

Loi M Bakani: The importance of financial consumer protection

Keynote address by Mr Loi M Bakani, Governor of the Bank of Papua New Guinea, at the CEFI Equity Workshop “Smart Campaign Client Protection Principles Training”, Port Moresby, 21 October 2015.

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7. Representatives of Development partners
8. Invited Guests
9. Ladies and gentlemen.

Good morning ladies and gentlemen,

Welcome to this 3 day CEFI Equity Workshop – Smart Campaign Client Protection Principles Training of Trainers Program, a collaborative effort of the Asian Development Bank (ADB), the Bank of Papua New Guinea (BPNG), the Centre for Excellence in Financial Inclusion (CEFI), and the Smart Campaign.

Financial Consumer Protection & Equity

Financial Consumer Protection and Equity (fairness) in the microfinance industry are on the global finance agenda. People operating in the informal sector, and microfinance industry clients in general, are often found at the lower tier of society’s social-economic ladder. These segments of the population are vulnerable to economic shocks, and are least able to afford taking on new risks. Financial literacy...knowledge of financial options, products and services, and consumer power in general, are often lacking. For microfinance clients, there are often information gaps, and inadequate re-dress mechanisms available to them.

Against this background, international commitments have been made at various levels to raise and address financial consumer protection. The 2012 G20 Leaders Meeting in Los Cabos, Mexico, underscored the importance of financial consumer protection. That call is also taken up by many other international organisations, including the ADB.

As the financial inclusion agenda has risen to prominence in recent times, and microfinance institutions are one of the vehicles used to bring financial services to this segment of the population, the importance of financial consumer protection has grown. For microfinance institutions striving to reach and maintain sustainability, it is fundamentally important to work with this customer base by offering client centric financial services and financial literacy training, delivered by staff that understand the importance of financial consumer protection. A financially literate customer, one that knows what financial services are available to them and how to use them, and also understands the process for re-dress mechanisms to pursue when questions of fairness arise, are more likely to continue as customers of microfinance institutions over time, as informed, protected and satisfied clients. In a competitive environment where this segment of the financial sector is competing with first tier financial institutions, the process and

effort you put into protecting your customer rights and fairness is important to ensure you retain them.

Papua New Guinea's recent experience in developing the principles of client protection for microfinance began in collaboration with the ADB, DFAT and Government of Papua New Guinea funded Microfinance and Employment Project, and the Centre for Excellence in Financial Inclusion (CEFI). CEFI, the industry apex body set up by the Bank of Papua New Guinea and Government of PNG, to coordinate financial inclusion initiatives in the country, is leading development of industry principles and standards for microfinance in PNG through a consultative process with microfinance industry stakeholders. Furthermore, CEFI's roadmap for collaboratively developing PNG's 2nd National Strategy for Financial Inclusion & Financial Literacy, includes client protection as one of several strategic areas of focus for financial inclusion going forward in Papua New Guinea, for the benefit of financial consumers, and the overall health and stability of financial markets in the country. With this as context, and with reference to CEFI's core values of **Quality, Transparency and Equity**, CEFI is educating and advocating the adoption of the Smart Campaign Principles (CPPs) in Papua New Guinea.

For this purpose, the Bank of Papua New Guinea is actively supporting CEFI in its work as partners of the Smart Campaign, a global campaign to embed client protection principles in the DNA of the microfinance industry. The Smart Campaign works with industry associations such as CEFI, and microfinance leaders from around the world on a common goal: to keep clients as the driving force of the industry by providing microfinance institutions with the tools and resources they need to deliver transparent, respectful and prudent financial services to all clients. The Smart Campaign believes that protecting clients is not only the **right** thing to do, it is also the **smart** thing to do.

The Smart Campaign came about from the strongly recognised need by microfinance industry leaders around the world to assure safe and responsible treatment of their clients. They came together in 2008 and agreed to a set of **Client Protection Principles** to guide the microfinance industry. They recognised that when financial services are delivered in accordance with principles, clients are enabled to use financial services well and provides the foundation for future business and expansion. They put these principles into action through the **Smart Campaign** and launched it in October 2009.

The Seven Client Protection Principles for Microfinance are:

1. ***Appropriate product design and delivery***
2. ***Prevention of over-indebtedness***
3. ***Transparency***
4. ***Responsible pricing***
5. ***Fair and respectful treatment of clients***
6. ***Privacy of client data***
7. ***Mechanisms for complaint resolution***

Ladies and gentlemen, these are the principles that will be imparted to you in depth over the course of the next three days. They are sound principles, globally accepted and locally relevant for the microfinance sector of PNG.

I hope your participation will lead to your individual institution's benefit, to the benefit of the microfinance industry as whole, and most importantly, to the benefit of all Papua New Guineans engaging with the microfinance sector, now and going forward.

On this note, I declare the training open.

I wish you all well.

Thank you.