

G20/OECD Report on Lessons Learnt and Effective Approaches to Protect Consumers and Support Financial Inclusion in the Context of COVID-19



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Foreword

The COVID-19 pandemic has affected all aspects of societies and economies around the world. Among other consequences, the pandemic has significantly affected many financial consumers in terms of their access to and use of personal financial services whether as a result of loss of employment, reduced income, increased digitalisation, or reduced access to physical services. In turn, the pandemic has had a significant impact on policy makers and oversight authorities responsible for financial consumer protection and financial inclusion in terms of implementing and monitoring measures to protect and support financial consumers to weather the crisis.

This report provides a summary of the impact of the pandemic on financial consumers and financial inclusion, a global view of the measures implemented to support financial inclusion and protect financial consumers, and sets out the lessons learnt and effective approaches that can be drawn from the experience.

The OECD prepared this report in support of the agenda of the Global Partnership on Financial Inclusion (GPI) and the Group of 20 (G20) under the G20 Italy Presidency 2021, as well as part of the work of the G20/OECD Task Force on Financial Consumer Protection. The OECD is one of the Implementing Partners of the GPI. This report complements two other OECD reports prepared for the GPI under the Italian Presidency: “Supporting financial resilience and transformation through digital financial literacy” and “Navigating the storm: MSMEs’ financial and digital competencies in COVID-19 times”.

The effective approaches and lessons learnt presented in this report have provided input for the development of the Menu of Policy Options for enhancing digital financial inclusion “Digital financial literacy and financial consumer and MSME protection beyond the COVID-19 crisis” developed by the GPI.

The report reflects inputs and guidance from GPI member countries, Implementing Partners, Affiliated Partners, members of the G20/OECD Task Force on Financial Consumer Protection and many other jurisdictions and stakeholders, including members of FinCoNet, other International Organisations and Standard Setting Bodies, via an extensive consultation process. The OECD wishes to acknowledge and thank all those who kindly provided contributions to this report.

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1 Introduction

The COVID-19 pandemic has affected all aspects of societies and economies around the world. Among other consequences, the pandemic has significantly affected many financial consumers in terms of their access to and use of personal financial services whether as a result of loss of employment, reduced income, increased digitalisation, or reduced access to physical services. In turn, the pandemic has had a significant impact on policy makers and oversight authorities responsible for financial consumer protection and financial inclusion in terms of implementing and monitoring measures to protect and support financial consumers to weather the crisis. This report provides a summary of the impact of the pandemic on financial consumers and financial inclusion, a global view of the measures implemented to support financial inclusion and protect financial consumers, and sets out the lessons learnt and effective approaches that can be drawn from the experience.

Background and policy context

Financial inclusion and financial consumer protection, together with financial education, are essential ingredients for supporting the financial resilience and wellbeing of individuals, families and communities.

Financial inclusion refers to individuals and businesses having “access to useful and affordable financial products and services that meet their needs – transactions, payments, savings, credit and insurance – delivered in a responsible and sustainable way” (World Bank, n.d.^[1]). While significant progress has been made over the years, it is estimated that more than 1.7 billion adults remain without access to formal financial services (Demirguc-Kunt et al., 2018^[2]).

Financial consumer protection (FCP) refers to the fair and responsible treatment of, and prevention of harm to financial consumers. Broadly speaking, effective financial consumer protection entails the framework of laws and regulations designed to protect consumers, oversight bodies with the necessary authority and resources to carry out their mission, fair treatment of consumers, proper disclosure, responsible business conduct by financial services providers and intermediaries, and access to complaints handling and redress mechanisms (OECD, 2012^[3]).

Financial education empowers financial consumers to understand their financial choices and make informed decisions that best suit their circumstances and goals.¹

These three policy agendas—together with broader social policies that promote access to opportunities and protection from risk—work together to support financial resilience and promote financial wellbeing by ensuring that people have access to financial products and services, are equipped to use them to their benefit, and are treated fairly and adequately protected from harms in doing so.

¹ G20/OECD defines financial literacy as: a combination of financial awareness, knowledge, skills, attitudes and behaviours necessary to make sound financial decisions and ultimately achieve individual financial well-being. Financial education is defined by the OECD in 2005 as “the process by which financial consumers/investors improve their understanding of financial products, concepts and risks and, through information, instruction and/or objective advice develop the skills and confidence to become more aware of (financial) risks and opportunities to make informed choices, to know where to go for help, and take other effective actions to improve their financial wellbeing”.

Global Partnership on Financial Inclusion

The Global Partnership on Financial Inclusion (GPII), was launched in December 2010 at the G20 Summit in Seoul. The GPII is an inclusive platform for all G20 countries, interested non-G20 countries and relevant stakeholders to carry forward work on financial inclusion, including implementation of the G20 Financial Inclusion Action Plan. In 2016, the GPII endorsed the [G20 High-Level Principles for Digital Financial Inclusion](#), which aim to drive the adoption of digital approaches to achieve financial inclusion goals, as well as the related G20 goals of inclusive growth and increasing women's economic participation.

The [G20 Financial Inclusion Action Plan 2020](#) identifies the need to analyse the COVID-19 implications for financial inclusion and the role of financial inclusion to mitigate the impact of COVID-19 on society. In this context, the GPII may identify policy options, in particular through the use of responsible digital financial services as well as recommendations on how to respond to digital financial inclusion challenges and risks through financial consumer protection (taking account of the work of the Task Force).

G20/OECD Task Force on Financial Consumer Protection

The G20/OECD Task Force on Financial Consumer Protection (the Task Force) was established in the wake of the global financial crisis of 2008, in recognition of the need for greater emphasis on protection and support for financial consumers, and is the leading international forum for the development of financial consumer protection policy. The Task Force is responsible for the [G20/OECD High Level Principles on Financial Consumer Protection](#) (the FCP Principles), which is the leading international standard for financial consumer protection frameworks, endorsed by G20 Leaders at the Cannes Summit in 2011 and adopted by the OECD Council in 2012. The Task Force also leads research, analysis and the development of policy guidance on key areas relating to financial consumer protection.

Since the start of the pandemic, the Task Force has played a leading role in gathering and sharing information about measures implemented by jurisdictions to protect and support financial consumers in response to COVID-19.

In March 2020, the OECD launched a Questionnaire on FCP measures in response to COVID-19, which was distributed widely via participants in the Task Force, FinCoNet and other International Organisations and Standard Setting Bodies. A [Report of the Summary Analysis of the responses to the Questionnaire](#) was published in October 2020, synthesising common actions taken by jurisdictions in response to the onset of the pandemic.

Importantly, the Task Force is currently undertaking a strategic Review of the FCP Principles over the course of 2021-22, which may result in an updated and revised set of Principles in light of market, technological and policy developments over the 10 years since they were first endorsed. Among other things, the revisions will reflect the lessons learnt and experiences that resulted from the COVID-19 pandemic, which will be informed by this Report and other inputs. The aim is for the revised set of FCP Principles to be prepared for endorsement in 2022 during the G20 Indonesian Presidency.

Methodology and process

In support of the Italian Presidency of the G20 in 2021, the OECD, as an Implementing Partner of the GPII and Secretariat of the Task Force, has developed this report, as part of a follow-up project to understand the lessons learnt from COVID-19 and effective approaches deployed in terms of protecting financial consumers and supporting financial inclusion.

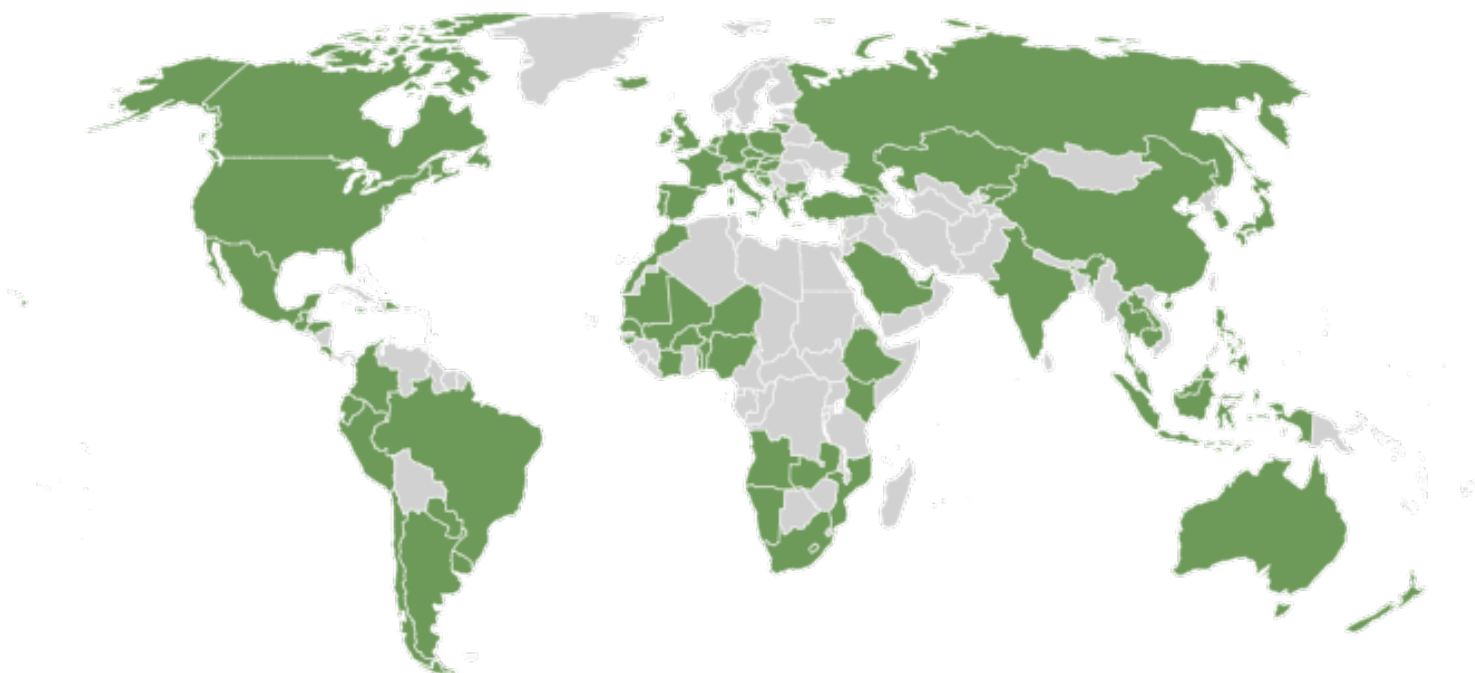
Among other things, the Report is informed by responses to a Questionnaire, developed by the OECD in liaison with the Italian G20 GPII and the Task Force Bureau. The Questionnaire and Report Outline

were presented to members of the G20/OECD Task Force on Financial Consumer Protection at their meeting on 15-16 March 2021 and at the 1st Plenary of the GPFI held on 24 March 2021.

The Questionnaire was undertaken between April-May 2021, and distributed to members of the GPFI and members of the Task Force, including Standard Setting Bodies and International Organisations. The Questionnaire was also widely distributed to non-G20 and non-OECD jurisdictions, including many developing countries.

The Questionnaire received 126 individual responses, representing the views of 164 organisations from 81 jurisdictions.² G20 and/or OECD countries submitted 71 responses; non-G20 and non-OECD jurisdictions submitted 55 responses. Of the 126 responses, 62 came from low- or middle-income countries (49%).³ Figure 1 presents a map of jurisdictions which submitted responses. Forty-two percent of responses came from Europe and Central Asia; 15% from East Asia; 14% from Latin America and the Caribbean; 14% from Sub-Saharan Africa; 8% from North America; 3% from South Asia; and 3% from the Middle East and North Africa.

Figure 1. Map of respondents



This wide-ranging representation was important to ensure a fully global picture and because the issues relating to financial consumer protection and financial inclusion often differ between developed and developing countries. A list of respondents can be found at Annex A.

The report also builds on the analysis of responses to the Questionnaire on FCP measures conducted via the Task Force in 2020 and includes relevant findings from reports and research produced by other organisations.

² Some jurisdictions submitted a single consolidated response representing the views of multiple authorities; others submitted individual responses for each responding authority. Throughout the report, the unit of account is responses, not jurisdiction or authority.

³ Income classifications follow the World Bank definitions, which were updated in July 2021 and available here: <https://datahelpdesk.worldbank.org/knowledgebase/articles/906519-world-bank-country-and-lending-groups>.

The report itself has been developed through a consultative and iterative approach, incorporating feedback and comments from members of the GPF and the Task Force between June-September 2021.

A companion report will be produced for the Task Force with more detailed data analysis from the responses to the Questionnaire relating to financial consumer protection, especially sector-specific information and country examples.

2 Impact of the COVID-19 pandemic on financial consumers and financial inclusion

The impact of the COVID-19 pandemic on financial consumers has been significant, complex and varied. While the crisis has presented a range of new risks and challenges for financial consumers and exacerbated existing ones, it has also generated opportunities, such as the development of new or enhanced financial products and delivery channels driven by lockdowns and enforced social distancing.

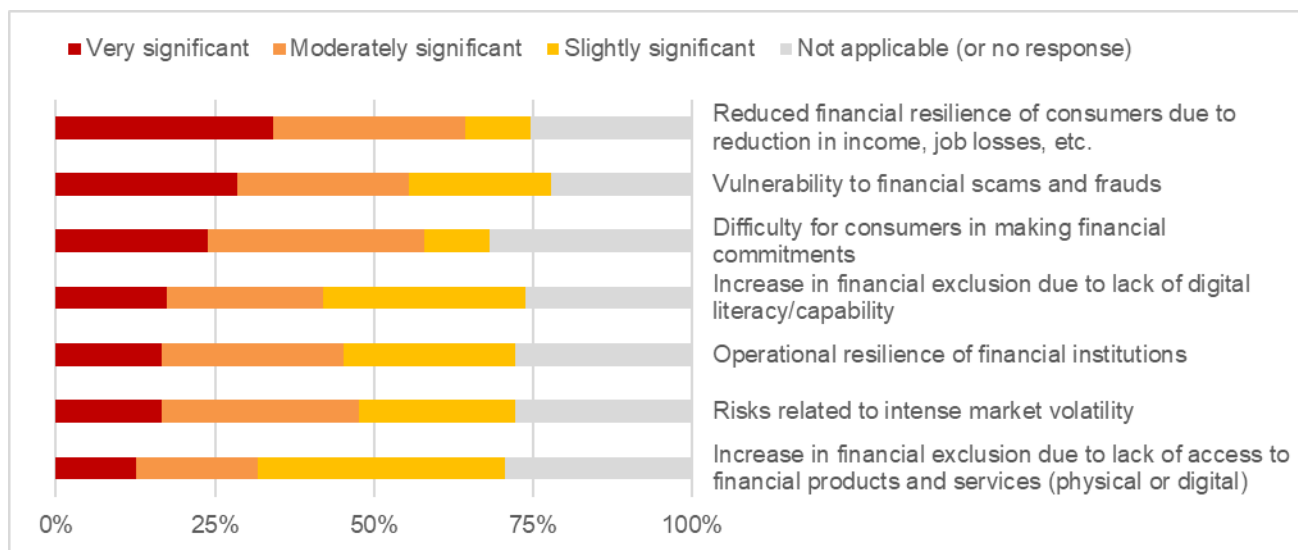
Risks to financial consumers

The Questionnaire asked respondents to rank various risks arising from the COVID-19 pandemic, and to rate their significance. These risks were those identified by respondents to the 2020 Questionnaire on FCP measures in response to COVID-19, as well as others identified via discussions with countries over the course of the pandemic.

