

Report of the Conference

Banking Conduct Supervision

New challenges ten years
after the financial
crisis



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Report of the Conference on Banking Conduct Supervision



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Opening note

On 25 September, 2018, Banco de Portugal organised the international conference 'Banking Conduct Supervision: new challenges ten years after the financial crisis'.

The event was totally in line with expectations and was a milestone in the debate on the issues of banking conduct regulation and supervision, as well as financial education, especially in the digital context.

It was therefore understood that the importance and symbolism of the Conference – ten years after the onset of the financial crisis and the express assignment by the legislator of the banking conduct supervision mission to Banco de Portugal – fully justified the publication of this Report.

We believe that it would be most useful if the speeches of such a highly qualified panel of national and international experts were made accessible to the general public and in particular to all those who, for professional reasons or for reasons of citizenship, are interested in these issues.

In doing so, we also pursue one of the missions of Banco de Portugal, recognised in the Institution's Strategic Plan: to contribute economically and financially to a more enlightened and informed society.

In the current digital age, the problems faced by banking conduct regulation and supervision and the financial education of bank customers are very numerous and complex. Nowadays, this segment of the population tends to be confused with the general population due to the widespread nature of bank usage. This latter aspect has received increasing attention from Banco de Portugal, given its strategic nature.

In fact, citizens with adequate financial literacy are a very important factor for a better functioning of the economic and financial system, both at micro and macro level, and also for the exercise of full citizenship, although it is recognised that results of the actions taken are not immediate. In the eloquent words of Annamaria Lusardi in her speech at the conference, 'financial literacy is a vision for the future', so in a digital economy, the question we must ask is: 'What future do we want to build?'

We have strong reasons to believe that the readers of this Report will ratify our assessment of the interest in publishing it and we are also convinced that the many participants in the Conference will be able to relive the special environment that characterised it.

Luís Máximo dos Santos

Vice Governor

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Opening address



Carlos da Silva Costa, Governor of Banco de Portugal.

Carlos da Silva Costa

Governor of Banco de Portugal

"Good morning and welcome,

It is with particular satisfaction that Banco de Portugal is hosting this Conference, 10 years after the Bank was given a far-reaching mandate in banking conduct supervision.

The importance given to supervising the conduct of banking institutions in their relationships with customers and depositors is still relatively recent, although we now know that it is a fundamental duty to ensure the confidence of bank customers, and subsequently safeguard the stability of the financial system.

I want to make three brief points in this opening address:

- The first point is about the growing importance of banking conduct supervision, from the perspective of safeguarding financial stability;
- The second is on the approach followed by Banco de Portugal in this respect;
- And finally a note about the digital challenge.

Importance and evolution of banking conduct supervision

The international financial crisis reinforced the perception that the relationship between bank customers and credit institutions tends to be asymmetrical and the uninformed behaviour of bank customers generates risks to the financial system. This risk is greater: (i) the lower customers' financial literacy is, in terms of having specific skills and the knowledge required to make financial decisions tailored to risk, and (ii) the lower customers' financial skills are, in terms of their capacity to manage day-to-day expenses and anticipate and prevent the risk of future financial expenses or burdens.

As a consequence, it has become clear that financial literacy and skills are a requirement for financial stability. Sound or sustainable financial decisions made by each individual functioning in a given economic and financial space – especially bank customers – are key to financial stability. However, they are not enough in themselves, as economic agents do not consider and therefore do not incorporate the externalities that derive from their decisions or actions, particularly the systemic risk. This observation is especially important when the market is euphoric, as is the case with the residential real estate and mortgage markets. The intensity and propagation of distorted expectations of asset price increases are greater the lower the financial literacy and experience of a particular population.

This means that an improvement in financial education contributes to financial stability but does not prevent negative externalities which threaten the stability of the financial system.

Measures are also needed to tackle negative systemic developments resulting from the interaction of individual decisions even when well-founded – measures which aim to mitigate negative systemic effects on the stability of financial institutions. Such measures would be incumbent upon the financial literacy and skills of the economic agents and, in particular, their ability to interpret the signs that result from the intervention of the prudential authorities. As a rule, a reduced capacity to interpret this intervention creates a greater risk of a bubble developing in the market and as a consequence determines a need for more interventionist prudential measures on the credit granting side or on the savings application side, to guarantee financial stability.

Financial literacy and education are therefore key for financial stability and for the nature of conduct and macroprudential supervision policies.

In short, to safeguard financial stability, it is not enough to monitor individual choices or to regulate the conduct of banking institutions with their customers. It is also necessary to monitor the system as a whole, to mitigate the negative externalities of individual actions, as well as the supervision of each financial institution to ensure its financial strength, in particular its capacity to absorb the risks resulting from the application of the resources entrusted to it.

The relevance of financial literacy and education has increased even more with the globalisation of markets and growing sophistication of products. Widespread access to banking products and services that are ever more diverse and complex and the emergence of new sales channels have all brought new risk sources.

We have therefore seen, at international level, the progressive strengthening of the framework of rights granted to banking customers, a broadening of areas of intervention for conduct supervision and more intrusive action by the supervisors.

