



BANCO DE PORTUGAL
EUROSYSTEM

Central Bank of Portugal's Banking Conduct Supervision Strategy

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The Central Bank of Portugal is the banking supervisory authority

- In Portugal, the supervision of the financial system is based on a **three-pillar model**, with the **Central Bank of Portugal in charge of the banking sector (including banking conduct supervision)**
- The supervision of capital markets and the supervision of insurance and pension funds are under the mandate of the Portuguese Securities Market Commission and the Portuguese Insurance and Pension Funds Supervisory Authority





The Central Bank of Portugal received a clear and comprehensive mandate to undertake banking conduct supervision

2008

- The Central Bank of Portugal decided to **appoint a Deputy Director** at the Banking Supervision Department **to lead the implementation of this mandate**

2011

- The Central Bank of Portugal's Board of Directors took the decision to **create the Banking Conduct Supervision Department**, separating it from the Banking Supervision Department



The Central Bank of Portugal was given rule-making powers...

- The Central Bank of Portugal **regulates retail banking products and services** (current accounts, time deposits, payment services, consumer credit and mortgages) within the limits of the powers conferred on it by the law
- These powers encompass **disclosure of information** and **rules of conduct**
- **Disclosure of information rules apply to all products and at all levels of the customer's involvement** with the banking retail products



The Central Bank of Portugal **is not legally empowered, for instance, to set maximum thresholds on the fees charged** by credit institutions



... to promote information disclosure and transparency

- The Central Bank of Portugal used its rule-making powers to develop:
 - Information and transparency requirements on the advertisement of banking products and services
 - The disclosure requirements applicable to credit institutions' price lists
 - Pre-contractual and contractual information duties (deposits, consumer credit, mortgage credit)
 - The principles and rules that credit institutions must comply with when dealing with household customers in pre-arrears or arrears on credit agreements
 - ...

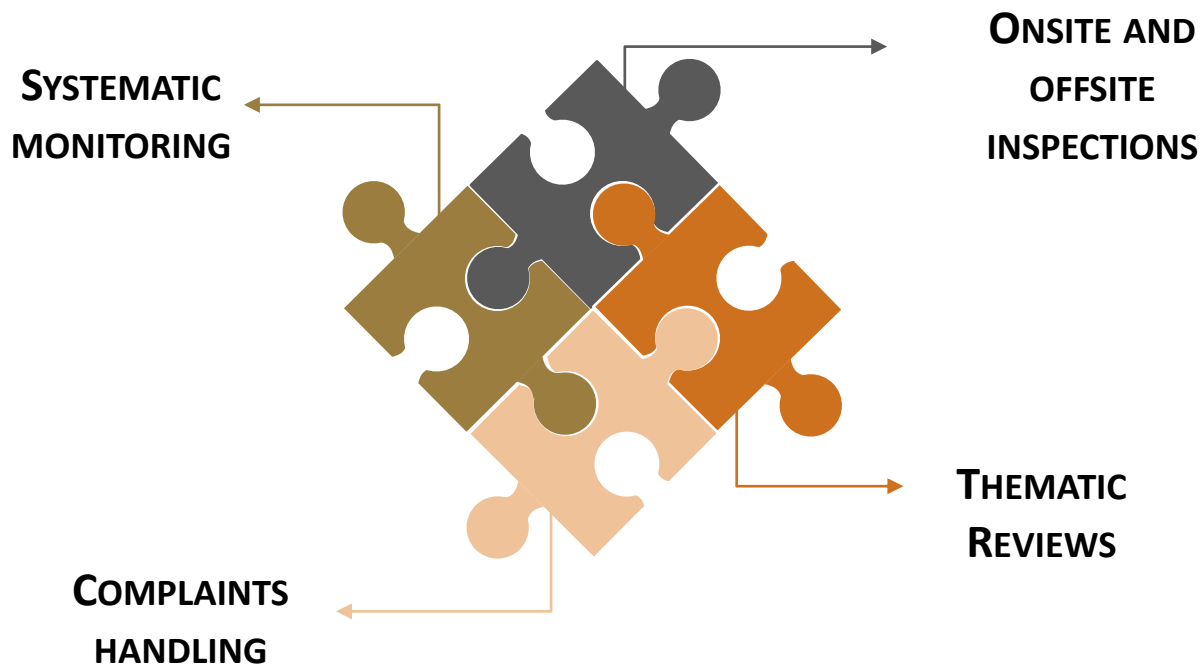
EXAMPLE



The Central Bank of Portugal was also given oversight powers



- The Central Bank of Portugal **monitors credit institutions' compliance with the applicable legal acts and regulations**, following a risk-weighted approach





The Central Bank of Portugal carries out systematic monitoring of advertising on banking products and services...