Figure 2 shows how respondents rated the significance of these risks to consumers. Overall, respondents were most concerned about reduced financial resilience of consumers due to reduction in income, followed by vulnerability to financial scams and frauds.

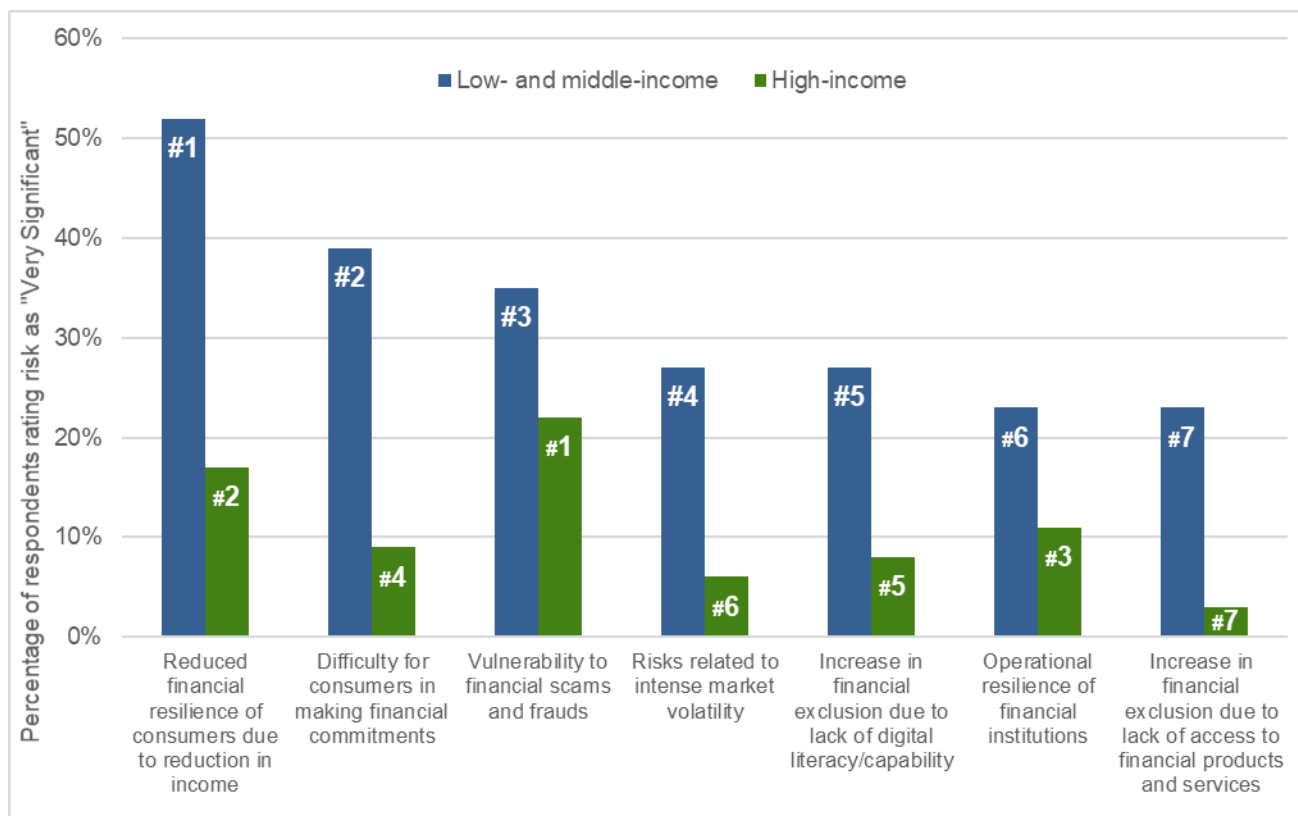
Figure 3 presents a breakdown of responses by the income levels of the respondent's jurisdiction. Respondents from low- or middle-income jurisdictions were more likely to rate risks as "Very significant" across all categories of risks. For example, more than half of respondents from low- and middle-income jurisdictions rated the risk of *Reduced financial resilience* as "Very significant", compared to less than 20% of respondents from high-income jurisdictions. This was the highest rated category of risk among respondents from low- and middle-income jurisdictions, whereas respondents from high-income jurisdictions rated *Vulnerability to financial scams and frauds* as the most significant risk (see Box 1. Financial scams and frauds for additional information). Jurisdictions also differed significantly in their perspective on the risk of *Financial exclusion due to lack of access*: respondents from low- or middle-income jurisdictions were nearly eight times more likely to rate this risk as "Very significant."

Figure 2. Risks to financial consumers arising from the COVID-19 pandemic



Note: N=126, Question text: "Please indicate how significant you consider each of the following risks to financial consumers arising from the COVID-19 pandemic in your jurisdiction."
 Source: OECD Questionnaire, 2021

Figure 3. Ranking of risks by respondents from high- versus low- and middle-income jurisdictions



Note: N=126, Question text: "Please indicate how significant you consider each of the following risks to financial consumers arising from the COVID-19 pandemic in your jurisdiction."
 Source: OECD Questionnaire, 2021

Reduced financial resilience of consumers

Overall, respondents were most concerned about the reduced financial resilience of consumers due to reductions in income and/or job losses. This is not surprising given that the pandemic—and the restrictions imposed by governments in response—had enormous effects on global economies and on household finances, especially households with pre-existing low levels of financial resilience. Surveys from G20 and non-G20 countries indicated that the COVID-19 crisis affected households' financial resilience primarily through job and income losses (Comitato per l'educazione finanziaria, 2020^[4]; Asian Development Bank Institute, 2020^[5]; Bank of Italy, 2021^[6]; Galicki, 2020^[7]; FCAC, 2021^[8]; Bundervoet, Dávalos and Garcia, 2021^[9]). Low-income countries have been hardest hit, with 2022 projected growth nearly 5% lower than January 2020 baseline World Bank projections (World Bank, 2021^[10]). Moreover, the pandemic pushed nearly 100 million people into extreme poverty around the globe (World Bank, 2021^[11]).

At the onset of the crisis, unemployment rates increased significantly in many jurisdictions (OECD, 2020^[12]). The number of hours worked for many workers plummeted, to a much greater extent than in the aftermath of the Global Financial Crisis (OECD, 2020^[12]). More than a third of respondents across 25 OECD countries in the 2020 OECD Risks that Matter survey reported that their household had suffered at least one job-related disruption (OECD, 2021^[13]). Among households who had lost a job, 81% of respondents said they were somewhat or very concerned about their household's economic well-being in the next two years.

Even where job retention schemes filled the gaps for many workers—in some countries covering more than half of employees (OECD, 2021^[13])—economic insecurity was widespread. As noted by a report prepared in 2020 by the International Labour Organisation (ILO) and the OECD for the Saudi Presidency of the G20, many workers had to accept shorter hours and/or wage cuts in different industries. Low-paid, often low-skilled, workers were particularly affected during the initial phase of the crisis, including many front-line workers. The report found that the impact of the crisis was unequal in a number of important ways, with disproportionate impacts felt by, among others, informal economy workers who often have limited access to social protections, young people and women who are often heavily engaged in frontline occupations (OECD and ILO, 2020^[14]; Galasso, 2020^[15]).

The impact of COVID-19 has also been felt in terms of consumption levels by households, with consumers less willing to spend or otherwise limited by store closures and restrictions to their movement. According to statistics gathered by the OECD, the resulting declines in consumption were by far the largest on record and, in some countries, reduced household consumption to levels below those observed in 2007 (OECD, 2020^[16]).

Relatedly, data from high-income countries suggest that on average, households have increased their savings and bank deposits over the course of the pandemic (Higgins and Klitgaard, 2021^[17]). According to OECD data, household saving rates in 2020 were higher than at any point this century (Romei, 2021^[18]). Among respondents with data on household savings rates (N=16) and household deposits (N=27), most reported an increase from 2019 to 2020, although a minority reported decreases. Research suggests that the distribution of these excess savings are not evenly spread; higher-income households were much more likely to build up additional savings, while low-income households were more likely to see their balances decline (Farrell et al., 2020^[19]; Bounie et al., 2020^[20]).

At the same time, the crisis has also revealed that the foundations of household financial security may be more precarious and less equal than previously assumed. In this way, COVID-19 has both exacerbated and exposed underlying vulnerabilities and inequities, as one Questionnaire respondent described. Research from **New Zealand** is indicative of such insights: six months after the start of the pandemic, households headed by Māori or Pasifika (indigenous groups) were less likely to be earning the same or more than they were before the pandemic (Galicki, 2020^[7]). The same research found that female-headed households were more likely to have arrears on at least one payment, and that the ability to negotiate with creditors was not equal: more than half of Pasifika households who attempted to make arrangements with their creditor(s) said their requests had been rejected by at least one

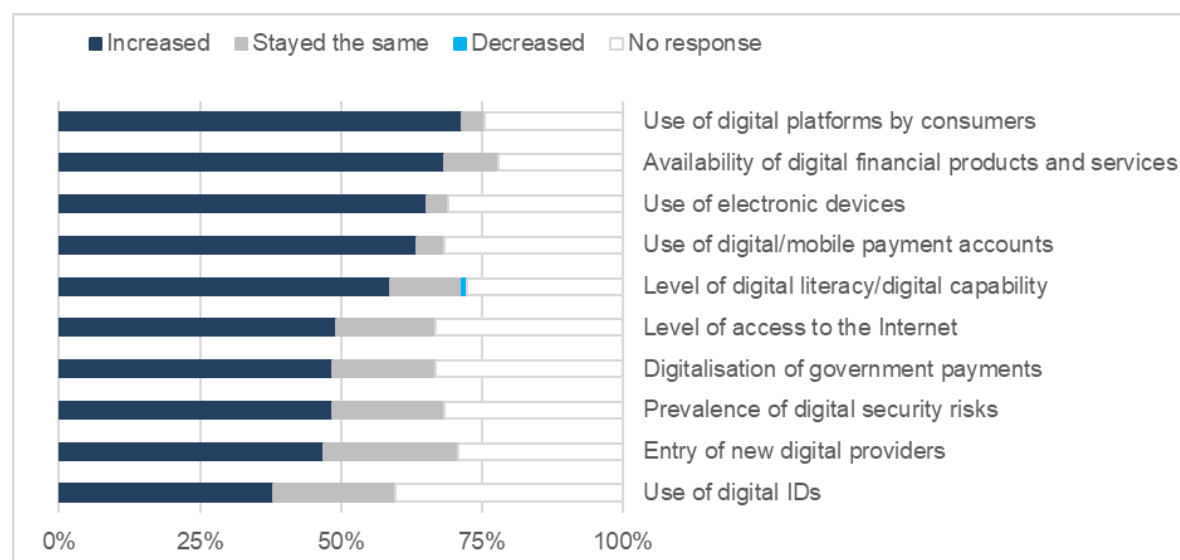
creditor, versus less than a third of European households (Galicki, 2020^[7]). Data from **Italy** illustrate unequal impacts along gender lines: a survey conducted by the National Committee for Financial Education found that since the pandemic, women were more likely than men to have had to modify their long-term financial goals (46% versus 37%) (Comitato per l'educazione finanziaria, 2020^[4]). Analysis from the **United Kingdom** demonstrates the pandemic's toll on women's finances: the gap in average pension savings between men and women grew 16% in 2021 (Cumbo, 2021^[21]). In **Canada**, businesses owned by visible minorities⁴ were more likely to see their revenues fall between August 2019 to 2020 (Tam, Sood and Johnston, 2020^[22]).

Digitalisation of financial products and services

One of the most significant impacts of the pandemic on financial consumers is the accelerated digitalisation of the financial services sector. While the trend toward digital products and services was well underway before COVID-19, lockdowns and social distancing guidelines in many jurisdictions forced businesses and consumers to quickly adapt their habits. One study estimates that the spread of COVID-19 and related lockdowns increased the download of fintech apps by about 30%, or the equivalent of an aggregate additional of 270 million app downloads at the pandemic's peak (Fu and Mishra, 2020^[23]).

The Questionnaire asked respondents about the different impacts of digitalisation as a result of the pandemic. As shown in Figure 4, most respondents reported the use of digital platforms by consumers had increased in their jurisdictions. Of respondents with data available, around 95% said that digital payments had increased as a percentage of the volume and value of total payments in their jurisdiction. More generally, 86 respondents (or 88% of those responding to this question) noted that the availability of digital financial products and services had increased. Only a small minority (N=4) of respondents were able to provide gender-disaggregated data on the use of digital financial services.

Figure 4. Digitalisation factors affected by COVID-19



Note: N=126, Question text: "How has the COVID-19 pandemic affected the following factors relating to digitalisation in your jurisdiction?"
Source: OECD Questionnaire, 2021.

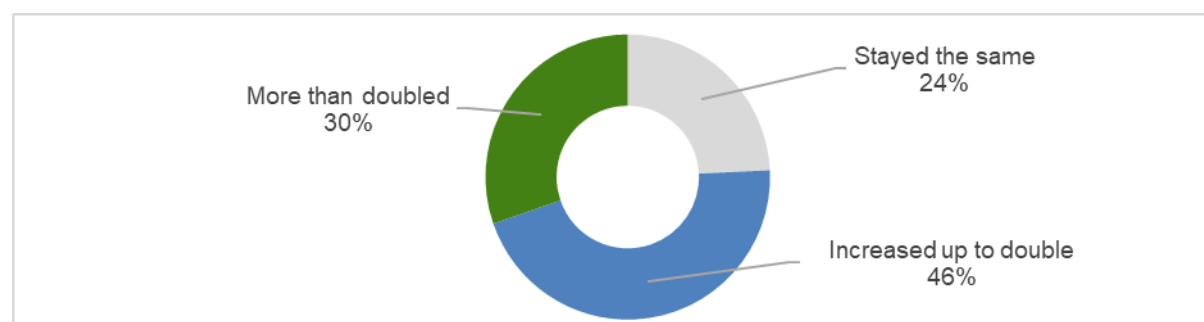
⁴ In Canada, "visible minority" refers to "persons, other than Aboriginal peoples, who are non-Caucasian in race or non-white in colour". The visible minority population consists mainly of the following groups: South Asian, Chinese, Black, Filipino, Latin American, Arab, Southeast Asian, West Asian, Korean and Japanese.