The objective is to encourage the adaptation of products and services to the characteristics and needs of customers and prevent conflicts between the interests of customers and institutions.

.....
 “Financial information and education for banking customers
 has also come to be seen as a structural dimension of banking
 conduct supervision, complementary to regulation and
 oversight.”

More informed customers and with a greater ability to understand the characteristics of banking products and services are generally more attentive and demanding.

They are also better prepared to choose banking products and services more suited to their financial situation, needs and risk profile, thus contributing to the efficient operation of the market and to safeguard financial stability.

Banco de Portugal's conduct supervision strategy

Banco de Portugal began exercising its conduct supervision mandate at the outbreak of the international financial crisis.

We have adopted a strategy based on three fundamental vectors of action since the beginning, which are mirrored in the themes of this conference's panels:

- Firstly, Banco de Portugal's strategy is based on the development of a regulatory framework that covers and regulates the conditions to market the products and services of retail banks;
- Secondly, Banco de Portugal is responsible for compliance with the regulatory framework applicable to the relationships between credit institutions and their customers through effective oversight and sanctions procedures;
- And finally, but no less important, we have, since the beginning, worked hard to inform and educate banking customers. Examples of this are the Bank Customer Website, launched in 2008 and completely renewed in 2017, and the National Plan for Financial Education, promoted with the other financial sector supervisors and which is supported by a large network of partners.

Digital challenges

I will end my address, as I couldn't refrain from doing, with a reference to the challenges the conduct supervisor faces due to the progressive digitalisation of the channels used in the sale of financial products and services.

The digital environment encourages the emergence of innovative products and services and new suppliers, with business models that are sometimes disruptive in comparison to traditional banking.

Furthermore, the dematerialisation associated with using digital channels facilitates the sale of products and the provision of cross-border banking services.

“Regulators and conduct supervisors must therefore take on an active role in the digital ecosystem, catalysing the benefits and safeguarding against risks that may emerge.”

Regulation and supervision should not impede innovation but they should ensure that the bank customer is protected, regardless of the channel used to carry out banking transactions.

The conduct supervisor must therefore:

- Closely accompany the technological innovation process in the retail banking markets;
- Reflect on the suitability of the existing regulatory framework;
- Develop new oversight tools and surveillance strategies to ensure that the regulatory framework is suitably complied with, that conditions for all operators are equitable and that banking customers are protected.

Promoting the financial literacy of bank customers is also of particular importance. That is why the development of digital financial information and education initiatives is one of our top priorities.

So I invite you to get to know the campaign recently launched by Banco de Portugal on social networks and on the Bank Customer Website to promote the security of young people who use digital channels.

Thank you all and I hope that this Conference is beneficial to all those present."

Panel I Banking Regulation: recent developments and future prospects



From left to right, Fernando Coelho, Teresa Moreira, Vinay Pranjivan, Fernando Faria de Oliveira and Pedro Duarte Neves.

Moderator

- Fernando Coelho, Deputy Head of Banking Conduct Supervision Department – Banco de Portugal

Speakers

- Pedro Duarte Neves, Chair of the Standing Committee on Consumer Protection and Financial Innovation from European Banking Authority (EBA)
- Fernando Faria de Oliveira, Chairmain of the Portuguese Banking Association (APB)
- Vinay Pranjivan, Portuguese Association for Consumer Protection (DECO)
- Teresa Moreira, Head of Competition Policy and Consumer Protection Branch of United Nations Conference on Trade and Development (UNCTAD)

Topics under discussion

Recent developments and future prospects of banking regulation are the topics of this first panel of the Conference.

Due to its characteristics, the international financial crisis highlighted the need for regulation to prevent risks that customers may be subject to when acquiring financial products and services and the consequences of these risks to the financial system and to economic activity in general. Recognising its important contribution to the stabilisation of the financial system, regulation and market conduct supervision have been greatly strengthened.

In this context, behavioural regulation is challenged to find adequate responses so that financial and digital innovation can be safely developed and guarantee consumer rights.

Pedro Duarte Neves

Chair of the Standing Committee on Consumer Protection and Financial Innovation from European Banking Authority (EBA)¹

Summary of the speech supported by PowerPoint presentation available at:
<https://www.bportugal.pt/sites/default/files/conferencebcs1-01.pdf>

The priorities of the European Banking Authority (EBA) in relation to banking conduct supervision can be grouped into four key areas: consumer protection; monitoring of financial innovation; efficient, easy and safe operation of payments in the European Union; and the convergence of supervisory activities in consumer protection. In relation to the first two areas, the **EBA Consumer Trends Report (2017)**² and the **EBA Fintech Roadmap (2018)**³ are of particular relevance.

The relevant topics for European Union consumers

In the Consumer Trends Report of 2017, the EBA presents the topics that the national competent authorities and consumer associations identify as the most relevant to European consumers of financial products and services.