- The Central Bank of Portugal has a dedicated team to oversee compliance of advertising campaigns on banking products and services with the applicable **rules** on **accuracy**, **transparency** and **balance of information**
- Main features:
 - ✓ *Ex post* supervision mainly
 - ✓ Mixed principle and ruled-based regulation
 - ✓ Risk-based approach
 - ✓ All the different means of communication are under scrutiny (TV, outdoor, mail shots, internet, booklets,...)





... ensuring compliance of advertising with the legal and regulatory standards

- Access conditions and restrictions to highlighted characteristics may not be omitted or concealed under any circumstances

Advertising has to comply with **minimum font sizes (arial)**

17 pts	Audiovisual ads (including TV, etc.)
9 pts	Written ads (Press, Internet, mailing, etc)
30 pts	In-branch posters
90 pts	Outdoor medium-sized posters

Advertising must allow **enough time to:**

- read and hear the message (audiovisual)
- hear the message (radio)
- read and/or hear the message, whichever the case (Internet)



The Central Bank of Portugal carries out systematic monitoring of rate caps on consumer credit

- A **rate caps regime for consumer credit** (based on APR) has been in place since January 2010
- The Central Bank of Portugal **publishes the rate caps** for new credit agreements on a **quarterly basis**
- For the rate caps calculation, all **credit institutions must, on a monthly basis, report information** to the Central Bank of Portugal **on all new credit agreements** concluded in the previous month

Bank Customer Website
Central Bank of Portugal

Types of loans		Cap rates	
		2nd Quarter 2017	3rd Quarter 2017
Personal loans	For education, health and renewable energy and financial leasing of equipments	5.6%	5.5%
	Other personal loans (for home goods, consolidated credit and for other purposes)	14.1%	14.1%
Car loans	Financial leasing or long term rental of new vehicles	5.4%	5.3%
	Financial leasing or long term rental of used vehicles	6,5%	6,7%
	Subject to the retention of the ownership and others: new vehicles	10,0%	9.8%
	Subject to the retention of the ownership and others: used vehicles	12.6%	12.3%
Credit Cards, Credit Lines, Bank Credit Accounts and Overdraft Facilities		16.7%	16,4%
Types of loans		Cap rates	
		2nd Quarter 2017	3rd Quarter 2017
Overrunning		16.7%	16,4%



The Central Bank of Portugal conducts onsite and offsite inspections



- The Banking Conduct Supervision Department has a **dedicated inspection team**
- This team follows a risk-weighted **annual programme** but it is flexible enough to accommodate new topics (for instance issues emerging from complaints handling)

OFFSITE

- Price lists
- Institutions' websites
- APP's
-

MYSTERY SHOPPING

- Information disclosure
- Assistance duties
- Basic bank accounts regime
- ...

ONSITE

- Signed contracts
- IT systems and control mechanisms
- Internal practices and procedures
- ...





The Central Bank of Portugal also handles complaints...

