

Harvesh Seegolam: Market conduct supervision in challenging times

Speech by Mr Harvesh Seegolam, Governor of the Bank of Mauritius, at the FinCoNet/ Bank of Mauritius International Seminar on Market Conduct Supervision in Challenging Times, Pointe aux Piments, 24 November 2023.

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- The First Deputy Governor and Chairperson of the Financial Services Commission
- The Second Deputy Governor
- Members of the Board of the Bank of Mauritius
- The Chair of the International Financial Consumer Protection Organisation
- Representatives of the OECD, FinCoNet Secretariat
- Chief Executive Officers of banks and other financial institutions
- Chief Executive Officer of the Mauritius Bankers Association
- Distinguished guests
- Ladies and gentlemen
- All protocol observed.

I wish you all a very good morning or good afternoon, depending in which geography you currently are if you are attending this event virtually.

At the outset, I would like to extend a warm and digital welcome to all of you on the occasion of the FinCoNet International Seminar which is being organised in Mauritius for the first time.

This year represents a special landmark as FinCoNet is celebrating its ten years of existence. I seize this opportunity to congratulate the founders on their vision for the laudable initiative of creating a network dedicated to financial consumer protection.

The turnout for this event, both physical and virtual is testimony to the increasing importance of consumer protection in the financial services industry. I am further informed that we have participants from all around the globe.

Ladies and gentlemen

The financial services industry occupies a pivotal position due to its fiduciary nature. Consumer protection is, therefore, a linchpin for a safe and sound financial system. This has been epitomised by the United Nations General Assembly, in its resolution on consumer protection of 22 December 2015 which recognized that "*consumer confidence and trust in a well-functioning market for financial services promotes financial stability, growth, efficiency and innovation over the long term and that the recent financial crisis places a renewed focus on consumer protection, calling for effective regulatory, supervisory and enforcement frameworks in the financial sector to contribute to the welfare of consumers*". The UN Guidelines for consumer protection inter-alia makes reference to the establishment of appropriate controls and insurance mechanisms to protect consumer assets, including deposits.

As we all know, the delivery of financial services transcends national borders. Countries, therefore, need to take cognizance of developments at international level in

strengthening their own consumer protection environment. A forum like the one today is the perfect opportunity for sharing experience, information and insights as well as for discussing issues and challenges at hand. I have no doubt that the topics on the agenda will stimulate enriching discussions and provide participants with key takeaways that will be useful for the benefit of their respective populations.

Ladies and gentlemen

By the nature of our functions and mandates, it is a matter of pride for all of us to see our jurisdiction progress and thrive. Unfortunately, the pandemic stymied progress temporarily, claimed millions of lives globally and put a drag on global growth. However, one of its offshoots has been an acceleration in the pace of digitalisation.

This has resulted in digital financial services gaining traction globally. While the benefits have been immeasurable in terms of convenience, facilitating access and reducing cost, it is of essence that we also focus on the consumer protection angle. The frameworks in place must be adapted to the changing landscape to foster the buildup of consumer resilience and trust in a digital era.

The approach and mechanisms adopted to protect consumers will vary due to the specificities of each jurisdiction and the level of development of the financial system. Consideration of country-specific circumstances is important for crafting relevant and effective consumer protection and education infrastructures.

Individual countries need to customise the consumer protection and education framework to their environment, taking into account factors such as the stage of economic and regulatory development, the structure of the financial system and the level of consumer sophistication.

As I speak to you, I am tempted to share a real-life situation that impacted many people in Mauritius recently and which exposes the naivety of potential victims. Indications are pointing to a potential scam that could have been perpetrated through social networks. With the advent of technology and the speed with which information flows on social networks, wrongdoers are using ingenious means to entice people to invest in unregulated companies by promising spectacular returns.

We constantly remind our population to deal with regulated entities and the list of our licensees is updated on the website of the Bank on a real time basis. However, some people still fall prey to these scams. The emergence of social network as a means of communication and the possible consequences of its misuse for consumers of financial services could be a topic for FinCoNet to consider in future seminars.

Ladies and gentlemen

While digitalisation remains a formidable tool to expand inclusive access to financial services, it has also introduced new types of risks. According to the Leadership Essay Series on "Rethinking Consumer Protection: A Responsible Digital Financial Ecosystem" by the Consultative Group to Assist the Poor last year, the novel risks

include mobile app fraud, biometric ID fraud, algorithmic biases, crypto related frauds, and authorised push payment scams. These types of frauds were unheard of a few years ago.

By being exposed to these risks, consumers incur direct losses and at the same time trust in the use of digital financial services could be eroded. You will concur with me that trust forms the bedrock for an efficient financial system. Its absence can easily cascade into a loss of confidence in the use of digital technologies and lead to their rejection.