With regard to overindebtedness, the key issues highlighted are those related to commercial practices in the granting of home loans and consumer credit, covering topics such as the provision of information, contractual clauses and the assessment of debt capacity. The subject of bank fees, in particular, the costs and fees applicable to the ownership of accounts and the execution of credit operations, as well as the comparability of fees among different banks, is also relevant. Particular attention should also be paid to certain specific commercial practices, such as the selling of combined products and the incentives present in sales that are liable to give rise to conflicts of interest. Finally, the topic on innovative uses of consumer data, in particular potential misuse, such as the assignment and use of consumer data by third parties, unsolicited commercial communications and the use of data contrary to the purposes underlying the gathering of consumer information.

A map for Fintech: priorities and trends

In 2018, the EBA published the Fintech Roadmap, in which it identified five work priorities within the specific scope of Fintech. The first priority is to monitor the regulatory framework in order to identify best regulatory practices at national level (by examining regulatory sandboxes or

1. The European Banking Authority (EBA) is an independent authority of the European Union which is responsible for ensuring an efficient and consistent level of regulation and supervision of the entire European banking sector. Its general objectives are to defend financial stability in the European area and to ensure the integrity, efficiency and smooth functioning of the banking sector. The EBA is part of the European System of Financial Supervision and its main function is to contribute, through the adoption of binding technical standards and guidelines, to the creation of the single set of rules for the whole of Europe in the banking sector.

2. Report available at: <https://eba.europa.eu/documents/10180/1720738/Consumer+Trends+Report+2017.pdf>.

3. Document available at: <https://eba.europa.eu/documents/10180/1919160/EBA+FinTech+Roadmap.pdf>.

innovation hubs, for example), with a view to ensuring that similar services with equivalent risks are regulated in a consistent manner in the European Union. Secondly, the EBA will prioritise the analysis of the impact of new technological innovation trends on the business of incumbent institutions, identifying risks, such as lower institutional revenues, and opportunities, such as greater cost efficiencies, broadening customer bases and greater customer loyalty. Priority is also to be given to promoting best practices in cybersecurity oversight and identifying the risks of money laundering associated with new products and services.

The last priority set by EBA has to do with the issues of regulating Fintech's relations with consumers. In this context, it is important to highlight the specific work that the EBA will be developing in the near future. First, the EBA will publish a report containing a comparison of the regulatory framework applicable to a set of selected activities of providing financial products and services, focusing on the conduct requirements to which Fintech are subject. Still in this context, the EBA will address issues of cross-border transactions, seeking in particular to identify possible national barriers arising from different degrees of consumer protection and analysing the allocation of responsibilities between the home country and the host country. In addition, attention will be given to other issues such as providing consumer information in the digital environment, automated advice and the application of alternative dispute resolution mechanisms to Fintech. Finally, the EBA will work on the risk of financial exclusion resulting from the use of algorithms based on Big Data which, for example, may not be transparent in assigning credit scores.

The EBA set up the Fintech Knowledge Hub, aiming to identify new trends and monitor the impact of Fintech on the financial system, in fields such as changes in business models and risks and opportunities for consumer protection, the promotion of sharing of experiences in the European Union and between competent authorities and market participants and finally, supporting the community of supervisors by issuing practical guidance and preparing policy options to support discussions within the EBA.

The challenges of banking conduct regulation in the age of Fintech

The boundaries between banking conduct regulation and banking conduct supervision are sometimes tenuous, as are the boundaries between retail banking products and other financial products and between the activity of banking conduct supervision and the activity of other supervisors, such as prevention of money laundering. Against this backdrop, the following five main challenges for banking conduct regulation were identified in this presentation:

- 1. Mitigating the occurrence of the inadequate selling of financial products** by defining and supervising procedures, for example on how to properly apply the guidelines on solvency assessment, and also ensuring that the products sold observe the risk characteristics of savers and investors;
- 2. Addressing issues arising from cross-border transactions.** This aspect is very important for consumer protection as there may be hidden and possibly excessive costs in these transactions and there may be doubts as to the complaints procedures or situations where the distribution of responsibilities among the different stakeholders is unclear;
- 3. Promoting a progressive convergence of conduct supervision practices** in order to align with practices that best preserve customer protection. This challenge is particularly demanding in the current European context, marked by a significant diversity of experiences, both in terms of resources and entities involved, and in terms of standards and level of demand;

4. Ensuring that the information provided to consumers allows an easy and effective comparison of the characteristics of products and their costs;
5. Monitoring situations of consumer vulnerability, especially in transactions that do not have the necessary degree of security, and avoiding situations that exclude certain segments of the population, namely motivated by ignorance of the operation of digital applications. In this scope, the promotion of financial literacy is particularly relevant.

In the specific case of Fintech regulation, the major challenge is to achieve an appropriate balance between the benefits of innovation and competition on the one hand, and the emerging risks to consumer protection and the integrity of the system on the other. Regulation should therefore ensure:

- **Technological neutrality**, avoiding regulatory arbitrage and resistance to innovation;
- **The protection of privacy**, ensuring the confidentiality of data and minimising the risks of misappropriation of databases and misuse of individual information;
- **The prevention of loopholes in supervisory systems**, as innovative solutions should not make the financial system more prone to threats, especially those relating to money laundering. The regulatory solutions found should allow the confidence of economic agents to be safeguarded. For this it is important to follow the business models of both incumbents and new entrants to avoid unanticipated situations of unfeasibility and unsustainability of these models;
- **The prevention of fraudulent activities outside the regulated system**, which undermine the confidence in the sector.