- The Central Bank of Portugal **handles complaints** about **all banking products and services** for **oversight purposes**



- **Customers may submit complaints:**

- ✓ **To the credit institutions**

In Portugal, there is a legal obligation for every type of business offering services or providing goods to have a Complaints Book

- ✓ **To the Central Bank of Portugal**

Via a written communication (letter, e-mail, fax) or through an online form available at the Bank Customer Website

<http://cliente bancario.bportugal.pt/pt-PT/Reclamacoes/Paginas/Formulariodenovareclamacao.aspx>



... and publishes a ranking of the complained institutions

- The Central Bank of Portugal **publishes data on complaints** on a half-yearly basis
- The Central Bank of Portugal is specifically authorised by the law to disclose such information
- Information on the **level of complaints per credit institution** is provided (in relative terms, taking into account the size of the business)
- **Institutions are listed by their official names and ranked according to their relative number of complaints**

Sigla	Instituição de crédito	2016
FCE	FCE BANK PLC	2,45
DBA1T	DEUTSCHE BANK AKTIENGESELLSCHAFT – SUCURSAL EM PORTUGAL	1,87
CIFIC	CAIXA LEASING E FACTORING – INSTITUIÇÃO FINANCEIRA DE CRÉDITO, S. A.	1,13
FCACP	FCA CAPITAL PORTUGAL – INSTITUIÇÃO FINANCEIRA DE CRÉDITO, S. A.	1,06
RBANS	RCI BANQUE SUCURSAL PORTUGAL	1,02
BASCP	BANCO SANTANDER CONSUMER PORTUGAL, S. A.	0,99
321CR	321 CREDITO – INSTITUIÇÃO FINANCEIRA DE CRÉDITO, S. A.	0,95
BFT	BANCO FINANTIA, S. A.	0,93
BBVA	BANCO BILBAO VIZCAYA ARGENTARIA (PORTUGAL), S. A.	0,63
BPRIM	BANCO PRIMUS, S. A.	0,63
BBPOR	BANCO BIC PORTUGUÊS, S. A.	0,58
BMWSP	BMW BANK GMBH, SUCURSAL PORTUGUESA	0,57
BBVIF	BBVA – INSTITUIÇÃO FINANCEIRA DE CRÉDITO, S. A.	0,54
BAPOP	BANCO POPULAR PORTUGAL, S. A.	0,54
BACTI	BANCO ACTIOBANK, S. A.	0,51
CEMG	CAIXA ECONÓMICA MONTEPIO GERAL	0,41
MERCE	MERCEDES-BENZ FINANCIAL SERVICES PORTUGAL – SOCIEDADE FINANCEIRA DE CRÉDITO, S. A.	0,40
COFID	COFIDIS	0,38
BSTOT	BANCO SANTANDER TOTTA, S. A.	0,35
MTPCR	MONTEPIO CRÉDITO – INSTITUIÇÃO FINANCEIRA DE CRÉDITO, S. A.	0,32
FINCI	FINANCEIRA EL CORTE INGLÉS PORTUGAL, S. F. C., S. A.	0,30
UNICR	UNICRE – INSTITUIÇÃO FINANCEIRA DE CRÉDITO, S. A.	0,30
Média do sistema		0,29
BCBOM	BANCO CREDIBOM, S. A.	0,25
PSFSP	POPULAR SERVICIOS FINANCIEROS, E.F.C., S. A. – SUCURSAL EM PORTUGAL	0,24
BBEST	BEST – BANCO ELECTRÓNICO DE SERVIÇO TOTAL, S. A.	0,23
BBPI	BANCO BPI, S. A.	0,20
ONEYB	ONEY BANK – SUCURSAL EM PORTUGAL	0,19
BBNPP	BANCO BNP PARIBAS PERSONAL FINANCE, S. A.	0,17

Number of complaints on consumer credit per 1000 consumer credit agreements

Market average



The Central Bank of Portugal conducts thematic reviews

- Thematic reviews are used to **support and guide** the Central Bank of Portugal's conduct supervision activities
- These thematic reviews are commonly related to:
 - The assessment of the **implementation of legal acts**
 - **Markets' monitoring**
- The Central Bank of Portugal also **monitors, regularly, the draft credit agreements used by credit institutions**





The Central Bank of Portugal was also given enforcement powers...

- To compel credit institutions to **correct non-compliant situations or irregularities** the Central Bank of Portugal issues **specific orders** and, if necessary – according to the gravity of the irregularity – **sanctions** the infringing institutions

SPECIFIC ORDERS

- Inspections
- Complaints
- Advertising campaigns
- Information reporting
- ...