Many jurisdictions observed the entry of new digital financial products and services in response to the COVID-19 pandemic. Around two-thirds of respondents from low- and middle-income jurisdictions reported that the entry of new providers offering digital services had increased as a result of COVID-19 (compared to less than a third of respondents from high-income jurisdictions). Others witnessed the enhancement or rapid uptake of existing digital financial products, particularly payment and transaction products such as digital wallets and digital person-to-person and person-to-business payments. The use of QR codes and contactless cards for payments grew rapidly, as did take up of mobile trading apps and platforms. While not necessarily linked to the pandemic, respondents from **Brazil, Cambodia, Ecuador, Greece, Hungary, Mauritius, Portugal, Turkey** and **Zambia** reported the launch or increased use of instant payments. Respondents from **Australia, Canada**, and the **United Arab Emirates** noted that COVID-19 and the shift to e-commerce had coincided with an increased use of Buy Now Pay Later and similar products offering instalment payments for consumer goods.

One particular impact of the pandemic has been the continued decline in use of cash in favour of digital payments, even while early fears about handling cash as a way of transmitting the virus were not ultimately substantiated by experts (Jagannathan, 2020^[24]; Auer, Cornelli and Frost, 2020^[25]). According to a survey of 26,000 adults in 21 countries across four continents, at least 50% of people used cash less often since the outbreak of the pandemic or already paid primarily through digital means (Nolsoe, 2020^[26]). Globally, cash payments comprised one-fifth of point-of-sale transactions in 2020, which represents a 32% drop from 2019 (FIS, 2021^[27]).

In many countries, payment providers have been allowed or required to expand the use of contactless channels and increase the limits on contactless payments. Of those with data on contactless payments (N=16), all respondents noted that the share of POS payments that were contactless increased from 2019 to 2020. Thirty-three respondents reported information about the payment limits for contactless payments, around three-quarters of whom reported that these limits had increased (ranging from 50 to 200% of the initial limit, see Figure 5).

Figure 5. Increased payment limits for contactless transactions



Note: N=33

Source: OECD Questionnaire, 2021.

While these digital developments demonstrate the important role of digital innovation as part of the response to the pandemic, the impact of this accelerated digitalisation also comprises significant risks for consumers.

As noted in Figure 2, 22 respondents (more than 75% of whom represent low- or middle-income jurisdictions) highlighted an increase in financial exclusion due to lack of digital literacy/capability as a “very significant risk”, particularly among underserved groups including low-income households and senior citizens.

A related risk to financial consumers highlighted by respondents was an increase in financial exclusion due to lack of access to financial products and services (physical or digital). In terms of digital access, connectivity was cited as a challenge, especially for rural areas. Recent OECD research underscores

this challenge, noting persistent gaps in connectivity between rural and urban households and between OECD and non-OECD countries (OECD, 2020_[28]). According to the OECD's latest Digital Economy Outlook, the number of mobile high-speed internet subscriptions per inhabitant in OECD countries is double those in non-OECD countries, while the number of fixed broadband subscriptions is triple.

Nearly all respondents with the relevant data (N=35) reported that the number of ATM transactions fell from 2019 to 2020, as did the number of bank branches (N=38, average decrease of 2%). Some respondents noted a decreased use of cheques and cash. While these trends were already in progress before the pandemic, access to physical financial services—such as bank branches—remains important to some consumers, particularly senior citizens (OECD, 2020_[29]). Furthermore, the global survey cited above found that consumer attitudes to the decline in cash usage were far from universally positive, with people in countries where there was already significant use of electronic payments more opposed to becoming completely cashless (Nolsoe, 2020_[26]). Respondents also reported technical challenges related to increasing the limits for contactless payments, which led to delays in raising the limits for certain customers or retailers.

Digital security risks comprise a separate set of challenges arising from increased digitalisation. These risks can include new forms of theft or fraud perpetrated online (see Box 1. Financial scams and frauds), data breaches and digital security incidents, excessive data profiling leading to financial exclusion, lack of privacy and manipulation of consumers' behavioural biases when operating online (OECD, 2020_[30]).⁵ Increased digitalisation during COVID-19 has rendered such risks more salient, and many jurisdictions are heightening their focus on cybersecurity.

Box 1. Financial scams and frauds

Vulnerability to frauds and scams was identified as the second most significant risk for financial consumers arising from the COVID-19 pandemic. As noted above, this risk ranked as the most significant among respondents from high-income countries and third most significant among respondents from low- and middle-income countries. Around half of respondents reported that their organisation had detected scams and frauds targeting financial consumers related to COVID-19. The majority of respondents said that the reported incidence of scams and frauds had increased since the start of the COVID-19 pandemic, most commonly by 1-25%. The most common forms of fraud were phishing (tricking consumers to provide personal identification information online) and fake schemes designed to tempt consumers to transfer, pay or invest money. Some respondents clarified that the incidence of scams and frauds was already on the rise before the onset of the pandemic. Respondents from high-income jurisdictions were more likely to report that the prevalence of digital security risks (including theft and fraud) had increased as a result of the pandemic. Respondents expressed particular concern about scams linked to social media or investment platforms, as well as frauds targeting recipients of emergency government benefits.

The most common actions taken by financial consumer protection regulators in response to financial scams and frauds were general awareness campaigns and consumer warnings regarding specific financial scams (each were selected by around 60% of respondents to this question). Many respondents provided examples of the types of scams covered in their consumer warnings (e.g., government imposter scams, tech support scams, romance scams, cryptocurrency scams and assistance obtaining government relief payments). Regarding general awareness campaigns,

⁵ For more information about financial consumers' exposure to privacy and security risks, as well as effective approaches to protect consumers from these risks, refer to OECD (2020), *Financial Consumer Protection Policy Approaches in the Digital Age: Protecting consumers' assets, data and privacy*, www.oecd.org/finance/Financial-Consumer-Protection-Policy-Approaches-in-the-Digital-Age.pdf.

authorities used a range of channels to target consumers, and in particular social media. Other channels included videos, webinars, infographics, and mass SMS send-outs.

Around 40% of respondents said they had taken supervisory or enforcement actions, such as shutting down illegal operators, enhancing security requirements or collaboration with law enforcement or the judicial system. In **Bulgaria**, supervisors required payment service providers (PSPs) to review their authentication procedures; some PSPs were mandated to stop using authentication procedures that did not comply with the legal requirements on strong customer authentication. The Federal Financial Institutions Examination Council of the **United States** recently issued revised guidance on authentication and access, providing financial institutions with examples of effective authentication and access risk management principles and practices. In **Italy**, the authority responsible for regulating the securities market (CONSOB), can order internet and other telecommunication service providers to ban access to websites through which investment services or activities are offered or carried out without the requested authorisations. Since the power was introduced in July 2019, CONSOB has blocked access to more than 430 illicit websites. In **Turkey**, administration sanctions were applied to individuals who had provided misleading, unauthorised advice or social media or message boards. One of the supervisory priorities for CMVM (the Securities Market Commission of **Portugal**) has been monitoring services provided by unauthorised entities. In 2020 CMVM took steps to reinforce the detection of such situations, as well the issuance of warnings to investors in a timely manner. Further, CMVM shared information and strengthened cooperation with other competent authorities of the financial system and with judicial authorities.

Specific impacts relating to use of financial products and services

The COVID-19 pandemic and associated responses have affected the entire ecosystem of personal finances, including credit, banking and payment services, insurance, investments and retirement savings/pensions.

Credit

Access to and use of credit plays a particular role in the financial lives of consumers that can help them achieve their financial goals, but can also increase their vulnerability to financial shocks. For example, mortgage debt is the single largest source of debt for individual homeowners, and has the greatest impact on their finances and their ability to stay solvent through wage decreases or wage losses.

As noted in Figure 2, one of the main risks to financial consumers arising from the COVID-19 pandemic was the difficulty for consumers in making financial commitments, such as mortgages, loans, bills, credit cards, etc. The primacy of debt-related concerns is not surprising, given the high levels of debt that many households were carrying at the onset of the crisis. Before the pandemic hit, almost one in ten lower-income households in the OECD could be characterised as over-indebted (i.e., a debt-to-income ratio greater than three) (OECD, 2021^[31]).

Owing to the widespread loan repayment moratoria instituted by many jurisdictions (see Section 3), most respondents noted that default rates did not significantly change from 2019 to 2020. However, respondents noted that this could indicate future challenges awaiting consumers when the moratoria expire and the market must address the accumulation of arrears. One respondent noted that the granting of *new* credit had decreased, more than any changes related to defaults. Jurisdictions' approaches to credit during the pandemic may have significant implications for future access to credit and—by extension—financial exclusion.

Insurance

According to data from 55 OECD and non-OECD jurisdictions, gross premiums written fell in 2020, particularly for life insurance (OECD, 2021^[32]). At the same time, claims payments increased for life insurance but declined in the non-life sector. Coverage for business interruptions became a particularly pertinent policy question, especially for MSMEs. In many jurisdictions, this type of coverage is offered as an option add-on to commercial property insurance. Ordinarily, physical property damage triggers the coverage. According to research from the OECD, insurance companies and their associations have warned that the majority of policyholders would not be covered for these types of losses when occurring as the result of a pandemic. In response, insurance companies in a few jurisdictions provided additional coverage or made voluntary payments to businesses who suffered from COVID-19 (OECD, 2021^[33]).

The impact of COVID-19 on insurance consumers has been mixed. Of the 22 respondents who provided information on this point, common challenges included lower rates of sold policies and renewals, concerns about information not being clearly conveyed to consumers and problems related to paying premiums at a distance.

Retail investment products and services

In March 2020, as news of the global pandemic gripped the world, stock markets dropped by more than 30%. Market volatility, as measured by the CBOE Volatility index, approached levels last reached during global financial crisis (OECD, 2020^[34]).

Nonetheless, many respondents said that despite unprecedented market volatility, overall retail investment service providers had not encountered significant problems during the pandemic, and that operations had continued relatively smoothly.

The most striking impact of COVID on the retail investment market was the rapid entry of new retail investors into the market, especially during periods of lockdown. Many respondents—primarily from high-income countries, though not exclusively—reported dramatic growth in the number of retail investors, with several jurisdictions reporting that the number of retail investor accounts had more than doubled from 2019 to 2020. Recent research conducted by the International Organisation of Securities Commissions (IOSCO) bears this out, noting increased retail participation in day trading and riskier products, including unlicensed product offerings (IOSCO, 2020^[35]). The Bank for International Settlements (BIS) has similarly highlighted the “rising influence of retail investors” (Aramonte and Avalos, 2021^[36]). According to IOSCO and BIS, these trends result from increased time spent online (e.g., during lockdowns or working from home), growth of social media and new platforms and apps for share trading.

Analysis by the Central Bank of **Ireland** found that between December 2019 and April 2020, the average number of retail accounts opened more than doubled and the average number of daily trades had increased nearly threefold. The Financial Services Market Authority of **Belgium** reported that during the first lockdown period, retail investors traded five times as many shares as usual (FSMA, 2020^[37]). In **Italy**, data from CONSOB shows that Italian retail investors significantly increased their trading activity from 2020 onwards, especially in equities and mutual funds. Net stock purchases hit €3 billion in the single month of March 2020, vastly surpassing the 2019 monthly average of €470 million (CONSOB, 2021^[38]).

Two respondents (**Ireland** and **Australia**) called attention to an increase in the number of trades using contracts for differences (CFDs), a complex type of derivative that bets on movements in the price of assets or securities; the Authority of Financial Markets of the **Netherlands** further noted that fraud by regulated forex/CFD trading platforms were the most frequent type of scam or fraud during COVID-19.

Data reported by **Brazil** showed that growth was especially concentrated among young investors, and that women's participation also increased. One respondent noted that the flood of new and mostly inexperienced investors were especially vulnerable to unscrupulous practices of some brokers who would emphasise the advantages of certain financial instruments without fully disclosing the risks.

Pension funds and retirement savings

Challenges facing the pension funds and retirement savings sector preceded the outbreak of COVID-19. Such challenges include longer lifespans, lower numbers of new workers, low interest rates and depressed growth (OECD, 2020^[39]).

Despite intense market volatility, respondents reported that the COVID-19 pandemic did not significantly affect the overall day-to-day activities of pension funds and providers of retirement savings. In fact, respondents noted the sector has demonstrated remarkable “resilience”; some respondents noted minimal impact on liquidity or business continuity. Recent OECD research indicates that in spite of COVID-19, pension fund assets grew by almost 9% in the OECD area and by just over 1% in a group of 31 non-OECD countries (OECD, 2021^[40]). Pension funds managed to recover the losses they suffered in the first quarter of 2020 when financial markets rebounded.

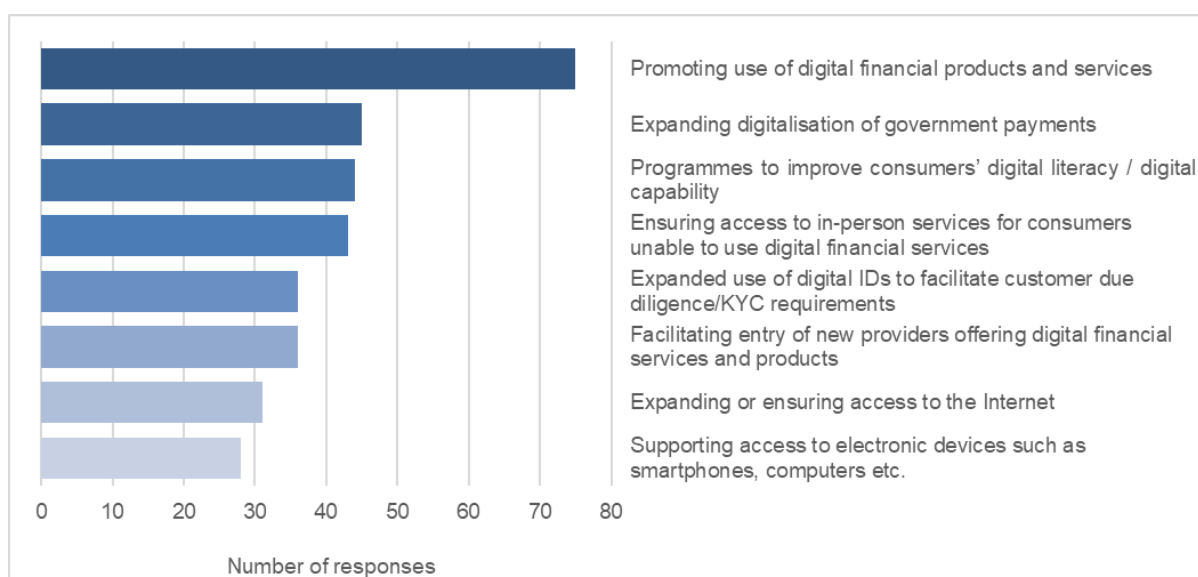
Nonetheless, some organisations reported challenges encountered by consumers and the sector as a whole, including difficulties reaching elderly people and rural populations due to lack of technological and financial capabilities. This was exacerbated in one case by unclear and inconsistent messaging from funds, although the trustees responded quickly and updated the language on their websites and correspondence.

3 Overview of measures implemented to support financial inclusion and protect financial consumers

Measures to support financial inclusion

More than half of respondents reported having introduced policy initiatives or measures to support financial inclusion in response to COVID-19. Figure 6 shows that the most common type of measure was promoting the use of digital financial products and services.

Figure 6. Measures adopted to support financial inclusion



Note: N=126, Question text: "Have any of the following measures or initiatives been adopted in your jurisdiction in light of the COVID-19 pandemic?"