Fernando Faria de Oliveira

Chairman of the Portuguese Banking Association (APB)⁴

The scars of the Great Recession caused by the global financial crisis in the banking sector have not yet fully healed, despite the path of reforms and regeneration. The reputational rehabilitation of the banking sector is far from being achieved, and there is still work to be done in terms of trust.

A complex and ambitious regulatory framework, a more robust banking system

Ten years after the bankruptcy of Lehman Brothers, identifying the inadequacies of regulation as one of the main causes of the global financial crisis and of the Great Recession that accompanied it is unanimous and natural. At the time, the fashion was one of deregulation, 'a minimum regulation', it could be said, relying on the self-regulation of banks.

One of the key objectives of post-crisis reform was therefore to set up a new regulatory framework which, at an early stage, focused on strengthening and scrutinising the solvency and liquidity of institutions and the establishment of a crisis management regime. At a later stage, there was also a concern to address conduct issues through greater scrutiny of transactions and products

4. The Portuguese Banking Association (APB) was created in 1984, representing banks and other credit institutions with their head office or branch in Portugal.

and services marketed by financial institutions and their impact on customers and the market in general.

A decade later, we have an extremely comprehensive and dense body of financial regulation in terms of scope, complex and complicated with regard to detail, and extremely ambitious in relation to goals and requirements. And we have considerable gains in the banking system: it is more robust, with much more and better capital, good levels of liquidity and leverage ratios, growing returns (albeit far from the cost of capital), crisis management improvements, with the creation of a new mechanism for the resolution of banking institutions, and sensitive progress in the behavioural field. With the Banking Union⁵, we now have more intrusive and demanding prudential supervision and a common resolution system. All this has led to significant progress in the solidity, resilience and even reliability of the sector.

However, it has been recognised that there is a need to assess more thoroughly and in detail whether this regulatory framework to which banks are now subject, and which entails costs and requires very significant resources, has not gone too far – to which some, to the contrary, ask if it has not fallen short of the needs – to the detriment of the economy, and what changes should be made. The efficiency, simplicity and transparency of regulation are in fact, the basis of a regulatory framework beneficial to society, regulators and supervisors, and banks.

A decade of progress in the regulation of banking conduct

With regard to banking conduct regulation and on the progress made in recent years, it should be mentioned that in most markets, conduct regulation has evolved to include at least consumer protection, rules of conduct in the market and some basic rules of ethics, usually set out in codes of conduct. In more developed markets, in which the European market is embedded, conduct regulation has also extended to governance, incentives, organisational systems, competition rules, knowledge and competencies requirements and, more recently, governance of products. In addition to the establishment of rules and codes of conduct, conduct regulation seeks to ensure that institutions make decisions and adopt 'ethical' behaviour. Ethics is intrinsically linked to the financial world, as it forms the basis of trust.

The densification of the framework for the regulation of conduct in Portugal was initially carried out through initiatives of a national nature. In more recent years, this framework has been strengthened by new European requirements. In the last year alone, worth highlighting, due to the significant implementation efforts involved, are the DMIF II package (comprising the Directive and a set of regulations associated with it),⁶ the Mortgage Credit Directive,⁷ the Payment Accounts Directive,⁸ the PRIIPs Regulation⁹ and the PSD2.¹⁰ It should be noted that in some of these areas the national legislature has moved away from the already very demanding European

5. Over time, the Banking Union should be based on three complementary pillars: the Single Supervision Mechanism, implemented in 2014; the Single Resolution Mechanism, fully operational since 2016; and, in the future, a Common Deposit Guarantee Scheme.

6. MiFID II is the simplified and informal way used by many market players, including supervisory authorities, to refer to the new Markets in Financial Instruments Directive – Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 – which repeals Directive 2004/39/EC of the European Parliament and of the Council, known as MiFID I.

7. Directive 2014/17/EU of the European Parliament and of the Council of 4 February 2014.

8. Directive 2014/92/EU of the European Parliament and of the Council of 23 July 2014.

9. Regulation (EU) No. 1286/2014 of the European Parliament and of the Council of 26 November 2014 on key information documents for packaged retail and insurance-based investment products (PRIIPs).

10. Directive (EU) 2015/2366 of the European Parliament and of the Council of 25 November 2015, on payment services in the internal market.

framework, placing Portuguese banks at a competitive disadvantage vis-à-vis their European counterparts, a situation which is contrary to the desirable and fundamental level playing field on which the Banking Union is based and to the absolutely critical strengthening of the national banking sector.

In the process of adopting legislative or regulatory measures aimed at strengthening the protection of depositors and investors, the existing framework should be taken into consideration and the impacts that such measures can have on financial stability, profitability and the attractiveness to potential investors of the Portuguese banking system should be assessed. On the other hand, it is important to ensure that the strengthening of the legal and regulatory framework for consumer protection is accompanied by a strengthening of the financial literacy of bank customers, a fundamental basis for responsible decision-making and the adoption of safe behaviour. Banks have been actively contributing to this end, as part of the excellent work that has been done by the National Council of Financial Supervisors¹¹ in this area.