EXAMPLE

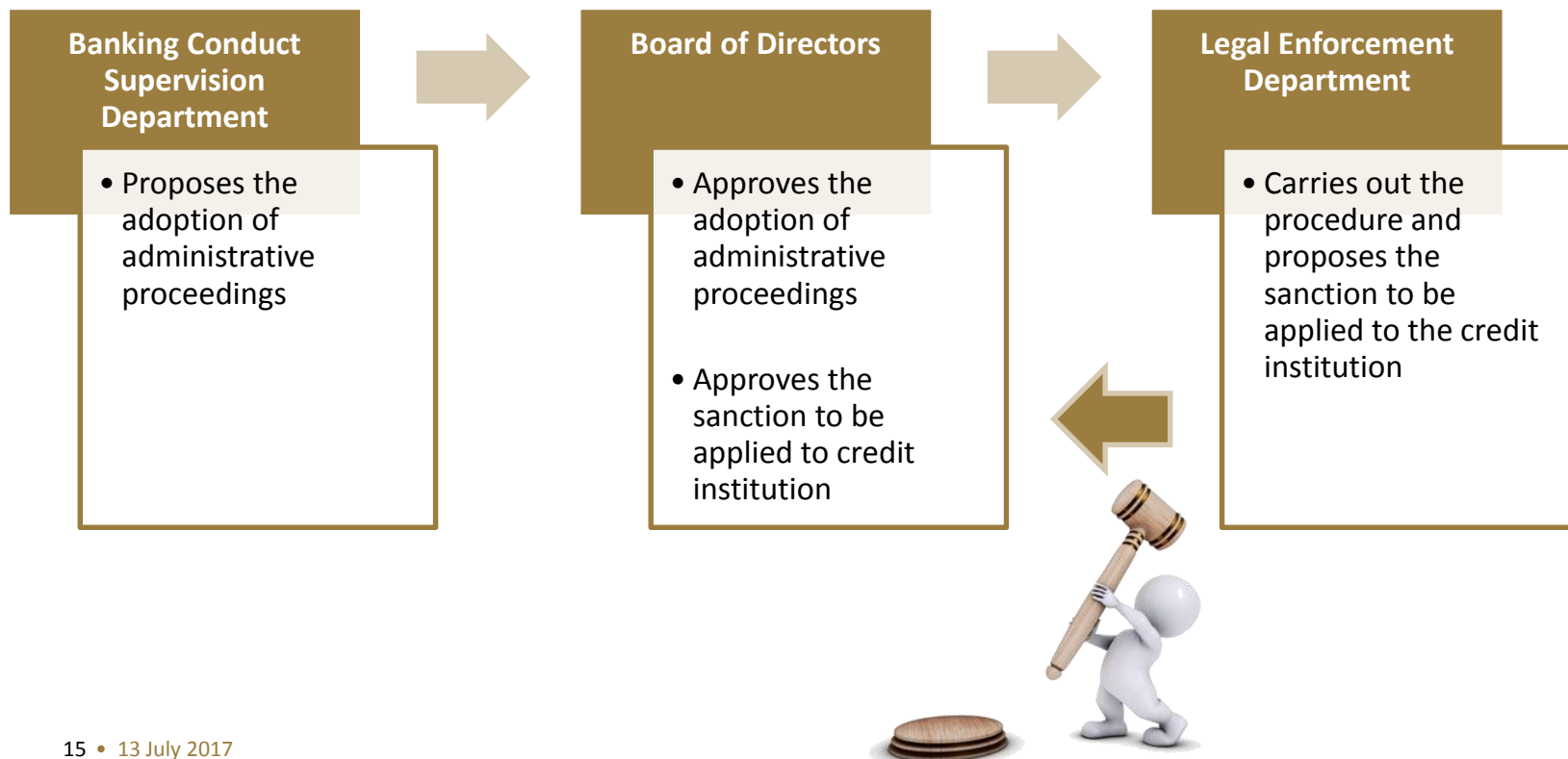
PENALTIES AND SANCTIONS

- Breach of rules and duties of conduct
- Non-compliance with information disclosure rules
- Non-implementation of specific orders
- Non-compliance of reporting duties to Central Bank of Portugal,...



