Y	Y	Y	Y	Y
INDONESIA	-	Y	-	Y	Y	Y
JAPAN	-	Y	Y	Y	Y	Y
KOREA REP	-	Y	Y	Y	Y	-
MALAYSIA	Y	Y	-	Y	Y	Y
MONGOLIA	Y	Y	Y	Y	Y	Y
NEPAL	-	Y	-	Y	Y	Y

PHILIPPINES	Y	Y	-	Y	Y	Y
TAIWAN, CHINA	Y	Y	Y	Y	Y	Y
THAILAND	Y	Y	Y	Y	Y	Y

INDICATOR → COUNTRY ↓	Law specifies disclosure requirement of required insurance for credit products	Banks provide account statements to customers free of charge upon customer request	Non-bank regulated FIs provide account statements to customers free of charge upon customer request	Unregulated FIs provide account statements to customers free of charge upon request	Law requires providing information about procedures to dispute the accuracy of recorded transactions within a stipulated period	Law requires detailed transactional information for the reporting period
CHINA	Y	Y	Y	Y	Y	Y
INDONESIA	-	-	-	-	-	Y
JAPAN	Y	Y	Y	-	Y	Y
KOREA REP	-	-	Y	-	-	-
MALAYSIA	Y	Y	Y	-	Y	Y
MONGOLIA	-	Y	-	-	-	Y
NEPAL	Y	Y	Y	-	-	-
PHILIPPINES	Y	Y	Y	-	-	-
TAIWAN, CHINA	-	Y	Y	-	-	Y
THAILAND	Y	Y	Y	-	-	Y

INDICATOR → COUNTRY ↓	Law requires stating the calculation of annual % yield using a standard formula for a deposit product in a periodic a/c statement	Law requires stating the amount of interest earned on a deposit product in a periodic a/c statement	Law requires stating the fees imposed on a deposit product in a periodic a/c statement	Law requires stating the account balance of a deposit product in a periodic a/c statement	Law requires stating all transactions concerning the account for a specified period for a credit product in a periodic a/c statement	Law requires stating annual percentage rates for credit products in a periodic a/c statement
CHINA	Y	Y	Y	Y	Y	Y
INDONESIA	-	-	-	-	-	-
JAPAN	Y	Y	Y	Y	Y	Y

KOREA REP	-	-	-	-	-	-
MALAYSIA	-	-	-	-	Y	-
MONGOLIA	Y	Y	Y	Y	Y	Y
NEPAL	-	-	-	-	-	-
PHILIPPINES	-	-	-	-	Y	Y
TAIWAN, CHINA	-	-	-	-	Y	Y
THAILAND	-	Y	Y	Y	Y	-

INDICATOR COUNTRY	Law requires stating the interest charged for a specified period for credit products in a periodic account statement	Law requires stating the fees charged for a specified period for credit products in a periodic account statement	Law requires stating minimum amount due for credit products in a periodic account statement	Law requires stating the date due for credit products in a periodic account statement	Law requires stating the outstanding balance for credit products in a periodic account statement	Financial Institutions are required to notify customers in writing of changes in terms/conditions of their agreements
CHINA	Y	Y	Y	Y	Y	Y
INDONESIA	Y	Y	Y	Y	Y	Y
JAPAN	Y	Y	Y	Y	Y	Y
KOREA REP	-	-	-	-	-	Y
MALAYSIA	Y	Y	Y	Y	Y	Y
MONGOLIA	Y	Y	Y	Y	Y	Y
NEPAL	-	-	-	-	-	Y
PHILIPPINES	Y	Y	Y	Y	Y	Y
TAIWAN, CHINA	Y	Y	Y	Y	Y	Y
THAILAND	Y	Y	-	-	Y	Y

Business Practices

Table 4: Business Practices

INDICATOR → COUNTRY ↓	Law restricts deceptive advertising	Law restricts unfair or high-pressure selling practices	Law restricts bundling and tying	Law restricts prepayment fees	Law restricts abusive collection practices	Law restricts unauthorized use of client data or breach of client confidentiality
CHINA	Y	Y	Y	Y	Y	Y
INDONESIA	-	-	Y	-	Y	Y
JAPAN	Y	Y	Y	Y	Y	Y
KOREA REP	Y	Y	Y	-	Y	Y
MALAYSIA	Y	Y	Y	Y	Y	Y
MONGOLIA	Y	Y	Y	-	-	Y
NEPAL	Y	-	-	-	-	Y
PHILIPPINES	-	-	-	-	Y	Y
TAIWAN, CHINA	Y	Y	Y	Y	Y	Y
THAILAND	Y	Y	Y	Y	Y	Y