Parallel to the strengthening of regulation, the governance of banks has been the subject of significant developments which, if they result from the new regulatory and supervisory requirements, market developments and their agents, are also due to the initiatives of the institutions themselves. The current view of bank governance is not limited to the mandate relationship between shareholders and managers, it is now much broader, encompassing the institution's relationship with all stakeholders, leading ultimately to perfect integration in the community.

The regulation model for the future

However, despite the progress made, there are new and important challenges for both institutions and legislators, regulators and supervisors, including those arising from the ongoing digital transformation and the growth of the non-equally regulated financial system (shadow banking, crowdfunding, crypto-currencies, etc.).

Technological innovation is facilitating the emergence of new players in the financial services market and incumbent financial institutions, both through the new needs of customers and the opportunities offered by technology, and the competitive pressure of new players, are changing and adapting their business models. These changes necessarily contribute to increase the efficiency of the sector, while simultaneously bringing about a profound change in the nature of the risks to which the financial system is subject.

The rapid spread of the Fintech phenomenon and the new risks it entails require changes in the regulatory model. The banking sector, itself a Fintech, is at the forefront of this innovation, which it welcomes with great enthusiasm and interest. It supports competition, which has always been beneficial to consumers and a boost for operators. It only seeks identical regulatory treatment between incumbents and entrants, preserving customer confidence, and ensuring the security, financial stability and integrity of the system.

This aspect is particularly critical for the banking sector when the major threat to the banking business arises, not from FinTech start-ups – where the path has been, above all, one of cooperation – but from the operators of large digital platforms, the so-called GAFA (Google, Amazon,

11. The National Council of Financial Supervisors (CNSF) was created in September 2000 by Decree-Law no. 228/2000 of 23 September 2000, with the objective of promoting the coordination and articulation between the supervisory authorities of the financial system. Its permanent members are the Governor of Banco de Portugal (who presides), the Chairman of the Securities Market Commission (CMVM), the Chairman of the Portuguese Insurance and Pension Funds Supervisory Authority (ASF) and the member of the Board of Directors of Banco de Portugal responsible for supervision.

Facebook, Apple), all non-European entities. These entities have a lot of customer information, which allows them to offer tailor-made products and services in a way that, at most, excludes other operators, including incumbent financial service providers.

This imbalance is further exacerbated by so-called 'Open Banking', set up by the Second Payment Services Directive (PSD2). In fact, being forced to open up to third parties, which include technology giants, access to their customers' bank accounts and consequently their data, without equal ease being given to banks in accessing their customers' data in the possession of the technology giants, banks are subject to an even greater competitive disadvantage.

Moreover, in view of the growing penetration of financial services by remote means, we believe that it is increasingly important to define that the regulatory framework to be applied is the existing framework applicable in the Member State in which the beneficiary of the services is located. This is the only way to overcome competitive distortions that may emanate from the provision of services by remote means, ensuring a level playing field between domestic entities and non-resident entities and also that the conditions of the services provided comply with locally defined rules, ensuring adequate consumer protection.

The benefits of digitalisation can therefore only be maximised while the financial stability and integrity of the system is maintained, if all operators in the market adhere to the same high standard of security and if all players, both new entrants and incumbents can innovate under a common legal and regulatory framework, in particular in terms of consumer protection in its many aspects.

In essence, it is indisputable that regulatory authorities have to ensure financial stability, vouch for the efficiency and sustainability of banks, protect consumers and, at the same time, act as agents of change. Their role is of the utmost importance and the initiatives and actions led by Banco de Portugal in this sense should be highlighted. Of course, the concrete breakthroughs for a robust and modern banking sector can only come from the action and positive response of banks.

Vinay Pranjivan

Portuguese Association for Consumer Protection (DECO)¹²

Summary of the speech supported by PowerPoint presentation available at:
<https://www.bportugal.pt/sites/default/files/conferencebcs1-02.pdf>

DECO is a non-profit association with more than 400,000 members and a network scattered throughout Portugal. Its mission is to defend the rights and legitimate interests of consumers, with independence, proximity, rigour and quality, by supporting the resolution of their problems and the exercise of their fundamental rights. DECO complements its action through interaction with national and international organisations, integrating groups of similar interests such as the BEUC – The European Consumer Organisation.

In recent years, DECO has been involved in a number of specific issues in the retail banking market.