Source: OECD Questionnaire, 2021.

Promoting use of digital financial products and services

As illustrated in Section 2, one of the key consequences of the pandemic was the increased digitalisation of retail financial services. Some of the changes in consumer behaviour was a result of necessity: people were forced to conduct transactions at a distance, and digital tools made it easier for consumers to continue managing their financial lives. At the same time, governments actively pushed

to facilitate the use of digital tools, recognising their potential to mitigate the challenges brought on by the pandemic. To promote the use of digital financial products and services, respondents reported having adopted a range of measures, most notably waiving or capping transaction and transfer fees, increasing limits for contactless payments and digital transfers, and encouraging digital on-boarding, e-signatures, and digital communications with customers. **Zambia**, for example, increased transaction and balanced limits for electronic money in order to increase the use of digital financial services, while also waiving fees for low-value person-to-person transfers to encourage people—especially the most vulnerable consumer segments—to migrate to digital payments and thereby reduce person-to-person contact. Jurisdictions also reported efforts to improve interoperability, instant payments, QR codes and tax incentives. Bank **Indonesia**, for example, expanded the acceptance of QRIS (QR Code Indonesian Standard), a common payment method that can be used by all payment platforms that was developed to promote the use of digital payments. During the pandemic, Bank Indonesia added contactless payment features to QRIS and applied a 0% merchant discount rate for transactions using QRIS for micro businesses. To help citizens make online purchases of essential goods and services without leaving home, the Bank of **Russia** capped electronic transaction fees charged by credit institutions. Fees could not exceed 1% for certain types of purchases including food, medicine, household appliances and clothes. The fee also applied to payments made to clinics and hospitals, laboratories, ambulances and doctors.

Expanding digitalisation of government payments

As noted by the International Monetary Fund, governments around the world have implemented a wide range of support measures to mitigate the impacts of the pandemic on the economy and society, on an unprecedented scale (IMF, 2020^[41]). In facilitating these support measures, 45 respondents reported initiatives to expand the use of digital channels for government payments – both to and from individuals. Governments allowed for digital payments to public administrations (such as taxes, permits, and fees), while increasing their use of digital channels for the disbursement of pensions, teachers’ salaries, and beneficiaries of government programs. Respondents from low- or middle-income jurisdictions were more likely to have adopted this measure in light of COVID-19 (which may reflect that high-income jurisdictions were already using digital channels prior to the pandemic).

While many respondents noted that the pandemic had expedited digitalisation efforts already underway, in many cases it represented a large increase in the proportion of government payments made digitally. This change required massive campaigns in some jurisdictions, such as **Colombia**, where the government helped “bank” pensioners who had previously received their allowances in cash. In **Brazil**, the law creating the cash transfer program for self-employed workers and people whose income had been severely affected by COVID-19 also authorised the automatic creation of a digital savings account on behalf of beneficiaries. The payments were then delivered into an app, which beneficiaries could use to transfer the funds to any other financial institution of their choosing. The program led to the creation of 62.2 million digital on-boarding accounts, reaching more than 100 million people (beneficiaries and their families).

To assist citizens with lower levels of digital literacy, some public sector authorities set up “one-stop shops” in town halls or post offices to help people make or receive online payments. In **South Africa**, the Post Office is driving the process of rolling out cashless ATMs that will serve as additional payment points for South African Social Security Agency grants.

Ensuring access to in-person services for consumers unable to use digital financial services

To ensure continued access to financial services during lockdown periods, more than one in ten respondents reported that their jurisdiction had classified financial institutions as “essential services”.

Otherwise, eight regulatory authorities highlighted that they had issued guidance and recommendations for financial institutions to keep their branches open (e.g., in strategic locations to ensure adequate coverage, as specified by Bank of **Mauritius**), even when operating with reduced staff. These recommendations often included minimum hours or minimum number of branches per region. The Central Bank of **Hungary**, for example, discouraged branch closures longer than one day, and during temporary closures it expected at least one branch per county to serve customers. Authorities also issued guidelines relating to continued customer support services, for example by maintaining the quality of call centres or opening dedicated helplines.

In **Ireland** and **Argentina**, bank branches implemented “priority hours” for elderly or vulnerable customers, while authorities allowed exceptions to lockdown rules for the collection of retirement and pension payments.

Malaysia reported that out-of-network ATM fees were waived to minimise unnecessary travel, while regulators in **Colombia** allowed banking correspondents or agents to perform duties previously reserved for branch staff (in cases where branches had been closed).

Improving consumers’ digital literacy and capability

To improve consumers’ digital literacy and capability during the pandemic, in-person trainings were transformed into online lessons and webinars. The shift to working from home may have helped people become accustomed to online training methods. Jurisdictions also used radio, TV, videos and social media to run awareness campaigns about digital security that targeted young people, women, rural populations, migrants, indigenous populations, senior citizens, and the socio-economically vulnerable. In response to the rapid growth of digital products and services, some organisations incorporated digital literacy elements into existing financial literacy programmes. In **Italy**, for example, CONSOB launched a course on financial and digital education targeting university students. The course focused on the management of personal finance and on key issues concerning the increasing digitalisation of the financial system. Others described programmes targeting small merchants to assist them in adopting digital payments. In **Singapore**, for example, the Monetary Authority of Singapore and other government agencies launched initiatives called “Hawkers Go Digital” and “Heartland Go Digital” which brought together selected merchant acquirers to scale e-payment acceptance solutions quickly and at low-cost. In response to the COVID-19 pandemic, the Superintendency of Banks of **Ecuador** developed a financial education webpage with content focussed on children, teenagers and adults.

Expanding or ensuring access to the internet and electronic devices

Given the necessity of internet access and electronic devices to take advantage of digital products and services, 31 respondents reported expanding and ensuring internet access and 28 reported supporting access to electronic devices. Respondents from low- or middle-income jurisdictions were around twice as likely to have implemented measures.

A common response among jurisdictions (or providers within jurisdictions) was to implement programmes offering reduced-cost or free internet access or data allowances. In **Malaysia**, for example, the Jaringan Prihatin Programme was launched by the Ministry of Finance with 12 telcos to alleviate the financial burden of accessing internet services by offering credits and free data to households in the bottom 40% of the income distribution. In some cases the primary impetus for the subsidised access was for children to access online schooling. The state telecommunications company of **Uruguay** offered discounts to companies in sectors affected by the pandemic and to clients receiving unemployment insurance. Other jurisdictions waived VAT for low-cost phone plans, or offered tax exemptions on the purchase of a smart device. Some jurisdictions invested in increasing bandwidth (for example in sparsely populated areas) or established internet hot spots at postal offices.

Expanded use of digital IDs to facilitate customer due diligence/KYC requirements

In March 2020, the Financial Action Task Force (FATF) released guidance on digital identity. While the guidance was developed before the start of the pandemic, its publication may have facilitated the use of digital IDs during the crisis. In its guidance, FATF specified that remote customer-identification using reliable, independent digital ID systems (with appropriate risk mitigation measures in place) could be considered “standard risk” for the purposes of customer due diligence, and may even be lower-risk (FATF, 2020^[42]).

Consistent with these guidelines, thirty-six respondents reported that during 2020 their jurisdictions had issued regulations allowing for greater use of digital IDs, either for the first time or expanding authorisations that had been in place for certain providers or certain customer segments. In **India**, access to the facility for e-authentication through Aadhaar (Unique Identity Authority of India) has been extended to all insurers. Others reported that regulations were already in place before COVID-19, but that the pandemic led to a higher use of digital IDs for CDD/KYC requirements. Several respondents described efforts to expand the use of digital IDs as “still underway”, “in development”, “ongoing” or “stalling”. Across the different income levels of jurisdictions, respondents were fairly consistent in adopting this measure.

Amendments and modifications to financial inclusion strategies

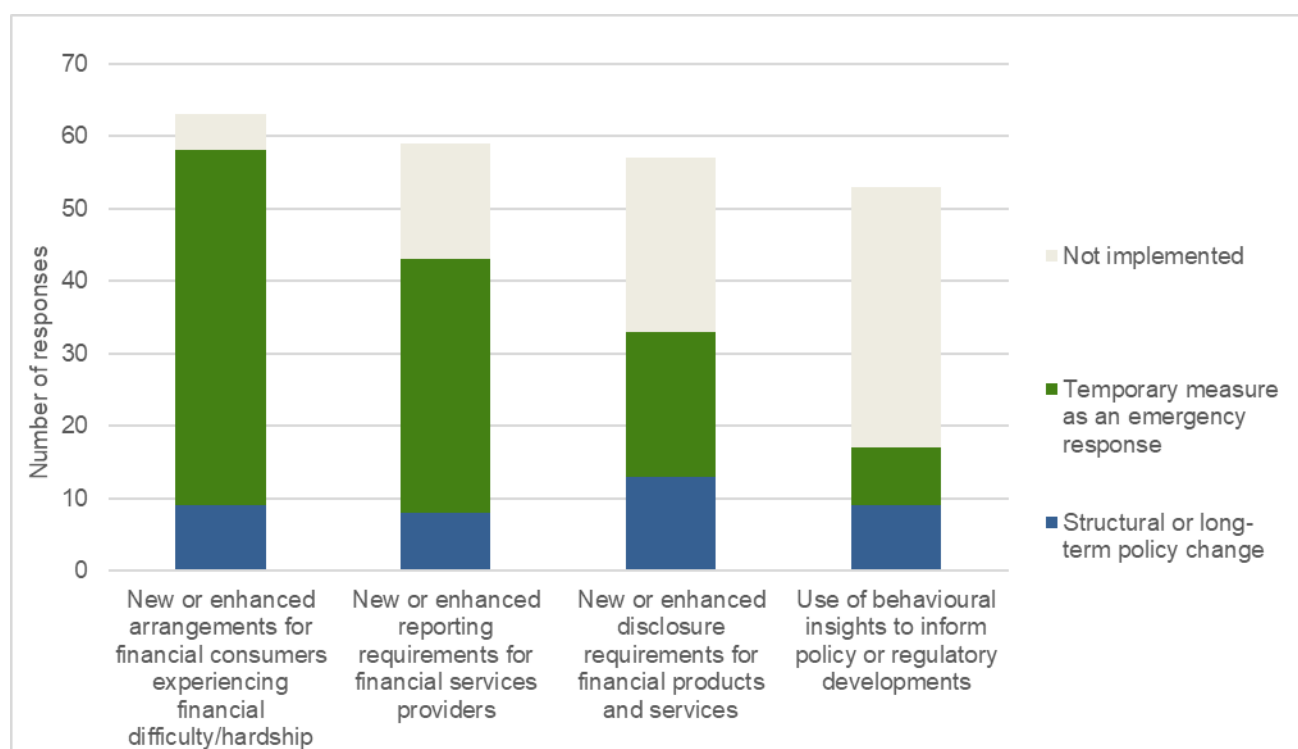
Sixty-one respondents said that their jurisdiction had a National Strategy for Financial Inclusion in place: around 75% of respondents from low- or middle-income countries versus 25% of those from high-income countries, representing slightly less than half of all respondents overall. Of these, 24 respondents reported having changed the National Strategy specifically in light of the COVID-19 pandemic, and others said that changes were underway. Of those respondents who provided further details about the changes being made, eight highlighted digitalisation and six referenced a greater focus on vulnerable, fragile, and underserved communities. As a direct response to the COVID-19 crisis, Banque de **France** launched a monthly “financial inclusion barometer” in order to follow more closely the potential consequences of the pandemic on inclusion. In December 2020, **Argentina** relaunched its National Strategy for Financial Inclusion, reflecting the implications of the pandemic. Among other modifications, their revised Strategy aims to: “contribute to reducing social gaps [...] through improved access to financial goods and services,” considering the primacy of this objective in the context of COVID-19. The Strategy states that deeper financial inclusion with a social and gender perspective will support the country in preventing the spread of the virus and mitigating the economic and social effects of the crisis. In November 2020, the Superintendency of Banks of the **Dominican Republic** introduced a “basic account” (*cuenta básica*), available at the time of launch through six financial institutions. The basic account program aims to provide a first opportunity for people who have not had a banking account before, as well as a second chance for people whose personal circumstances prevents them from accessing financial services (e.g., those with a criminal record or problems in their credit history). In **Ecuador**, the Superintendency of Banks has strengthened the four pillars of its financial inclusion strategy in response to the COVID-19 pandemic: access, use, financial education and consumer protection.

Measures to strengthen financial consumer protection

Seventy-seven respondents have adopted policy or regulatory changes relating to financial consumer protection in light of the COVID-19 pandemic. Figure 7 shows that most changes were implemented as temporary measures in response to the emergency. Around a quarter of responses, however, represented structural or long-term policy changes. Hardship arrangements for consumers experiencing financial difficulties were the most common type of measure, followed by new or enhanced

reporting and disclosure requirements. The use of behavioural insights was the least common measure, although several respondents noted that their authorities had longstanding initiatives to integrate findings from behavioural research into their policies. The Superintendency of Banks of **Ecuador**, for example, published a book in 2021 collecting lessons from its application of Design Thinking methodology, focusing on understanding the particular needs of financial consumers and building and testing effective solutions to address them (Arregui Solano, Guerrero and Jiménez, 2021^[43]).

Figure 7. Types and lengths of financial consumer protection responses



Note: N=77, Question text: “Have there been any policy or regulatory changes or approaches adopted in your jurisdiction relating to financial consumer protection and regulation, in light of the COVID-19 pandemic? If YES, do the changes or approaches include any of the following?”
Source: OECD Questionnaire, 2021.

Arrangements to support consumers in financial difficulty

Credit

The most common measure implemented to support consumers of credit products and services was restructuring of repayment terms (e.g., loan periods or interest rates). Such restructuring programs were often accompanied by opportunities to defer payments, either through public or private credit moratoria (moratoria were implemented roughly equally through either statutory arrangements or industry schemes, although respondents rated statutory arrangements as more effective on average). In many cases, loans modified through such programs were not to be reported as past due or non-performing to credit bureaus. In **Ireland** and **Portugal**, for example, when a lender has agreed on a payment break with a borrower, the lender should not report this to the Central Credit Register (operated by the Central Banks) as being payments “missed” or “past due” or the loan as being “restructured”, during the period of the payment break. Lenders should provide clear and transparent information in relation to any other relevant reporting to private credit bureaux. In **Indonesia**, OJK strongly encouraged lenders to conduct

credit restructuring and allowed credit providers to declare restructured loans as “good loans” despite their declining quality due to the pandemic.

Other jurisdictions waived fees, implemented or lowered existing interest rate caps, suspended foreclosures and evictions, and converted outstanding balances on revolving credit lines into short-term loans. In some cases, jurisdictions modified regulations concerning debt collection; **Chile**, for example, passed a law to limit the number of times per week that collectors are allowed to contact borrowers.