At such a critical juncture where central banks are investing massively for the modernisation of the payment ecosystem, including the introduction of Central Bank Digital Currencies, citizens must be provided with the necessary comfort in the digital field to get their buy-in for embracing future changes.

Ladies and gentlemen

With the dynamic nature in which we operate, we may expect increasing complexity and sophistication of the financial markets. It is imperative for the elevation of our financial system to new heights to go hand in hand with a robust financial consumer protection framework and a nationwide strategy for financial literacy and education.

Since my Governorship in 2020, the development of a financial literacy and education strategy has been one of my over-arching priorities. The Bank launched its nation-wide financial literacy strategy last year.

Our strategy, which benefited from the OECD International Network on Financial Education's (INFE's) endorsement, lays emphasis on an appropriate level of financial education. This is critical to equip the population with the requisite knowledge on the suitability of financial products to their specific situations before committing to invest. The Bank is also building a robust financial consumer protection framework to shield consumers from abuse and make them become judicious users of financial products and services.

Financial education needs to start from grassroots level to have an in-depth knowledge of the financial environment. In this vein, the Bank also targets future users of financial services, students. In just two years since the launch of our financial literacy strategy, the Bank has physically reached out to more than one quarter of the target audience of students aged 15 to 18. Our online and social media platforms have catalysed dissemination to the public at large.

Though almost every Mauritian holds a bank account, we believe that educating our population is a non-stop process in the pursuit of a stable and inclusive financial system, especially in the light of innovation and digitalisation.

Ladies and gentlemen

All of you present here have been heavily involved in tailoring policy measures for financial consumer protection. We continue to devote resources to empower our population through financial education and enhance protection for consumers.

However, it is also the duty of financial services providers to adopt sound business practices and promote fair and equitable treatment of consumers. A satisfied customer will pave the way for further business through favourable reviews.

On that front, I also need to underscore the importance of clear and adequate disclosures. It is this information that would help consumers make informed decisions as well as ensuring that the products are suitable for them.

Providers of financial services should, therefore, furnish the right information to their customers in a plain and simple language so that they are aware of all benefits and risks before going for a product. I agree that it may entail some additional costs on their side. However, focus on short term profits could entail long term pain for both consumers and providers of financial services.

Ladies and gentlemen

It is essential to have regular dialogue with our licensees on this topic. At the level of the Bank, quarterly meetings are held with the Chief Executive Officers of banks to discuss topical issues, including those pertaining to bank customers.

At the level of the Bank, we have initiated a joint committee comprising representatives of the Bank and commercial banks to discuss financial literacy and consumer protection matters. Further, a Guideline on Control of Advertisement is in place which sets out the broad principles applicable while framing out an advertisement.

We are also working on the establishment of the Deposit Insurance Scheme of Mauritius. To this effect, the Mauritius Deposit Insurance Corporation is being set up as we speak. This initiative is the result of a collaborative approach with all participants to the scheme. The Bank is currently in discussion with the International Association of Deposit Insurers to learn from best practices as we move forward.

Consumer protection will not be effective if redress becomes a protracted process. In view of improving effectiveness, a dedicated Financial Crimes Division has been set up. This no doubt reinforces the position of consumers and give credence to their rights.

Ladies and gentlemen

My remarks will not be complete if I fail to mention an aspect which is of high relevance to all of us, namely gender equality. Women play an important role in the economic development of a country. At the Global level, gender equality was reflected by the G 20 Leader's Declaration where the need for women and youth to gain access to financial services and financial education was recognised.

OECD studies have also highlighted that women have lower financial knowledge than men in a large number of countries. As we work towards the promotion of an inclusive society, financial education and consumer protection are vital components to promote gender equality.

I would like to commend the OECD for its work on gender equality. The Recommendation of the Council on Gender Equality in Education, Employment and Entrepreneurship is a right step in the financial empowerment of women and girls.

As regulators, we must ensure that the requirements of women are factored in our consumer education and consumer protection strategies to address the additional financial literacy needs that women may have.

To conclude, I will say that creation of a conducive policy environment is a sine qua non condition for adoption of novel technologies. While we should endeavour to promote the digitalisation of payments, we must also focus on enhancing consumer protection frameworks and regulations to ensure that financial service providers adhere to safe and fair practices.

I will encourage other central banks to become a member of FinCoNet for a good cause benefitting our population. At the same time, I seize this opportunity to remind all financial institutions to play their roles fully in ensuring that customers are treated fully and provided with accurate information.

I thank you for your attention and wish you successful deliberations for the rest of the day.