1. Among the various actions, one of the most noteworthy is its intervention in the context of the **overindebtedness of households**, in particular the support provided through the Financial Protection Bureau and financial literacy training actions. In fact, although some indicators of non-compliance show a positive trend, the number of requests for support continues to grow;

12. DECO is the oldest and largest consumer protection association in Portugal and was established on 12 February 1974.

2. With regard to **bank fees**, DECO has been requesting clarification as to the legitimacy of the collection of the account maintenance fee and the processing repayment fee for credit operations. DECO reported abusive increases in the amounts charged for those fees and launched a petition that brought together more than 20 thousand signatures for their complete elimination;
3. The dissemination and advertising of **basic bank accounts** has also been one of DECO's main interventions, since this account, due to its characteristics, has important benefits for consumers from two perspectives: on the one hand, it allows consumers to pay less and, on the other, it simplifies access to an account which promotes financial inclusion;¹³
4. Another important intervention, but in the scope of **credit operations**, was related to the direct application of the Euribor index, without any minimum limit, when it presents negative values. This issue was definitively settled by law of the Portuguese Parliament, for home loan operations;¹⁴
5. Finally, DECO focused on the **need to ensure that in the sale of defaulted or difficult credit portfolios, consumer rights are safeguarded** and that third parties acquiring and recovering those credits comply with legal and regulatory requirements, in particular those relating to the recovery, maintenance and management of loans outstanding.

Recent developments in regulation

Conduct regulation has undergone important changes in the recent past. DECO highlights the changes to the regulatory framework as a result of transposing the consumer credit directive, the mortgage credit directive and the payment accounts directive.

The new regulatory framework for the activity of credit intermediaries and the macroprudential recommendations by Banco de Portugal in relation to the limits on the financial conditions of new consumer and mortgage loans, such as limits to the debt service-to-income (DSTI) and loan-to-value (LTV) ratios are also significant changes. With regard to this last point, DECO considers that more could have been done, by introducing these measures in a more binding manner than in the form of a recommendation.

Looking ahead, banking regulation will continue to register important changes, which raise new concerns for DECO. First of all, in the context of the ongoing PSD2 transposition, concerns regarding the maintenance of stakeholder data security and the safety of instructions given to entities outside the current financial system.

In addition, in the context of the evaluation and possible revision of the consumer credit directive, is important to know how the issue of responsible credit and solvency assessment will be developed. Finally, it is also important to know how the substitution of the Euribor indexer by the new indexer will take place, more in line with the benchmark regulation.¹⁵

13. A basic bank account is a current account which allows the holder to access a set of essential low-cost banking services. In the first half of 2018, there were 50,618 basic bank accounts. The provision of basic bank accounts is regulated by Decree-Law No. 27-C/2000 of 10 March 2000, in the current version.

14. Law No 32/2018 of 18 July 2018, established the obligation for banks to fully reflect the decline in the Euribor rate in home loan contracts.

15. Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in the framework of instruments and financial contracts or to measure the performance of investment funds.

Protect consumers on the way to digitalisation

The phenomenon of digitalisation entails opportunities and challenges. DECO identifies greater competition as an opportunity, which is beneficial to the system, more innovation in services and the manner in which they are provided. It also boosts cost reduction and process optimisation, while broadening customer bases beyond geographic barriers.

In terms of challenges, the security of personal data and payment instructions is identified, as well as the potential for financial exclusion, which can occur for two reasons: the development of increasingly digital products and services that are not accessible to people without digital literacy, and also the use of algorithms in the decision-making process, based on information from the use of digital services that end up excluding people who do not use them. In addition, DECO notes that the lack of personal interaction, in particular in problem solving, may not allow for adequate and timely resolution of the problems, with detriment to consumers.

In order to protect the interests of consumers in the current context, DECO considers that a set of measures is still necessary, in particular:

- The reinforcement of information on products and services;
- The need to further standardise the terminology used in product and service presentation documents;
- The creation and provision of more basic products that are easily accessible to more consumers;
- The creation and promotion of switching mechanisms;
- The implementation of more free product comparison tools;
- The elimination of any kind of barrier to the entry of new participants.

Finally, DECO considers that there is a need for greater supervisory convergence at European level, resulting in stronger supervision and more intrusive regulation, where appropriate. It is crucial to continue to look at best practice in the European market to achieve a more solid financial system that protects the interests of consumers.

Teresa Moreira

Head of Competition Policy and Consumer Protection Branch of United Nations Conference on Trade and Development (UNCTAD)¹⁶

Summary of the speech supported by PowerPoint presentation available at:
<https://www.bportugal.pt/sites/default/files/conferencebcs1-03.pdf>

UNCTAD is the guardian of two international reference instruments for competition and consumer protection: the set of principles and rules on competition: **The United Nations Set of Principles and Rules on Competition**,¹⁷ of 1980, and the **United Nations Guidelines for**

16. UNCTAD, established in 1964, aims to support developing countries as well as countries with economies in transition. UNCTAD deals with trade and development issues, covering the areas of investment, technology, transport, and is the focal point of the United Nations for policy and competition and consumer protection.

17. This document can be consulted at: <https://unctad.org/en/docs/tdrbpconf10r2.en.pdf>.

Consumer Protection,¹⁸ of 1985, which were revised in 2015. These two recommendations constitute soft law and were international precursors for developing countries. Their relevance stems from the fact that the regulation and supervision of these areas have taken on a real global dimension in the recent past.

The European Union and other international organisations, such as the OECD – Organisation for Economic Co-operation and Development, the World Bank and also other bodies such as the G20, have identified the key points needed for an adequate regulatory framework and to encourage the adoption of good practices by financial services providers. The experience of the European Union, as a more advanced economic space for consumer protection, can be a very relevant reference for developing countries.