Several respondents reported implementing or lowering existing interest rate caps. The **Netherlands**, for example, which caps the interest rate on consumer credit at 14% per year, temporarily lowered the ceiling to 10%. In November 2020, Bangko Sentral ng Pilipinas (BSP, the Central Bank of the **Philippines**) implemented an annual interest rate ceiling on credit card transactions – the first time it had exercised its authority to place a limit on interest rates since those ceilings were lifted in 1983. The regulation is subject to review every six months and, most recently in April 2021, BSP decided to maintain the limit. **Australia** similarly capped interest rates on loans backed by a government SME loan guarantee scheme. The federal Government of **Canada** announced plans to launch a consultation on lowering the criminal rate of interest in the *Criminal Code of Canada* applicable to, among other things, instalment loans offered by payday lenders.

Respondents most often rated payment holidays and credit moratoria as the most effective measure, and most commonly extended them by 3-6 months. At the same time, a handful of respondents noted that while payment holidays and credit moratoria are faster and easier to implement, debt restructuring is a more permanent solution than extending payment schedules, as it can be tailored to the individual needs and circumstances of each borrower. Furthermore, credit moratoria and payment holidays can increase the overall cost of a loan, if interest is allowed to accrue during the period of non-payment. Research from CGAP on credit moratoria in a range of countries indicates that in most cases, moratoria were structured in a way that allowed for interest accrual (Rhyne and Dias, 2020^[44]).

According to some respondents, consumers of credit services often faced challenges in understanding and/or accessing COVID-19 relief measures. Some respondents reported that the implications of repayment assistance were not communicated or explained to consumers. In **Australia**, for example, the Australian Securities and Investment Commission (ASIC) was concerned that some consumers had taken out repayment deferrals as a cautionary measure and may not have fully understood how the deferral operated and the implications of this measure on their financial situation. Furthermore, some providers used inconsistent language to describe the deferral of mortgage repayments, including terms such as ‘repayment holidays’, which may have provided consumers with an inaccurate impression of how the measure worked in practice. In response, ASIC took steps to encourage lenders to provide clear communications to consumers about the deferral of repayments, including sufficient information to make an informed decision about the assistance available. ASIC also updated its consumer website with messages to emphasise that consumers should only take out assistance if they need it and that if they are able to resume making repayments, they should. In May 2020, the Central Bank of **Portugal** required institutions to disclose information on credit moratoria. Disclosure requirements include the obligation to inform bank customers of which credit agreements were covered by the credit moratoria, access conditions, the application process, types of credit moratoria and protective measures covered, as well as their duration, the impacts on instalments and repayment terms and subscription periods.

Insurance

The most frequent way that jurisdictions supported consumers of insurance products was through enhanced disclosure and providing extra information to policyholders, changes which were in most cases made permanent. Other measures included discounts on or refunds of premiums, deferred premium payments, suspended cancellations of insurance contracts, and automatic renewals. In the **United Arab Emirates**, for example, insurers were allowed to change the calculation of premiums for

new or renewed motor vehicle insurance policies by basing them off of kilometres driven (i.e., “Pay-Per-Kilometre”), provided that the premium does not exceed the maximum specified in the tariffs for vehicle insurance rates. **Saudi Arabia** similarly extended all active motor insurance policies for two months free of charge. Insurance providers also simplified and accelerated claim settlement procedures related to COVID-19, while some regulatory authorities communicated to insurers that they expected them to integrate these hardship arrangements into their ongoing operations.

The most common theme among reported challenges was communicating with consumers. Organisations said that information was not always clearly stated or made available by insurance companies, and consumers therefore did not understand the impacts of procedures implemented, nor how to properly apply for waivers, ex-gratia payments, and extended time of cover. These shortcomings led to confusion among policyholders, and at least in one case, high rates of rejections for applications of premium deferment due to insufficient documentation provided by consumers.

Conversely, a handful of respondents reported that the effect of COVID-19 on their insurance industries was “immaterial,” leading to no such measures being implemented. In **Germany**, for example, even though insurance providers offered the possibility to defer premium payments, consumers seemed to have made limited use of this measure.

Investments, pensions and retirement savings

Like consumers of insurance products, retail investors and pension holders were most often supported through enhanced disclosure. Other measures included emergency access to funds (more common among pension holders than retail investors), expanded use of pensions as collateral, unlocking frozen funds and deferral or reduction in pension contributions. In **Korea**, for example, an amendment was made to allow retirement pensions to be used as collateral for loans in the event of social disasters or economic difficulties caused by closures of business. Before the amendment, wage cuts due to social disasters such as COVID-19 were not included as circumstances that would allow the use of retirement pensions as a collateral.

While one respondent reported permanent changes to the hardship relief provisions for members of frozen investment funds, emergency access to pension funds were most commonly not extended.

Reporting requirements

Forty-three respondents indicated new or enhanced reporting requirements, eight of whom classified these requirements as structural or long-term policy changes. Such changes are varied; eleven respondents said that they have allowed for greater flexibility regarding reporting from supervised entities, e.g., extended deadlines or temporary suspensions of some reporting requirements. In the **United States**, for example, financial regulators temporarily suspended some reporting requirements, such as those for the Home Mortgage Disclosure Act, in response to pandemic-related demands on financial firms. Nine others have strengthened reporting requirements in order to monitor more closely the effect of the pandemic on providers or the implementation of interim relief measures. The Central Bank of **Hungary**, for example required extraordinary data reporting to track the effects of the COVID-19 pandemic on the pension funds sector and to continuously monitor the payments to members (outflows) from the pension funds. The Securities and Exchange Commission of **Thailand** established new ad-hoc reporting requirements for asset managers in response to panic-selling from the spread of COVID-19, which had led to fund closures due to liquidity crunches. The Central Bank of **Iceland** required credit institutions to submit COVID-19 credit risk reports and required COVID-19 credit and liquidity risk reports from pension funds and pension savings holders. Other respondents, including the Bank of **Greece**, implemented reporting requirements specifically related to business and operational continuity plans.

Disclosure requirements

Thirty-three respondents noted new or enhanced disclosure requirements for financial products and services during COVID-19. Of these, seven respondents reported that their authorities had adapted disclosure requirements to prioritize digital and electronic delivery of information to consumers. In **Armenia**, for example, the Central Bank revised the relevant regulations to make electronic delivery of mandatory documents (e.g., key facts statements) the default method, rather than by post. In July 2020, the Central Bank of **Portugal** issued recommendations to enhance disclosure and information transparency on digital channels. The best practices aim to: ensure that bank customers are provided with complete and appropriate information; enable institutions to understand in advance the guidelines issued by the Central Bank of Portugal; and make the oversight of marketing processes on digital channels swifter and more effective.

Special requirements were implemented regarding how lenders should disclose information to borrowers that have suspended loan repayments or refinanced debt through public or industry relief programs. In particular, borrowers were to be informed of higher overall costs of extended loan tenures. Regarding insurance, regulators required firms to clarify coverage of policyholders, particularly relating to pandemic coverage and deaths from COVID-19. To strengthen investor protection, securities regulators increased requirements to disclose their business continuity plans and the potential effects of COVID-19 on issuers' business performance. Finally, pension supervisors enjoined pension fund managers to communicate to members not to make short-term decisions that could jeopardise long-term pension outcomes and, in general, to consider the returns of pension funds from a long-term perspective.

Conversely, several authorities relaxed disclosure requirements, given the challenges facing firms, and allowed for certain flexibilities regarding deadlines.

Complaints handling and redress mechanisms

Across a wide range of jurisdictions, respondents reported that data from complaints submissions was a valuable resource during the pandemic, and several authorities implemented initiatives to simplify and digitalise the submission of complaints (see Box 2. Application of SupTech during the pandemic).

Such digital tools included digital platforms for consumers to submit complaints, as well as track and analyze complaints data and handling. For instance, in the **Philippines**, BSP launched an online chatbot to handle complaints by referring them to the relevant financial institution. This chatbot, called the BSP Online Buddy, allows consumers to share these concerns in English, Tagalog and Taglish. Similarly, the Central Bank of **Malaysia** noted that an interactive chatbot, among other digital channels and platforms, helps consumers access information and channel queries or complaints. To monitor financial advertisements, the People's Bank of **China** developed a smartphone application through which individuals can take a photo of any suspect financial advertisement, upload it and directly send it to a team of supervisors.

To leverage and operationalise complaints data, the Financial Superintendency (FSC) of **Colombia** used artificial intelligence during the first half of 2020 to gather insights using complaints data on how the pandemic was affecting financial consumers. Through this exercise, they created new complaint typologies specific for COVID-related issues, which allowed them to monitor consumer risks, perceptions and needs during the pandemic and sources of harm or possible harm arising from the conduct of financial service providers. The Bank of **Italy** has designed similar tools to facilitate the analysis of consumer complaints and improve the efficiency by which such complaints are evaluated and addressed. One tool, ("EspTech") automates the sorting and analysis of complaints received directly by the Bank of Italy. It uses machine learning techniques to detect common phenomena based on the semantic content of documents. Results are then presented to the user through an intuitive web

interface, which also provides full-text search and multidimensional analysis capabilities. A related initiative, called AbefTech, applies similar techniques for complaints received by the Banking and Financial Ombudsman to support the ADR procedure and facilitate the analysis of ABF complaints.

Respondents from jurisdictions including **Peru**, **Canada**, and **Indonesia** reported strengthened requirements for providers to report on consumer complaints or set standards on redress. In **Canada**, for example, entities regulated by the Financial Consumer Agency of Canada are expected to report aggregate data on complaints related to COVID-19 relief measures. In addition, the Government of **India** implemented pandemic-specific measures for timely redress of complaints (i.e., within three days of receipt).

Measures to address financial vulnerability and support the financial inclusion of targeted groups

Protecting consumers experiencing financial vulnerability

More than half of respondents indicated that their jurisdiction had adopted policy or regulatory changes to protect consumers experiencing financial vulnerability, or support their financial inclusion. While jurisdictions defined vulnerability differently depending on the context, in general, people experiencing financial vulnerability included anyone suffering financial disadvantage as a result of the pandemic. This often included workers in sectors affected by the pandemic (e.g., tourism), the unemployed, people with low-incomes, workers in the informal sector or self-employed, and pensioners. Other forms of vulnerability included over-indebtedness, lower financial literacy, having poor credit or criminal records, living in rural areas or working in agriculture, and living with disabilities. It is important to note that financial inclusion and financial consumer protection efforts complemented but did not necessarily comprise the key components of governments' responses to heightened vulnerability during the pandemic. On the contrary, to address widespread increases in vulnerability, respondents targeted fiscal support—most notably through cash transfers, wage subsidies and other forms of direct financial assistance (IMF, 2021^[45]).

In relation to financial inclusion and financial consumer protection, several authorities expressed concerns about vulnerability in the context of specific products or sectors. For example, some respondents wrote about the increase in retail investors, many of whom had not previously participated in financial markets. In addition to being first-time investors, these individuals often invested in non-traditional and non-regulated markets. This combination of factors rendered them particularly vulnerable to fraud, misconduct, and mis-selling practices. Another example arose in the context of debt and credit management: the government of **Australia** began the process of implementing a licensing regime for debt management firms for the first time, recognising that a large share of vulnerable consumers were likely to seek these services due to the impact of the pandemic.

The wide range of responses and contexts in which financial vulnerability has arisen demonstrates that financial shocks can cause anyone to experience financial vulnerability that may require access to consumer protection hardship arrangements (as described above), regardless of their prior circumstances. At the same time, there are particular factors or characteristics that may make financial vulnerability more likely. Two responses (from **Canada** and the **United States**) noted that, partly due to the unequal impacts realised by COVID-19, financial regulators are likely to continue their focus on ensuring a more accessible and inclusive financial system. Future research and international cooperation could support jurisdictions interested in the intersections of vulnerability, financial consumer protection, inequality, diversity and inclusion.

Some authorities, including the Financial Conduct Authority of the **United Kingdom**, the Central Bank of **Malaysia**, the Financial Markets Authority of **New Zealand** and the Superintendency of Banking,

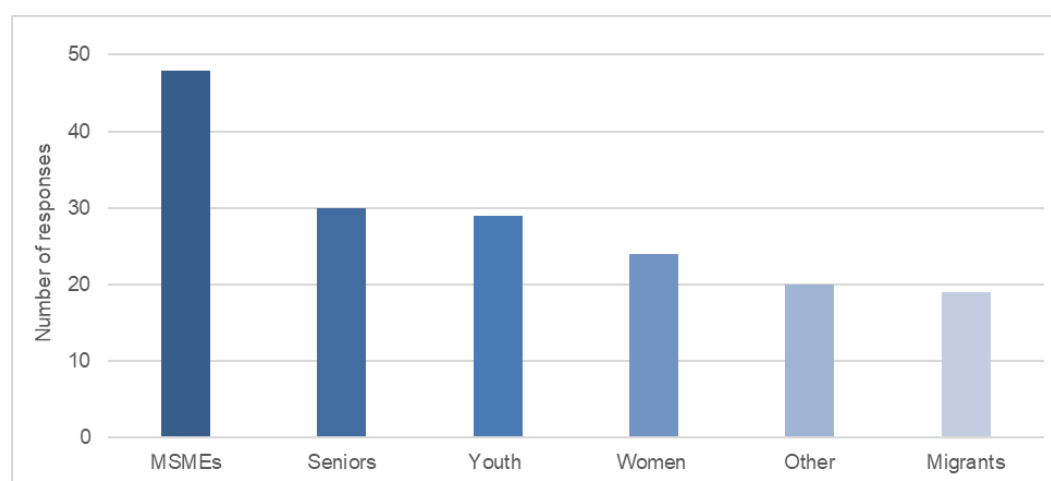
Insurance and Private Pension Fund Administrators (SBS) of **Peru**, have implemented or are developing new requirements or guidance on the fair treatment of vulnerable consumers or consumers experiencing financial hardship.

The increased exposure of and attention to vulnerability may have had a secondary effect in some jurisdictions of strengthening support for financial inclusion and financial consumer protection policy agendas. One respondent described how “the pandemic made evident the importance of financial inclusion to a wider group of stakeholders, including Government. This generated much needed broad-based support for critical reforms and legislation.” As another respondent explained, “the pandemic sent a more powerful message on the need to strengthen consumer protection.” From a similar perspective, another respondent wrote that the pandemic had “empowered the position of consumer protection bodies who played a vital role in addressing consumers’ financial stress and worked to provide a regulatory resolution to it.” More broadly, the pandemic has “brought a renewed focus on the importance of financial well-being,” as another respondent explained, in particular for people who may be at a higher risk of vulnerability due to low-income, age, other personal characteristics or as the result of discrimination or inequality.

Supporting the financial inclusion of identified groups

In terms of financial inclusion, there are a number of vulnerable and underserved groups identified as more likely to experience lower levels of financial inclusion, where efforts have been focussed.⁶ Micro, small and medium enterprises (MSMEs) were the consumer group most commonly reported to be the target of special measures or initiatives to support financial inclusion, with around 40% of respondents noting special measures or initiatives in place for this segment (see Figure 8). Other identified groups include seniors, youth, women, and migrants. Across all groups, respondents from low- or middle-income countries were more likely to have developed special measures or initiatives targeting the inclusion of specific consumer segments.