... including the power to apply administrative proceedings

- The Banking Conduct Supervision Department may propose the application of administrative proceedings in **serious breaches, repeated infringements** or **situations that cannot be corrected by the institutions** but the procedure is led by the Legal Enforcement Department





The Central Bank of Portugal makes financial information and financial literacy part of its financial consumer protection strategy

- The Central Bank of Portugal's strategy on financial consumer protection is focused on the supply side – through regulation and oversight – but also on the **demand side** – through **financial information and financial education**





The Central Bank of Portugal follows a broad financial literacy strategy...

- The Central Bank of Portugal:
 - ✓ **Provides information to consumers and to the industry** through a dedicated website, created in 2007: the **Bank Customer Website**
 - ✓ **Promotes and participates in initiatives** across the country to inform customers about their rights and duties with the support of the Central Bank network of branches



www.clientebancario.bportugal.pt



... which involves a sectorial approach for the banking market...

- ✓ Regularly issues publications on several subjects and with different formats





... and an active engagement with the National Strategy for Financial Education

- The **Central Bank of Portugal** coordinates the **Portuguese National Plan for Financial Education**, launched in 2011, involving the three financial supervisors
- Financial supervisors are **responsible for important financial literacy initiatives** but they also **coordinate** the efforts and projects of a wide range of **stakeholders**
- News, initiatives, information and materials from all stakeholders are shared every day on the **Todos Contam** website



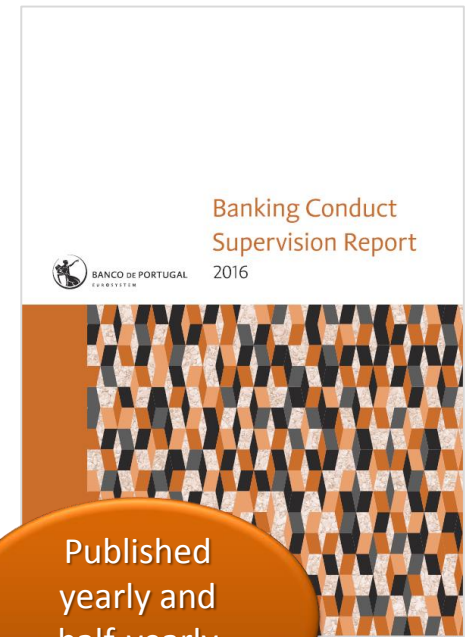
THE NATIONAL PLAN DEDICATED WEBSITE

www.todoscontam.pt



The Central Bank of Portugal is accountable for its banking conduct supervision activities