The main United Nations guidelines for consumer protection

The United Nations Guidelines for Consumer Protection, while not binding, have an important persuasive value and assist developing countries wishing to use consumer protection policy as a tool for growth and sustainable and inclusive economic development.

Revised for the second time in 2015, these guidelines present, first and foremost, a list of subjects that should be covered by national consumer protection policies. In an innovative way, they now contain a chapter on **best practices specifically aimed at companies**¹⁹ in the private sector, which are an essential element in ensuring effective consumer protection, since only economic operators have a deep understanding of business models, products and services and how they are offered to consumers.

Another innovative aspect was the adoption of **recommendations specifically aimed at financial products and services**,²⁰ including the need for specific policies and supervisory bodies on financial services, fair treatment of consumers, responsible conduct by financial service providers and authorised agents (financial intermediaries), data protection and promotion of inclusion and financial education.

The guidelines also refer to other international best practices, with particular emphasis on the **G20 High-Level Principles on Financial Consumer Protection**²¹ (OECD, 2011), **Good Practices for Financial Consumer Protection**²² (World Bank, 2017) and **Consumer Policy Guidance on Mobile and Online Payments**²³ (OECD, 2014), highlighting the work of the OECD, a pioneer in the field of consumer protection in the digital environment. In view of its institutional position, UNCTAD is responsible for serving as a platform for the dissemination of international best practices in close coordination with other institutions working on these issues.

At the top of national consumer protection policies is the **payment security**. The ability to make payments efficiently and securely is crucial for consumers in any part of the world, even though

18. Available at: https://unctad.org/en/PublicationsLibrary/ditccplpmisc2016d1_en.pdf.

19. Chapter IV, guideline 11.

20. Chapter V, Part I, guidelines 66 to 68.

21. Available at: <https://www.oecd.org/daf/fin/financial-markets/48892010.pdf>.

22. Available at: http://siteresources.worldbank.org/EXTFINANCIALSECTOR/Resources/Good_Practices_for_Financial_CP.pdf.

23. The document can be consulted at: https://www.oecd-ilibrary.org/science-and-technology/consumer-policy-guidance-on-mobile-and-online-payments_5jz432cl1ns7-en.

it is especially important in developing countries, since it is uncommon to find physical banking or institutional consumer protection frameworks that provide them with the necessary support. In contrast, in such countries, any mobile or Internet-connected device is used to carry out payment operations, making the development potential as well as the associated risks of Fintech greater in these countries. All the issues relating to the potential of e-commerce in developing countries take on special relevance in the work currently being developed by UNCTAD.

Every year UNCTAD organises the **CIGI-IPSOS Global Survey on Internet Security and Trust**,²⁴ a survey on Internet shopping security whose latest results (2017) show a strong predisposition among consumers in large developing countries such as Indonesia and India to make payments through digital channels. This reality contrasts with that of some European Union countries where consumers, despite having significant security mechanisms, do not yet have the necessary confidence.²⁵ The same survey also identifies that confidentiality and privacy in the digital environment are growing concerns worldwide.²⁶

Finally, it should be pointed out that the problems that can arise from the digital divide and issues of data protection should be given special attention by all players. To meet the new challenges, a concerted global effort is required, by adopting appropriate public policies and sectorial regulation, supplemented by self-regulation, codes of conduct and good business practices on the one hand, and encouraging the participation of civil society, consumer associations and the guiding role of international organisations active in these matters on the other.

24. Conducted by IPSOS for the Centre for International Governance Innovation (CIGI) in partnership with UNCTAD and the Internet Society (ISOC). Accessible at: <https://www.cigionline.org/internet-survey-2018>.

25. In Indonesia and India, 95% and 86% of respondents, respectively, stated that they are likely to use digital payment services through their mobile phones. In France, for example, only 27% of respondents showed a similar predisposition. Overall, respondents who stated that they have never made an online purchase say their main reason is the lack of confidence in online payment systems and platforms (41%).

26. 55% of respondents admit to being more concerned about online privacy protection than in the previous study (2016).

Panel II Banking Supervision: oversight tools for the new digital ecosystem



From left to right, Bruno Proença, Maria Lúcia Leitão, Fernando Tejada and Magda Bianco.

Moderator

- Bruno Proença, Head of Communication and Museum Department – Banco de Portugal

Speakers

- Magda Bianco, Head of Consumer Protection and Anti-Money Laundering Directorate – Banca d'Italia
- Fernando Tejada, Head of Market Conduct and Claims Department – Banco de España
- Maria Lúcia Leitão, Head of Banking Conduct Supervision Department – Banco de Portugal

Topics under discussion

This second panel addresses the challenges of monitoring institutions' conduct in a digital context.

On the supply side, new products and services are emerging, as are new channels for offering them. On the demand side, there are new consumers entering the market, who want different products and services and a different relationship with their suppliers.

In view of the ongoing technological change, supervisors need to consider their oversight model, in particular the use of new tools.