Figure 8. Measures to support the financial inclusion of targeted groups



Note: N=126, Question text: “Have there been any special measures or initiatives to support the financial inclusion of the following groups?”
Source: OECD Questionnaire, 2021.

⁶ The GPFi has highlighted the importance of ensuring that financial inclusion benefits all people, including in particular underserved groups (such as the poor, women, youth, and people living in remote rural areas) and vulnerable groups (which include elderly people, migrants, forcibly displaced persons).

MSMEs

As shown in Figure 8, 48 respondents reported that their jurisdictions implemented measures to support the financial inclusion of MSMEs. Examples include expanding credit guarantee programs, establishing or enhancing existing financing facilities, and simplifying processes and procedures. In some cases, MSMEs received temporary relief in the form of cost-free deferments of repayments due, generally with no impact on the classification of loans. Jurisdictions supported online counselling and training courses for MSMEs and promoted alternatives to bank financing through seminars and webinars on how to raise funds through security markets, crowdfunding, peer-to-peer investing and factoring. Several respondents reported the expansion of fundraising options for MSMEs. **Kenya**, for example, developed a new market infrastructure to facilitate the trading of securities of unquoted companies, thereby offering MSMEs a way to access the capital markets. **Brazil** authorised credit institutions to offer Bank Certificates of Deposit to MSMEs and approved a new type of institution to carry out collateral lending, with the aim of making this type of credit more accessible to MSMEs. Nearly half of respondents from low- or middle-income jurisdictions had implemented special measures targeting MSMEs, compared to 28% of respondents from high-income jurisdictions.

Women

Given their higher levels of financial exclusion globally (Demircuc-Kunt et al., 2018^[21]), women are often included as a target group in financial inclusion strategies and programs. While the disparity in account ownership existed before the pandemic, jurisdictions reported that their financial inclusion responses to COVID-19 accounted for this gap and the potential for unequal consequences. Respondents from low-income jurisdictions were more likely to have implemented special measures targeting the financial inclusion of women reflecting their lower level of financial inclusion in those jurisdictions generally (nearly a third of respondents from low- or middle-income jurisdictions compared to less 10% of high-income jurisdictions). To support the financial inclusion of women, jurisdictions developed or enhanced cash transfer programs targeting women, expanded deposit services for rural areas and offered loans and training programs for women entrepreneurs. Respondents also cited the importance of sex-disaggregated data and equal wage laws. In **Lesotho**, efforts are underway to develop sex-disaggregated data to develop financial inclusion policies geared towards women and enable financial services providers to develop financial services and products tailored to women. In June 2020, the Government of **Indonesia** launched a National Women's Financial Inclusion Strategy (SNKI-P), which aims to improve women's access to formal financial services and train Indonesian women with financial skills, with an emphasis on digital.

In **Peru**, SBS has developed a financial education program targeting women that run *ollas communes* (community-led soup kitchens typically located in poor neighbourhoods or slums). During the Covid-19 pandemic, this training program was performed on digital platforms in coordination with the Ministry of Social Development and Financial Inclusion. The **United Arab Emirates'** Gender Balance Council is in the process of developing a National Strategy for Women Entrepreneurs & Women's Financial Inclusion. The Strategy will include legislative reforms; funding schemes; and initiatives to support women-led SMEs, while taking into considerations the impact of COVID-19 and the requirements of the recovery phase.

Seniors

In response to the pandemic's contribution to the rapid digitalisation of financial services, jurisdictions often targeted programmes at older people, given their generally lower levels of digital literacy (OECD, 2020^[29]). Thirty respondents reported that their jurisdictions had implemented targeted measures to support the financial inclusion of seniors, with similar representation from high-income and low- or middle-income jurisdictions. Programmes included awareness campaigns and courses, as well as

special counters for seniors at bank branches. Respondents described measures to allow seniors to nominate someone to carry out necessary financial tasks on their behalf, door-to-door delivery of pension payments, and pension payments made directly to bank cards. The Central Bank of **Lesotho** reported ongoing measures intended to enable seniors to receive social protection grants via their mobile phones. To this end, the Government worked together with mobile money issuers to ensure that seniors had mobile money accounts. In **Japan**, the Working Group on Financial Markets under the Financial System Council facilitated the development of financial industry guidelines for supporting senior customers with impaired cognitive and decision-making abilities. Jurisdictions also reported successful collaborations between financial institutions and welfare-related organisations, with a special focus on improving the availability of non-face-to-face service channels for people with disabilities, the elderly and other low-mobility people.

Youth

As one of the groups most likely to suffer economic consequences due to the pandemic, young people in many jurisdictions were the target of various support programs, including those related to financial inclusion. Twenty-nine respondents reported that their jurisdictions had implemented targeted measures to support the financial inclusion of young people. To deepen the financial inclusion of youth, jurisdictions commonly invested in education and awareness campaigns, often using social media or integrating content into school curricula. **Hungary** and **Lithuania** have developed plans to expand payment infrastructure in schools to help increase uptake of digital products, reduce prices of these payment instruments and develop practical financial literacy skills among students. **Mexico** reformed its AML/CFT regulatory framework to change the minimum requirements to open basic savings accounts to make them more accessible to youth who may have different types of identity documents. Other respondents cited low-interest loans to students (**Korea, Colombia**) and savings vehicles for children linked to their parents' retirement accounts (**Mexico**).

Migrants

Nineteen respondents reported that their jurisdictions had implemented targeted measures to support the financial inclusion of migrants, fourteen of which represented low- to- middle income countries. For example, **Colombia** issued special permits for Venezuelan migrants that allowed for access to financial products from Colombian banks, and the **United Arab Emirates** automatically extended work visas, free of charge. Starting in February 2021, Mexican migrants in the **United States** were able to open accounts with **Mexico's** Bank of Welfare (Banco del Bienstar) at consular offices, which they could use to send money back to their families.

Other jurisdictions offered credit schemes targeting migrant workers or developed mobile remittances services to enhance the quality of remittances. **Morocco** launched a project with the collaboration of the World Bank, aiming to enhance the quality of remittances for migrants and their families. The program focuses on financial education, improved transparency and consumer protection, and promoting innovation. In the **Philippines**, The Overseas Filipino Bank (OFBank) became the first bank to receive a digital banking license from BSP in March 2021. Its transformation to a branchless and digital-only bank provides a convenient option for its clients, especially Filipinos abroad, to send remittances back home. The Bank of **Italy** organises evening classes for adults, primarily migrants, covering the basics of personal finance; L'Autorité de marchés financiers of **Québec** also offers webinars for newly arrived immigrants on personal finance, which include content on fraud prevention.

Measures to promote innovation and facilitate entry of new providers

A strong competitive environment is critical for financial consumer protection and for fostering the development of new digital products to support financial inclusion.⁷ The entry of new providers also provides consumers with greater choice among financial services and creates pressure on providers to improve the quality of their offerings.

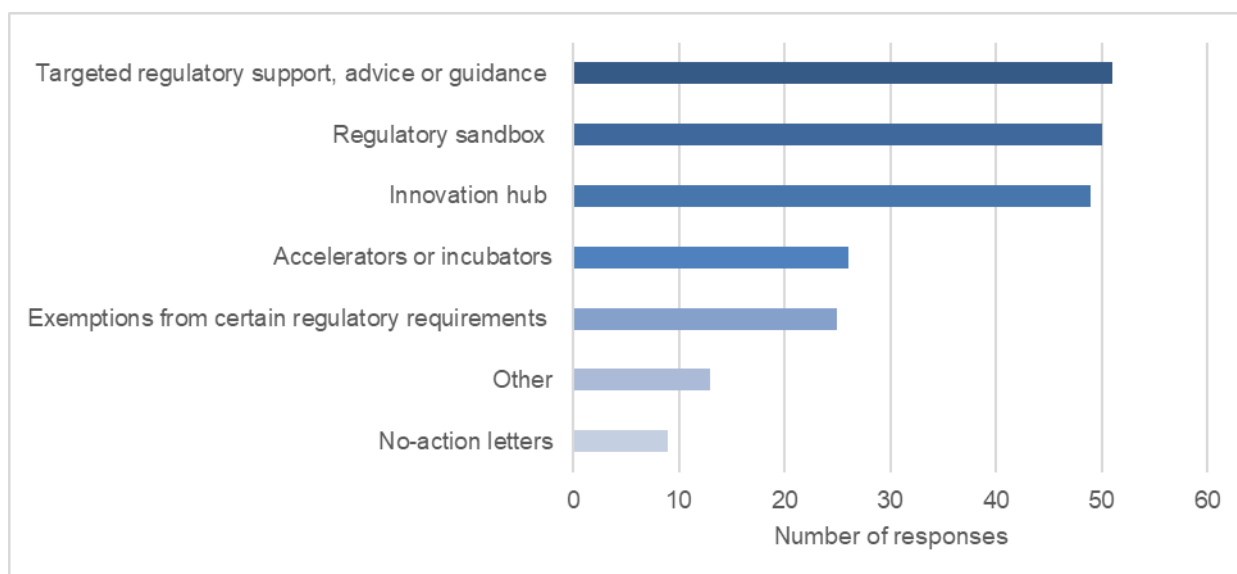
To promote innovation and foster competition, around 29% of respondents implemented measures specifically in response to COVID-19 to facilitate the entry of new providers offering digital financial services and products, as shown in Figure 6 above. Many respondents described the use of regulatory sandboxes and innovation hubs (see below). Others launched open banking programmes or developed open API payment standards. The Central Bank of the **Republic of Turkey**, for example, is working on the formation of open banking standards that would allow the interoperability between account information providers and payment service providers. The **Philippines** is similarly in the process of developing open banking standards. The Government of **Côte d'Ivoire** communicated that one of its priorities is to open access and use of USSD codes of mobile telephone operators to other players in the financial services sector. Still others described efforts to expand interoperability, mentor fintechs, or create new or expanded types of licenses (e.g., digital banks).

Regarding innovation more broadly (i.e., not necessarily in response to the pandemic), more than half of respondents (N=69) had in place an official policy or strategy in their jurisdiction designed to facilitate or encourage innovation. Of these, about three quarters said that the policy or strategy contained an explicit objective to promote financial inclusion. Other complementary objectives included competition, efficiency, stability, quality improvement and benefits to consumers.

Figure 9 shows that the most common regulatory mechanisms in place to foster innovation included targeted support and advice, regulatory sandboxes and innovation hubs, each of which were selected by around 50 respondents. Slightly less common were accelerators, exemptions from regulatory requirements, and no-action letters. Respondents also cited fintech committees or fintech offices, fintech working groups, and one-stop shops for regulatory guidance.

⁷ Competition is one of the G20/OECD High-Level Principles on Financial Consumer Protection: <https://www.oecd.org/daf/fin/financial-markets/48892010.pdf>.

Figure 9. Regulatory mechanisms to foster innovation



Note: N=126, Question text: "Does your jurisdiction have in place any regulatory mechanisms designed to facilitate innovation in financial services?"

Source: OECD Questionnaire, 2021.

Of the 83 respondents who ticked at least one of the above mechanisms, around half (N=41) said that financial inclusion was an explicit objective in the operation of any of the mechanisms in place. Financial inclusion objectives and financial consumer protection requirements somewhat overlapped, in the sense that both fell under a broader aim of ensuring that customers benefit from innovation. Those benefits could comprise greater access (i.e., inclusion), lower costs, "financial equity" or improved quality. In **Spain**, the law that created the regulatory sandbox specifies that projects accessing the sandbox must entail a possible benefit of a) improving the quality or the conditions of access of financial services, or b) increasing consumer protection. The objectives of the regulatory sandbox developed by the Reserve Bank of **India** are to foster responsible innovation, promote efficiency and bring benefits to consumers. In **Saudi Arabia**, one of the important outcomes of their regulatory sandbox was allowing bank accounts to be opened electronically without the need to visit bank branches, and allowing the use of digital wallets that enable customers to carry out financial operation via their mobile phones.

The integration of financial consumer protection requirements was an explicit requirement in more than two-thirds of respondents who selected at least one of the regulatory mechanisms (N=57). Some respondents explained that consumer protection is an aspect that is "always taken into consideration"; Central Bank of **Ireland** for example, noted that consumer protection is an underlying theme of their innovation strategy. Others indicated that financial consumer protection is one of several factors taken into consideration. For example, the activities conducted by the Regulatory Innovation Hub of the **Croatian** Financial Services Supervisory Agency take into account the possible consequences and impact of the innovative financial services on consumer protection. In other cases, organisations reported that a demonstrated commitment to consumer protection is a "key requirement" or selection criteria for any firms participating in an innovation mechanism. The Central Bank of the **United Arab Emirates**, for example, assesses the measures in place by the solutions providers to protect consumers at the time of approval. Others said that firms were subject to enhanced levels of oversight and that their activities were circumscribed by certain defined parameters to protect consumers against risk. To

some extent, financial consumer protection requirements integrated within innovation initiatives are related to financial product governance standards, which exist in many jurisdictions.⁸

Twenty-one respondents said that these mechanisms had been used to facilitate innovative financial products and services specifically in response to the COVID-19 pandemic. The **United Kingdom's** Financial Conduct Authority launched a digital sandbox pilot during the pandemic, which focussed on three areas exacerbated by the COVID-19 pandemic: scams and fraud, consumer vulnerability and SME financing. The Global FinTech Hackcelerator, organised by the Monetary Authority of **Singapore**, focussed on innovative solutions that addressed two key areas, one of which was COVID-19 risks.

Changes to supervisory practices

More than half of respondents (N=65) reported that their organisation had made changes to their market conduct supervision practices as a result of the COVID-19 pandemic (47% of respondents from low- or middle-income countries, versus 56% of respondents from high-income countries). An additional 16 respondents indicated that the question did not apply. Before detailing the changes reported, it is important to note that a sizeable portion of respondents did *not* report significant changes to their market conduct supervision. In **Germany**, for example, the regulation and supervision of digital financial services did not need substantial adaptation, as it already followed a “same risks, same rules”, or technologically neutral, approach. Similarly, the German Federal Financial Supervisory Authority (BaFin) had already gathered information on the principal opportunities and risks for consumers associated with digital financial services, which were only slightly adapted during the pandemic.

Of those who did report modifications to supervisory practices, organisations described changes in the both the form and the substance of their market conduct supervision. As one respondent explained, “the risks have been exponentially increased, so adjusting the risk management and internal control systems is and will continue to be a necessity, not only for companies, but also for [supervisors] on a global scale.”

Regarding the form of supervision, a massive shift to virtual/remote/off-site inspections took place at the outbreak of the pandemic. The Securities and Exchange Commission of **Thailand**, for example, has utilised off-site monitoring of regulated entities, as well as online inspections, since the start of the pandemic. In many jurisdictions, this shift has persisted even as social distancing requirements have been relaxed, as organisations said that the new tools (video-conferencing, secure file transfers, etc.) functioned well, and that the experience had improved off-site supervision practices. Supervisors also increased the frequency with which they communicated with supervised entities, in some cases referring to weekly or even daily calls with firms. Several authorities launched surveys and questionnaires to improve their monitoring capacity. The Bank of **Italy**, for example, conducted surveys to gather comprehensive information on business conduct during the pandemic, including on the status of the implementation of government measures and Bank of Italy recommendations.