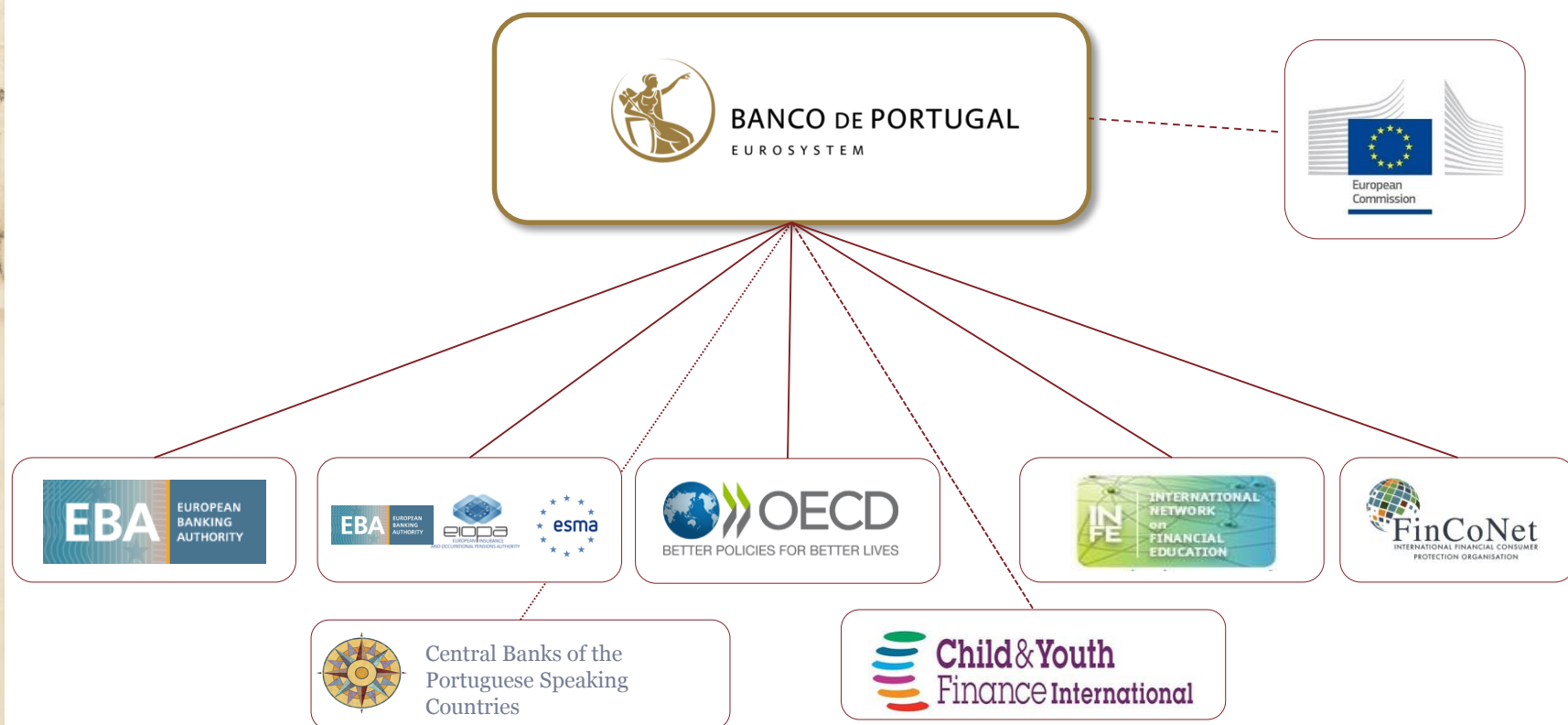
- The **Banking Conduct Supervision Reports** present the Central Bank of Portugal's activities in pursuing its financial consumer protection strategy when:
 - ✓ Regulating retail banking markets
 - ✓ Monitoring credit institutions' compliance with the applicable regulatory framework
 - ✓ Promoting bank customers' financial information and literacy
- The Central Bank of Portugal created the **Forum for Banking Conduct Supervision** to involve supervised entities, consumer protection bodies and business associations in the definition of its regulatory work in the retail banking markets



Published
yearly and
half-yearly
since 2008



The Central Bank of Portugal participates in the main international *fora* on banking conduct supervision...





... which allows it to benchmark its activities at an international level



- Participates as expert in working groups discussing new Directives and Regulations



- Member of the EBA Standing Committee on Consumer Protection and Financial Innovation



- Member of the ESAs (EBA, ESMA and EIOPA) Joint Committee Sub Committee on Consumer Protection and Financial Innovation



- Member of the **G20/OECD Task Force on Financial Consumer Protection**



- Member of the **OECD/INFE** (International Network on Financial Education) **Technical Committee** and **Advisory Board**



