SUPERINTENDENCY OF BANKING, INSURANCE AND PRIVATE PENSION FUNDS ADMINISTRATORS

Overview of Institutional Framework for Financial Consumer Protection in Peru

November 2012
ROLE OF THE SBS REGARDING CONSUMER PROTECTION

**Purpose:** to design a regulatory framework that allows the development of a sustainable and inclusive financial system, considering:

- **An increase in financial literacy:** by promoting an advance in the level of financial literacy the SBS attempts to reduce the information gap regarding financial conditions of products and services between users and FIs.

- **A preventive approach:** by regulating and supervising the policies, procedures and operations in FI (financial institutions - supervised entities) the SBS seeks to generate confidence about financial products and institutions.
ORGANIZATION, STRUCTURE AND FUNCTIONS

Deputy Superintendency of Legal Affairs (SAAJ)

- Regulation Department (REG)
- Legal Department (LEG)
- Judicial Department
- Legal Auditing Department
ORGANIZATION, STRUCTURE AND FUNCTIONS

Consumers Products and Services Office (GPU)

- Department of Analysis and Supervision (DSU)
- Consumer Affairs (PAU)
- Field Offices
- Department of Education and Financial Inclusion (DIF)
**ORGANIZATION, STRUCTURE AND FUNCTIONS**

**SAAJ** is responsible for consumer protection regulation.

The regulation approved by the SBS includes the following obligations:

- Disclose complete quantitative and qualitative information about financial products and services, which includes information of interest rates, fees and other relevant information such as the consumers rights.

- To have specialized employees who can provide further information to the consumers and potential consumers about financial products or services.

- To provide in advance the complete contract in order to allow an adequate understanding of the obligations and rights that both consumers and FIs will assume.

- To create a system that assures consumers protection and regulation compliance.
ORGANIZATION, STRUCTURE AND FUNCTIONS

SAAJ is also responsible for:

- The approval of general contracting conditions to which the FIs are subjected in order to guarantee an appropriate balance in the obligations and rights between users and FIs.

- The establishment of criteria to identify abusive clauses that cannot be used by FIs in their contracts.
GPU is responsible for:

- Promoting supervisory actions regarding transparent pricing and relevant information to the public.

- Developing strategies to promote financial inclusion and education.

- Providing guidance regarding customer service including queries and complaints.
CONFLICTS OF INTERESTS: PRUDENTIAL AND MARKET CONDUCT SUPERVISION

Prudential supervision

Market conduct supervision

Objetives

SBS

Potencial conflict of interests are prevented by separating the supervision powers of both objectives in different SBS Departments.

The regulatory framework identifies the specific conducts that are subject to sanctions (fines).

SBS/INDECOPI

Possible conflicts of interests considering both entities powers regarding market conduct supervision.
IF THERE IS A PROBLEM WITH THE FIs SERVICES, CONSUMERS COULD PRESENT A COMPLAINT OR ACCUSATION:

**COMPLAINTS**
- FIs
  - Financial ombudsman of the banking association
  - Are not administrative stages of procedure

**ACCUSATIONS**
- INDECOPI
  - Transgression of consumers rights
- SBS
  - Transgression of any regulation or order that the SBS has issued in exercise of its powers
  - Are administrative stages of procedure
We are an independent regulator but very often we must coordinate with other Government Institutions. So, in order to facilitate our duties and to become more efficient, we signed some mutual help agreements.

We have an agreement with the Consumer Protection Agency (Indecopi for the Spanish acronym) in which we have established some ground rules regarding:

- Cooperation and exchange of information.
- Training workshops in order to explain both institutions functions, regulation and powers.
By law, SBS must refer violations of regulations by FIs regarding consumer issues.

Indecopi must ask the SBS about the correct interpretation of its regulation when necessary.

Indecopi must inform the SBS about abusive clauses identified by that authority that should not be used by FIs in their contracts.
SBS Financial Literacy Program

Objectives

- To educate the population about their rights and their duties regarding the financial system, the insurance system and with the private pension funds, both, through schooling and through information campaigns, so they can make the best decisions regarding the products and services these systems offer.

- Empowering both teachers and students, by using the cascading education methodology so, after being trained, they become transmitting agents of financial literacy knowledge to other parties.

- Promoting a responsible access to financial products and services and a greater use of the financial system by the population, so it can lead to an increase in the economic well-being of the nation.
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