Regarding the substance of supervision, authorities had to shift their priorities in response to the pandemic, leaving aside some subject matters and bringing others to the forefront. In some cases, supervisors extended deadlines, relaxed reporting requirements and deferred information requests to lower the administrative burden on financial institutions and use a more tailored and risk-oriented approach. In the **United States**, for example, federal financial regulators paused normal supervision activities at the beginning of the pandemic, and largely redirected resources to increasing market

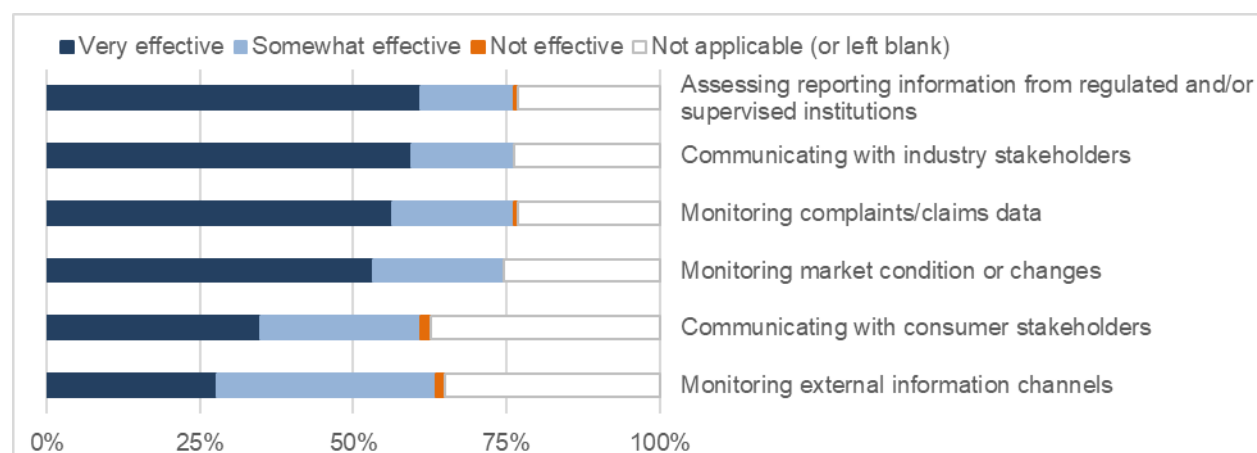
⁸ “Governance of financial products (product governance) refers to the systems, procedures and controls in place in a firm to design, approve, distribute and assess financial products. Product governance and firm culture are a focus for policy makers and oversight authorities as they consider approaches to financial consumer protection that can supplement traditional compliance-based requirements.” (FinCoNet, 2021^[46])

monitoring and outreach efforts to industry and consumers. In **Australia**, ASIC deferred non-essential information requests and thematic reviews. At the same time, authorities also introduced new reporting requirements and more granular data requests, in particular to help monitor the implementation of government relief programs, which was a priority for many authorities. In the **Netherlands**, extra interviews were held with providers of consumer credit to discuss, among other things, their management of payment holidays and their reports of consumers in arrears. Supervisors in the **Slovak Republic** focussed their activity on compliance with loan moratorium rules, financial scams, and the content of contractual documentation.

Authorities have improved coordination with other regulators within their jurisdictions and strengthened coordination with industry associations and consumer groups. Respondents also cited an increased focus on data analysis (especially complaints), social media monitoring, fair treatment, advertising and cyber security. In the **Philippines**, for example, BSP increased its cyber surveillance activities, through close coordination with regulated institutions, on potential cyber threats and preventive countermeasures, and issued a series of memoranda reminding financial institutions to remain vigilant and employ multi-layered security defences against financial crime amidst the COVID-19 pandemic.

Of these changes in supervisory practices, assessing reporting information from regulated and/or supervised entities was deemed the most effective, as shown in Figure 10 (with 77 respondents classifying it as “very effective”). Communicating with industry stakeholders, monitoring complaints/claims data and monitoring market conditions were also rated as particularly effective. Notable differences emerged on two supervisory practices: on average, respondents from low- and middle-income jurisdictions rated *Monitoring complaints data* as more effective than respondents from high-income jurisdictions, whereas respondents from high-income countries were more likely to rate *Monitoring market conditions* as very effective.

Figure 10. Effectiveness of supervisory practices



Note: N=126, Question text: “How effective have the following supervisory practices been in monitoring and assessing measures implemented in light of COVID-19?”

Source: OECD Questionnaire, 2021.

Box 2. Application of SupTech during the pandemic

Of the 65 respondents who said they had changed their market conduct supervision practices, around two-thirds (N=43) of these specified that these changes included adopting or enhancing the use of digital tools or applications for market conduct supervision (i.e., SupTech).

Respondents noted that some of these changes were already underway before the pandemic, but they had been accelerated or enhanced in response to the crisis. Authorities noted that the tools were not only valuable in the context of COVID, but in general were more efficient and led to improved data analysis. One respondent said that the pandemic had illustrated the need to maintain a closer supervisory relationship with retail consumers going forward, and that leveraging digital tools for market conduct supervision, in particular consumer intelligence tools, will lead to a better understanding of key perspectives.

Specific examples include collaborative work tools, digital platforms for financial institutions to submit data and digital platforms for consumers to submit complaints. Several authorities implemented web scraping and social listening, new tools to monitor financial advertisements and detecting fraudulent financial offerings online.

Forty-six respondents said that they had a SupTech strategy in place, and close to 20% of these (N=8) reported that the strategy had been changed or updated in light of the COVID-19 pandemic. SupTech strategies aimed to expand the use of digital tools within authorities, including online reporting systems, tracking and analysing complaints handling to identify suspicious conduct, collecting and analysing unstructured data, advertisement monitoring, reviewing contracts, systems to allow for simultaneous remote inspections and automatic generation of financial supervision reports.

Standard-setting bodies and relevant international organisations (including The Basel Committee on Banking Supervision, IOSCO, and FinCoNet) have prioritised efforts to strengthen supervisory coordination and the identification of effective practices, including the use of SupTech.

4 Lessons learnt and effective approaches

Lessons Learnt

As the preceding analysis illustrates, the COVID-19 pandemic has significantly affected financial consumers globally, in ways that are complex and varied. While the health crisis and its attendant government responses have generated new risks and challenges for financial consumers and exacerbated existing ones, it has also presented opportunities, including the development of new or enhanced financial products and delivery channels driven by lockdowns and enforced social distancing.

Drawing from responses to the Questionnaire,⁹ as well the analysis presented in the previous chapters and secondary sources, the table below sets out longer-term implications of the pandemic for financial consumer protection and financial inclusion. It similarly includes lessons learnt for policymakers.

Implications of the pandemic for financial consumer protection and financial inclusion	Lessons learnt
<p>1. The pandemic has highlighted the importance of robust financial consumer protection and meaningful financial inclusion. Going forward, these policy aims will benefit from greater support.</p>	<ul style="list-style-type: none"> • Financial inclusion strategies and related policies are important to ensure continued access to financial products and services in the face of a crisis. • Financial consumer protection frameworks contribute to ensuring that measures implemented in response to the pandemic are fair, do not disadvantage consumers and provide appropriate mechanisms for redress.¹⁰

⁹ The table synthesises responses to the following two questions: Q1.29: "What would you say are the most significant longer-term implications of the COVID-19 pandemic for policy, regulation and supervision related to financial consumer protection and/or financial inclusion in your jurisdiction?" and Q1.30: "What would you say are the lessons learnt relating to financial consumer protection and/or financial inclusion light of the COVID-19 pandemic?"

¹⁰ The review of the G20/OECD Principles on Financial Consumer Protection currently underway provides an important opportunity to feed in the lessons learnt and to ensure that this international standard remains up-to-date and forward-looking.

<p>2. The massive digitalisation that has occurred is unlikely to reverse course post-pandemic as restrictions are lifted.</p>	<ul style="list-style-type: none"> • The restrictions necessitated by the pandemic provided a unique opportunity to swiftly increase financial inclusion through the expansion of new digital products and access channels. • At the same time, rapid digitalisation risks creating or exacerbating financial exclusion for certain populations. Other access channels and supports are needed for consumers who cannot transact digitally. • Technology has the potential to strengthen financial consumer protection and market conduct supervision.
<p>3. The pandemic has increased vulnerability and exposure to risk for many consumers, including through online scams and cyber risks.</p>	<ul style="list-style-type: none"> • No one is completely protected from experiencing vulnerability; however, some people are more at risk. • Having financial hardship arrangements in place before the onset of a crisis—at individual and population-wide levels—is an important part of a financial consumer protection framework. • A targeted approach to supporting the financial inclusion of vulnerable and underserved groups should be a key part of financial inclusion strategies. • Frauds and scams represent serious threats to financial well-being and merit closer monitoring and policy responses, in addition to appropriate sanctions.
<p>4. In many jurisdictions, large numbers of retail investors entered the market.</p>	<ul style="list-style-type: none"> • In light of the increased engagement with riskier products that has been noted, supervisory authorities should carefully examine ways in which retail investors can be most effectively protected. • Behavioural insights show that tools such as choice architecture, framing and the use of default options can be effective in ensuring retail investors and other financial consumers engage with financial products that best serve their needs and do not entail excessive risk for their profile.

<p>5. The crisis has required regulators to coordinate more closely among themselves and with industry and consumer stakeholders.</p>	<ul style="list-style-type: none"> • Coordination among government, regulators, industry and consumer stakeholders supports rapid deployment of appropriate responses. • Simple and clear communication to consumers is vital so they understand what measures are available and their implications.
<p>6. COVID-19 has deepened regulators and market actors' thinking about risk and crisis-preparedness.</p>	<ul style="list-style-type: none"> • Crisis policy frameworks and enhanced tools for constant monitoring are critical. • Organisations will need to continually update their risk management and internal control systems.

Effective Approaches

Although the pandemic continues to generate uncertainty and pose risks to people's physical and financial wellbeing, it is possible to reflect upon the lessons learnt and begin to identify effective approaches related to financial inclusion and financial consumer protection. To be sure, longer-term studies will be necessary to evaluate the overall and comparative effectiveness of various measures. Nonetheless, the following approaches to the pandemic hold promise and deserve consideration.

These effective approaches build on existing, foundational policy frameworks and guidance, in particular, for financial inclusion the G20 High-Level Principles on Digital Financial Inclusion and, for financial consumer protection, the G20/OECD High-Level Principles on Financial Consumer Protection. Indeed, adopting and implementing the G20/OECD High-Level Principles on Financial Consumer Protection is a necessary first step for any jurisdiction that has not yet fully implemented the Principles. Moreover, the review of the G20/OECD Principles on Financial Consumer Protection currently underway provides an important opportunity to feed in the lessons learnt and to ensure that this international standard remains up-to-date and forward-looking.

Quick and flexible hardship arrangements support financial resilience and longer-term recovery; integrating such arrangements into financial consumer protection frameworks will prepare jurisdictions for future crises

A key element of the policy response to COVID-19 has been the implementation of hardship arrangements for financial consumers suffering financial difficulty as a result of the pandemic. It is important that appropriate hardship arrangements, whether on an individual or population-wide level, are incorporated into financial consumer protection frameworks so that they are in place before a crisis situation arises. As part of such arrangements, regulators should consider setting well-defined expectations regarding how consumers should be treated – e.g., tailoring to the needs of the individual and clearly communicating the availability and longer-term implications of the arrangement. Furthermore, policymakers should draw from behavioural insights and employ tools that have proven effective, such as choice architecture, framing and the use of default options, among others.

In the context of COVID-19, hardship measures were most effective when implemented quickly and with a high degree of flexibility to provide short-term relief to mitigate the impact of emergency measures. Since the challenges facing consumers may last longer than anticipated, policymakers may

consider including provisions for extensions (as was the case for many credit moratoria, which were subsequently extended). At the same time, immediate relief measures are most effective when they are designed with longer-term recovery in mind. The importance and effectiveness of hardship arrangements have been demonstrated to such an extent that jurisdictions have made (or are considering making) permanent changes to regulation to ensure that such support is in place for future crises.

While there are common themes for financial hardship arrangements irrespective of the underlying financial product or service, there are also some specific aspects that could be taken into account in terms of effective approaches, particularly for credit and insurance products:

Credit

In the case of credit moratoria, for example, effective approaches would include ensuring that lenders do not charge fees or compound any outstanding interest, as these will simply protract the borrowers' financial challenges. Similarly, availing themselves of relief programs should not obstruct borrowers' access to credit in the future; setting clear requirements on how payment deferrals should be reported to credit bureaus is a key element of designing effective relief programs. As noted by several jurisdictions, moratoria are by definition short-term solutions to temporary payment difficulties; guidelines or programmes to facilitate debt restructuring are necessary for borrowers who may no longer be in a position to fulfil obligations they agreed to prior to the pandemic.

Insurance

In the case of insurance, effective approaches would include offering deferred, waived, discounted or reimbursed premium payments to support consumers facing financial difficulties as a result of COVID-19. In periods of crisis, insurance companies may also need to allocate extra resources to customer support and claims handling, to ensure that claims are handled swiftly, fairly and that consumers are not disadvantaged.

Digitalisation can be harnessed in times of crisis to expand product offerings, further support financial inclusion and maintain continuity for consumers

Digitalisation proved extremely effective during the height of the pandemic as it allowed many consumers to conduct their financial affairs while under lockdown or adhering to social distancing guidelines. Governments embraced digital channels to deliver relief payments more quickly and securely, while regulators encouraged providers to lower or waive fees to encourage greater uptake of digital payments. Increasing transaction limits also helped to make digital payments easier for consumer to adopt. Increasing the limit on contactless payments was especially effective; compared to other measures, it was particularly easy to implement by providers and easy for consumers to understand. Many authorities have made permanent the increased limits and waiving or capping of fees. Digital onboarding, e-signatures, and digital delivery of contractual documents (e.g., insurance policies and pension contracts) are other regulatory changes that proved so effective regulators are making or considering making them permanent. At the same time, increased digitalisation also necessitates and reinforces the importance of cyber security, data protection and privacy frameworks that address the needs of individuals and MSMEs with limited financial capabilities. Moreover, certain types of crises (e.g., natural disasters) may not facilitate the same level of increased digitalisation if telecommunications infrastructure is affected. Finally, certain populations may not adapt as quickly or easily to rapid digitalisation, which risks inadvertently creating financially excluded groups. Effective approaches include ensuring the availability of other access channels and targeted support for consumers who struggle to transact digitally.

Addressing the risks of online financial scams and frauds requires a coordinated and multi-pronged approach

Online scams and frauds rose in many jurisdictions during the pandemic, accelerated by increased remote access and widespread adoption of digital products and services. This trend imperils financial inclusion and the long-term financial well-being of consumers, particularly those who may have already been experiencing vulnerability due to loss of income or other personal circumstances.