- Member and Vice-Chair of the **Governing Council of FinCoNet**



- Participates in **Child & Youth Finance International**



- Member of **Central Banks of the Portuguese Speaking Countries**



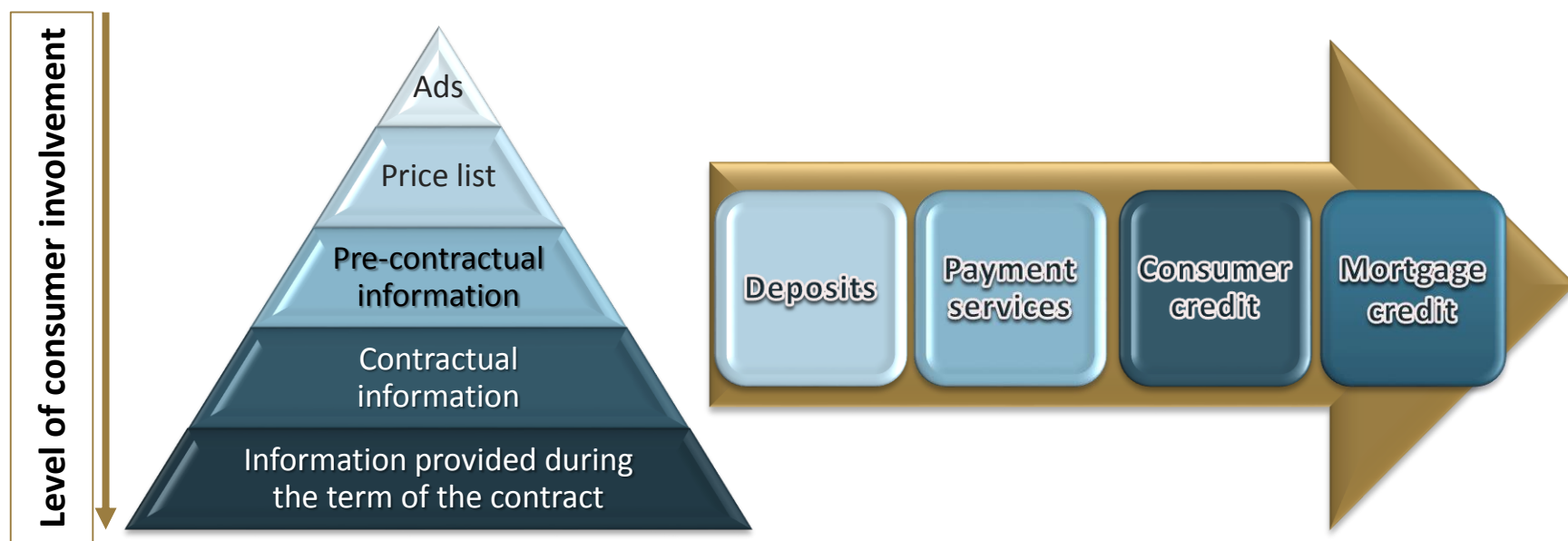
In a nutshell...

- The Central Bank of Portugal was given a **clear mandate to carry out banking conduct supervision**
- Portugal has now a **very comprehensive set of rules** governing the activity of credit institutions in retail banking markets, which, in certain areas, anticipated the European regulatory framework
- The Central Bank of Portugal through the Banking Conduct Supervision Department **helped condense this set of rules** and **used its oversight and enforcement powers** to promote sound market and financial consumer protection
- The Central Bank of Portugal also assumed financial **information and financial literacy** as an important part of its financial consumer protection strategy
- The Central Bank of Portugal benefits from the participation in the main **international fora** and from the **continuous engagement of all relevant stakeholders**



In a nutshell...

- In Portugal, bank customers benefit from a very **comprehensive set of rights**, arising from **European and national law and regulations** at all levels of the relationship with institutions in the different retail banking markets





What's next?

A new paradigm in banking conduct supervision

- Banking conduct supervision is facing a **paradigm shift** as **new challenges emerge** from the significant body of **European legislation** and from the **European Banking Authority Guidelines** that have been produced over the recent years
- Banking conduct supervision is now expected to follow a **more intrusive approach** and to step into **new areas**, such as product oversight and governance, sales incentives or the knowledge and competence of the sales staff
- This shift represents an **expansion of the Central Bank of Portugal's mandate on financial consumer protection** and involves ongoing and tenacious implementation



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In addition...

***The digital revolution in financial services is on its way...
... bringing new challenges***

- The Central Bank of Portugal is following a very **comprehensive approach to digitalisation of financial services**, focused on the following goals:
 - ✓ Enhance **security**
 - ✓ Promote **technological neutrality** and **market integrity**
 - ✓ Promote **digital financial literacy** and **inclusion**
- The Central Bank of Portugal is continuously monitoring the market's technological developments and recently conducted a **survey on the digitalisation of banking products and services in Portugal**

Digitalisation of retail
banking products and
services in Portugal

Results of the survey to
financial institutions



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2016





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Благодарим Вас за
внимание

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