INDICATOR → COUNTRY ↓	Law defines elements of responsible lending practices	Laws have explicit limits that restricts excessive borrowing by individuals	Laws require lending institution to assess borrower ability to repay the loan, but no specific limits are set
CHINA	Y	Y	N
INDONESIA	Y	Y	N
JAPAN	Y	Y	Y
KOREA REP	Y	Y	N
MALAYSIA	Y	N	Y
MONGOLIA	Y	Y	N
NEPAL	-	Y	Y
PHILIPPINES	Y	N	Y
TAIWAN, CHINA	Y	Y	N
THAILAND	Y	Y	N

Dispute Resolution Practices

Table 5: Dispute Resolution Practices

INDICATOR → COUNTRY ↓	Law requires FIs to implement procedures and processes for resolving customer complaints	Law requires FIs to set standards on timeliness of response for complaints resolution	Law requires FIs to set standards on accessibility for filing complaints	Financial ombudsman exists for FI customers when their complaint is not resolved to their satisfaction	Financial ombudsman exists and is industry based	Financial ombudsman exists and is an independent statutory body
CHINA	Y	Y	Y	Y	Y	N
INDONESIA	Y	Y	Y	Y	N	N
JAPAN	Y	Y	Y	Y	Y	N
KOREA REP	Y	Y	Y	Y	N	N
MALAYSIA	Y	Y	Y	Y	Y	N
MONGOLIA	Y	N	Y	N	N	N
NEPAL	N	N	Y	N	N	N
PHILIPPINES	Y	Y	N	N	N	N
TAIWAN, CHINA	Y	Y	Y	Y	N	Y
THAILAND	Y	Y	Y	N	N	N

INDICATOR → COUNTRY ↓	Financial ombudsman exists within the supervisory agency	General ombudsman exists for FI customers when their complaint is not resolved to their satisfaction	Mediation service exists for FI customers when their complaint is not resolved to their satisfaction	FI customers have to resolve dispute in court when their complaint is not resolved to their satisfaction	Ombudsman registers/records complaints	Ombudsman responds to complaints
CHINA	Y	Y	Y	N	Y	Y
INDONESIA	Y	Y	Y	N	Y	Y
JAPAN	Y	Y	Y	N	Y	Y
KOREA REP	Y	N	Y	N	Y	Y
MALAYSIA	Y	N	Y	N	Y	Y
MONGOLIA	N	Y	N	Y	Y	Y
NEPAL	N	Y	N	N	Y	Y

PHILIPPINES	N	N	Y	N	N	N
TAIWAN, CHINA	N	N	N	N	Y	Y
THAILAND	N	N	N	Y	N	N

INDICATOR → COUNTRY ↓	Ombudsman analyzes/publishes statistics	Ombudsman assists directly in resolution	Ombudsman assists indirectly in resolution	Ombudsman makes binding decisions	Financial ombudsman is funded from a budget allocated by the central government	Financial ombudsman is funded from an annual budget allocated by a government authority
CHINA	Y	Y	Y	N	N	Y
INDONESIA	Y	Y	Y	N	Y	Y
JAPAN	Y	Y	Y	Y	Y	Y
KOREA REP	Y	Y	N	N	N	N
MALAYSIA	Y	Y	Y	Y	N	N
MONGOLIA	N	Y	N	Y	N	N
NEPAL	Y	Y	Y	Y	N	N
PHILIPPINES	N	Y	N	N	N	Y
TAIWAN, CHINA	Y	Y	N	N	N	Y
THAILAND	N	N	N	N	N	N

INDICATOR → COUNTRY ↓	Financial ombudsman is funded by a financial industry association	Financial ombudsman is funded by members
CHINA	Y	Y
INDONESIA	N	Y
JAPAN	Y	Y
KOREA REP	N	Y
MALAYSIA	N	Y

INDICATOR → COUNTRY ↓	Financial ombudsman is funded by a financial industry association	Financial ombudsman is funded by members
MONGOLIA	N	N
NEPAL	N	N
PHILIPPINES	N	N
TAIWAN, CHINA	N	Y
THAILAND	N	N

Financial Education

Table 6: Financial Education

INDICATOR → COUNTRY ↓	Agency has the responsibility to implement and/or oversee any aspect of financial education/literacy	Agency conducts a survey of financial capability/literacy and publish regular reports	Agency develops and monitor implementation of a strategy	Agency provides training on financial literacy topics	Agency issues guidelines to the providers of financial services on financial education/literacy	Agency develops training materials on financial topics
CHINA	Y	N	Y	Y	Y	Y
INDONESIA	Y	Y	Y	Y	Y	Y
JAPAN	Y	Y	Y	Y	Y	Y
KOREA REP	Y	Y	Y	Y	Y	Y
MALAYSIA	Y	Y	Y	Y	Y	Y
MONGOLIA	N	N	N	N	N	Y
NEPAL	N	N	N	N	N	N
PHILIPPINES	Y	N	Y	Y	N	N
TAIWAN, CHINA	Y	Y	Y	Y	Y	Y
THAILAND	Y	Y	Y	Y	N	N

Appendix 2– International comparison with FCP frameworks in Asia