Coordination among regulators, supervisors and other stakeholders has proved effective in tackling financial scams and frauds, for example via coordinated awareness campaigns that highlight the benefits and risks of digital financial products and communicate basic elements of digital safety including how to recognise online threats. Going forward, international cooperation on financial scams and frauds will be increasingly important, given the cross-border nature of many online scams. In light of the rise in cross-border provision of financial services more generally, it is important that specific information is paid to addressing the risks this can entail for consumers. Strong international cooperation and providing local authorities with the adequate resources to protect consumers within their jurisdictions is vital in achieving a sufficiently high level of protection.

Other effective approaches to address frauds and scams include issuing specific warnings (with details about frequent types of scams and how consumers can identify them), sharing lists of unauthorised or banned entities, establishing task forces comprising different regulatory and law enforcement authorities, shutting down or blocking access to websites, monitoring and analysing data on unauthorised transactions and strengthening authentication and security obligations for providers of payment services.

Embedding financial inclusion and consumer protection objectives within digital innovation strategies supports responsible and inclusive market development

In addition to the role played by digitalisation to support financial inclusion and maintain continuity for consumers, the pandemic has also propelled the development and take up of new digital financial products and services that are more accessible to the underserved. At the same time, the COVID-19 crisis has highlighted the importance of fairness in the context of financial innovation. As part of broader efforts to facilitate digital innovation in the financial sector (such as regulatory sandboxes and innovation hubs), policymakers may consider embedding financial inclusion and financial consumer protection objectives to ensure that such innovation benefits underserved groups and does not generate unnecessary risks. More generally, product oversight and governance principles can contribute to making sure that consumers receive financial products and services suited to their needs and situation.

Business continuity plans mitigate exceptional and systemic economic disruptions, ensuring that consumers maintain access to services and support, and helping market actors adjust to rapid market changes

The crisis proved the importance of investing in robust business continuity programmes for ensuring resilience of financial institutions and regulators alike. At the peak of the pandemic, industry, regulators and supervisors had to adjust quickly to market changes. To this end, technologically neutral regulation may be especially effective, in that it does not need to be changed when consumer behaviour or product channels change. Going further, regulators may benefit from developing a policy toolbox that would be ready in advance of future pandemics or crises, given the difficulty of coordinating with industry and other parts of government during a large-scale disruption.

Strengthened coordination among stakeholders enhances rapid deployment and effectiveness of measures

Coordination among government agencies, regulators and supervisors and with industry and consumer stakeholders proved to be a valuable and effective mechanism. Enhanced engagement with industry and consumer stakeholders allows regulators to receive continuous feedback about potential regulatory hurdles or areas of concern. Virtual engagements with consumer associations facilitated consumer input into policymaking during the crisis; authorities may consider formalising mechanisms used during the crisis to maintain a closer connection to the consumer perspective and the collective consumer voice.

Coordination among different regulatory and supervisory authorities with overlapping or related mandates also increased during the pandemic, which led to a more coordinated, proportionate and targeted response among regulators. Task forces and expert councils were particularly useful ways to foster collaboration and dialogue. Policymakers could benefit from investing in the development of such mechanisms during non-crisis periods, thereby avoiding the struggle to establish new bodies in the midst of a future crisis.

Digital IDs and revised customer due diligence requirements can support financial inclusion in times of crisis

While the effects on financial inclusion of rigid customer due diligence requirements are well known, efforts to adapt these regulations have not always been successful. In the midst of the COVID-19 pandemic, however, many jurisdictions saw the necessity of developing digital IDs, biometric identification, and e-KYC platforms or centralised KYC registries to help facilitate customer on-boarding and continued access to financial services when in-person interactions were not possible. In some cases, regulators made changes to their AML/CFT frameworks, by either temporarily waiving ID requirements, explicitly allowing digital IDs, or raising the maximum balance allowed for low-risk accounts with simplified identification requirements.

Enhanced monitoring—drawing from multiple sources of data and using digital tools—helps keep regulators and supervisors apprised of market developments

Ensuring the availability of relevant and timely data is critical for regulators and supervisors. Efforts to expand the range of data sources used by regulators and supervisors have proven effective during the crisis; specifically, complaints data, user inquiries and social media provide particularly valuable information, as do surveys of financial services providers. More comprehensive data on scams and frauds is needed, however, as well as consumer-segmented data, which can help identify groups at risk of financial exclusion. A lack of consumer-segmented data complicated response efforts in some jurisdictions, in particular regarding providing support to invisible, vulnerable population segments.

Beyond the collection of data, investing in SupTech can expand the range of digital tools used to assist supervisory authorities in analysing and processing information. Several authorities have changed or are reviewing their policies with regards to the use of digital tools in light of the COVID-19 pandemic.

Enhanced monitoring is an effective way to identify problems in the market and oversee the implementation of relief measures. While many regulators and supervisors already have monitoring tools and frameworks in place, the arrival of a crisis may require them to adapt these frameworks and tools to capture the impact of interventions, the industry's response to the crisis and indicators of consumers' financial resilience and/or wellbeing. Some oversight authorities paused normal supervision activities at the beginning of the pandemic and redirected resources to increase market monitoring and

outreach efforts. With this information, regulators and supervisors are better positioned to know if further action should be taken, and to integrate any lessons into future policy design.

Supporting consumers' ability to lodge complaints and access redress mechanisms can support more effective policymaking and help consumers resolve problems with products and services

The G20/OECD High-Level Principles on Financial Consumer Protection include a Principle addressing Complaints Handling and Redress. As per the Principle, jurisdictions should ensure that consumers have access to adequate complaints handling and redress mechanisms that are affordable, independent, fair, accountable, timely and efficient.

The COVID-19 pandemic underscored the importance of these mechanisms, and many jurisdictions leveraged data from consumer complaints to identify problems in the market and monitor the implementation of emergency relief measures. Effective approaches include initiatives to digitise and simplify the submission of complaints, which may help to ensure that complaints data is more representative of a diverse range of consumers (as complaints data tend to suffer from well-known biases, since some types of consumers may be more likely to lodge complaints). Facilitating access to complaints portals and redress mechanisms may also help build trust and confidence in the formal financial sector, since consumers feel they have a place to turn if something goes wrong. In some cases, jurisdictions strengthened standards related to complaints and redress, either through more detailed reporting requirements or more specific expectations regarding response times.

Clear communication is necessary to direct consumers to available relief measures and to explain the longer-term implications of those measures

When implementing relief measures, jurisdictions have recognised the importance of clear and simple communications and messaging so that consumers know what options are available to them. Some jurisdictions have further emphasised the importance of communicating on an individual level to tailor relief to a customer's circumstances and needs. This is especially important when explaining the rules and procedures of specific relief programs, such as credit moratoria, and in the context of insurers clarifying the extent of policy coverage and any exemptions. It is also important that any longer-term implications that might arise from short-term relief measures are clearly explained to consumers so they can make informed choices. As a general principle, no consumer should be worse off for having availed herself of a hardship arrangement.

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Annex A. List of respondents

Jurisdiction	Organisation
Albania	<ul style="list-style-type: none"> - Bank of Albania - Albanian Financial Supervisory Authority (AFSA)
Angola	<ul style="list-style-type: none"> - Capital Market Commission - Angolan Agency for Insurance Regulation and Supervision
Argentina	<ul style="list-style-type: none"> - National Securities Commission (CNV) - Superintendency of Insurance (SSN) - Central Bank of the Republic of Argentina (BCRA)
Armenia	<ul style="list-style-type: none"> - Central Bank of Armenia
Australia	<ul style="list-style-type: none"> - Australian Competition & Consumer Commission - Australian Securities and Investments Commission
Austria	<ul style="list-style-type: none"> - FMA, Financial Market Authority
Belgium	<ul style="list-style-type: none"> - FPS Economy (Federal Government of Economy) of Belgium - Administration of Credit and Payment Services and Administration of Enforcement - Financial Services and Markets Authority
Bosnia and Herzegovina	<ul style="list-style-type: none"> - Banking Agency of Republika Srpska - Banking Agency of Federation of Bosnia and Herzegovina
Botswana	<ul style="list-style-type: none"> - The Non-Bank Financial Institutions Regulatory Authority (NBFIRA)
Brazil	<ul style="list-style-type: none"> - Comissão de Valores Mobiliários - Central Bank of Brazil - Ministry of Economy - Superintendence of Private Insurance, - National Complementary Pension Plan Superintendence
Brunei Darussalam	<ul style="list-style-type: none"> - Autoriti Monetari Brunei Darussalam
Cambodia	<ul style="list-style-type: none"> - National Bank of Cambodia
Canada	<ul style="list-style-type: none"> - Pension Benefit Standards Division, Government of Newfoundland and Labrador, Canada - Financial and Consumer Affairs Authority of Saskatchewan, Pensions Division - BC Financial Services Authority - Nova Scotia Pension Regulation Division - Financial Services Regulatory Authority (FSRA) - Ontario - Government of Alberta, Employment Pensions - Department of Finance Canada - Financial Consumer Agency of Canada (FCAC) - Autorité des marchés financiers (AMF) - Ontario Securities Commission - New Brunswick Financial and Consumer Services Commission
Cape Verde	<ul style="list-style-type: none"> - Central Bank of Cape Verde
Chile	<ul style="list-style-type: none"> - Pension Regulator - Financial Market Commission (CMF) - National Consumer Protection Agency (SERNAC)
China	<ul style="list-style-type: none"> - People's Bank of China

Colombia	– Financial Superintendency of Colombia
Costa Rica	– National Council of Supervision of the Financial System (CONASSIF) – General Superintendence of Insurance (SUGESE) – Superintendence of Pensions (SUPEN) – General Superintendence of Financial Entities (SUGEF) – General Superintendence of Securities (SUGEVAL) – Central Bank of Costa Rica (BCCR)
Cote d'Ivoire	– Agence de Promotion de l'Inclusion Financière de Cote d'Ivoire (APIF-CI)
Croatia	– Croatian National Bank – Croatian Financial Services Supervisory Agency
Czech Republic	– Czech National Bank
Dominican Republic	– Superintendency of Securities Market – Superintendency of Banks
Ecuador	– Superintendencia de Bancos
Ethiopia	– National Bank of Ethiopia
France	– Autorité des marchés financiers (AMF) – Autorité de contrôle prudentiel et de résolution (ACPR) – Banque de France – Direction générale du Trésor (DGT) – Ministère de l'Economie, des finances et de la relance Direction générale de la concurrence, de la consommation, et de la répression des fraudes (DGCCRF) – Ministère de l'Economie, des finances et de la relance
Georgia	– LEPL Insurance State Supervision Service of Georgia
Germany	– Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin)
Greece	– Hellenic Capital Market Commission – Hellenic Association of Insurance Companies – Hellenic Bank Association – Bank of Greece
Guatemala	– Superintendency of Banks of Guatemala
Honduras	– Comisión Nacional de Bancos y Seguros
Hong Kong, China	– Hong Kong Monetary Authority (HKMA) – Insurance Authority (IA) – Securities and Futures Commission (SFC) – Mandatory Provident Fund Schemes Authority (MPFA)
Hungary	– Ministry of Finance – Magyar Nemzeti Bank (Central Bank of Hungary)
Iceland	– Central Bank of Iceland
India	– Insurance Regulatory and Development Authority of India – Pension Fund Regulatory and Development Authority – Reserve Bank of India – Securities and Exchange Board of India
Indonesia	– Otoritas Jasa Keuangan (OJK) – Bank Indonesia
Ireland	– Department of Finance – The Pensions Authority – Central Bank of Ireland
Italy	– Banca d'Italia – CONSOB – IVASS – COVIP

Jamaica	– Financial Services Commission
Japan	– Japan Financial Services Agency
Kazakhstan	– The National Bank of the Republic of Kazakhstan
Kenya	– Capital Markets Authority
Kyrgyz Republic	– National Bank of the Kyrgyz Republic
Lao PDR	– Bank of the Lao PDR
Lebanon	– Banque du Liban
Lesotho	– Central Bank of Lesotho
Lithuania	– Bank of Lithuania
Malaysia	– Central Bank of Malaysia (Bank Negara Malaysia or BNM)
Mauritania	– Central Bank of Mauritania
Mauritius	– Financial Services Commission – Bank of Mauritius
Mexico	– Ministry of Finance and Public Credit - Banking, Securities and Savings Unit.
Morocco	– Bank Al Maghrib
Mozambique	– Banco de Moçambique
Namibia	– Namibia Financial Institutions Supervisory Authority (NAMFISA)
New Zealand	– Financial Markets Authority – Commerce Commission – Reserve Bank of New Zealand – Ministry of Business, Innovation and Employment
Nigeria	– National Pension Commission
Paraguay	– Comisión Nacional de Valores
Peru	– Superintendence of Securities Market (SMV) – Superintendency of Banking, Insurance and Private Pension Fund Administrators (SBS)
Philippines	– Bangko Sentral ng Pilipinas (BSP)
Poland	– UOKiK – Office for Competition and Consumer Protection – The Polish Financial Supervision Authority (UKNF) – Ministry of Finance – Financial Ombudsman
Portugal	– Banco de Portugal – Comissão do Mercado de Valores Mobiliários - CMVM (The Portuguese Securities Market Commission) – Autoridade de Supervisão de Seguros e Fundos de Pensões – ASF (Insurance and Pension Funds Supervisory Authority)
Republic of Bulgaria	– Ministry of Finance of the Republic of Bulgaria – Bulgarian National Bank – Financial Supervision Commission – Commission on Consumer Protection and Ministry of Economy
Republic of Korea	– Financial Services Commission
Republic of Kosovo	– Central Bank of the Republic of Kosovo
Romania	– Financial Supervisory Authority
Russian Federation	– Bank of Russia – Ministry of Finance of the Russian Federation
Saudi Arabia	– Saudi Central Bank
Senegal	– Banque Centrale des Etats de l’Afrique de l’Ouest (BCEAO)
Singapore	– Monetary Authority of Singapore
Slovak Republic	– Ministry of Finance of the Slovak Republic – National Bank of Slovakia

Slovenia	– Ministry of Finance
South Africa	– Financial Sector Conduct Authority (FSCA)
Spain	– General Secretariat of the Treasury and International Finance (Ministry of Economic Affairs and Digital Transformation) – Bank of Spain – National Securities Market Commission (CNMV) – General Directorate of Insurance and Pension Funds (DGSFP)
Thailand	– The Securities and Exchange Commission Thailand
The Netherlands	– AFM
Turkey	– Central Bank of the Republic of Turkey – Capital Markets Board – Insurance and Private Pensions Regulation and Supervision Agency – Banking Regulation and Supervision Agency (BRSA)
United Arab Emirates	– Ministry of Finance – Central Bank of the United Arab Emirates – Securities and Commodities Authority – Ministry of Economy – Dubai Financial Services Authority – Financial Services Regulatory Authority – UAE Gender Balance Council – UAE Federal Youth Authority – Dubai SME – General Pension and Social Security Authority
United Kingdom	– Financial Conduct Authority
United States of America	– National Association of Insurance Commissioners (NAIC) – United States Department of the Treasury
Uruguay	– Superintendencia de Servicios Financieros
West African Economic and Monetary Union (Benin, Burkina Faso, Côte d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal and Togo)	– BCEAO
Zambia	– Bank of Zambia

www.oecd.org/finance/financialconsumerprotection.htm