Magda Bianco

Head of Consumer Protection and Anti-Money Laundering Directorate – Banca d'Italia²⁷

Summary of the speech supported by PowerPoint presentation available at:
<https://www.bportugal.pt/sites/default/files/conferencebcs2-01.pdf>

The global financial crisis brought with it implications for consumer confidence in banking institutions and financial markets, also due to poor consumer protection. Up until then, their protection was ensured, above all, mainly by guaranteeing banking stability, through prudential supervision, and by favouring competition on the market.

In response to this crisis, and in order to re-establish trust in the financial system, not only was prudential regulation – micro and macro – strengthened, but also, recognising the problems arising from the asymmetry of information between financial institutions and their customers, as well as consumer behavioural biases, there was a paradigm shift, with greater importance being given to consumer protection.

Various responses have been given at the international level, notably through the dissemination of the G20/OECD High Level Principles for Financial Consumer Protection. A new regulatory and supervisory framework was also defined in the European Union, although it still misses a holistic approach. Indeed, the European regulatory framework is rather rich and dense, however not yet fully harmonised. At the institutional level, although the European model of financial supervision includes the three European supervisory authorities²⁸, the national institutional models are still very different, and the discussion about the suitability of a twin peaks model or other structures (e.g. “sectoral” models) is still ongoing.

The Italian case

The Italian model of banking conduct supervision is structured by product, with the Bank of Italy being responsible for banking products, and three other entities responsible for the supervision of investment products, insurance products and private pension fund products (*Commissione Nazionale per le Società e la Borsa, Institute for the Supervision of Insurance, Commissione di Vigilanza sui Fondi Pensione*), which cooperate by exchanging information or even by sharing supervisory instruments. The competition authority is responsible for unfair commercial practices and advertising.

The Bank of Italy's approach to consumer protection is essentially based on four pillars:

- 1. Regulatory powers**, framed by European and national laws and regulatory measures issued by the competent authorities. There are issues of consistency among them, making it sometimes difficult to interpret them. Italian regulation on banking consumer protection has been developed largely in 2009, when the Bank of Italy introduced regulations on transparency and fairness. In 2010, consumer protection has become an institutional aim of the Central Bank supervision, separately from prudential supervision;

27. The Consumer Protection and Anti-Money Laundering Directorate carries out analyses and interventions on supervised intermediaries in matters relating to usury, money laundering and terrorist financing in cooperation with the competent bodies. It encourages fair and transparent relations between intermediaries and customers; it is responsible for control and intervention activities in collaboration with the competent authorities; and it examines customer complaints. It coordinates the technical secretariats of the regional panels of the Banking and Financial Ombudsman. It promotes and coordinates the Bank of Italy's financial education initiatives.

28. The European Banking Authority, EBA, the European Securities and Market Authority, ESMA, and the European Insurance and Occupational Pensions Authority, EIOPA.

2. **Public enforcement** ensured through banking supervision which, considering the complex regulatory framework and limited resources, follows a risk-weighted and whenever possible an ex-ante approach, with the aim of promoting best practices among financial intermediaries and increasing fairness and transparency on the market, instead of focusing only on ex-post sanctions, for example. These objectives are pursued by the Bank of Italy by developing, on the one hand, a conduct risk assessment model for individual banks/financial intermediaries, in order to guide supervision and, on the other hand, a horizontal analyses of critical issues emerging (through a risk outlook) in order to offer supervisory guidelines to the market. The guidelines already issued (on various issues, such as complaints management, de facto floor clauses, unilateral variations of contracts, fees, loans backed by salary) have led to changes in the conduct of financial intermediaries and an improvement in corporate culture, with fairness becoming a competitive variable in the banking market to attract and retain customers,
3. **Private enforcement**, which is offered through the management of consumer complaints and, especially, through the Banking and Financial Ombudsman (ABF) – a decision-making alternative dispute resolution scheme aimed at solving controversies between customers, on the one side, and banks and financial intermediaries, on the other. The ABF was established in 2009 by the Bank of Italy to introduce an alternative mechanism that is faster and less expensive than civil litigation. Since its inception, the ABF has experienced a rapid increase in the number of customer complaints and a substantial compliance by institutions with the decisions made (mainly due to the quality of decisions and the reputational sanctions associated with the publication in case of non compliance)
4. **Financial education**, which is extremely relevant to the success of all the other instruments. The Bank of Italy operates mainly in three areas: (i) analyses and surveys, aimed at measuring the financial literacy of the population; (ii) work with schools, teaching teachers who will transmit the information to their students; and (iii) with adults. The results of the PISA (Programme for International Student Assessment), carried out by the OECD every three years, reveal, from 2012 to 2015, improvements in the levels of financial literacy of Italian youth. Since 2017, the Bank of Italy has also been working within the National Committee for financial education and has developed a national strategy for this purpose.

The new ecosystem: opportunities and risks

The new digital context of commercialization of banking products and services poses challenges for customers, in particular how to seize opportunities and reduce risks. In this new ecosystem, consumer biases may change, namely by the speed and ease of decision making, questioning the effectiveness of pre-contractual information. Other instruments, such as the reinforcement of post-contractual rights (e.g. extension of the contract renegotiation period), as well as attributing relevance to product oversight and governance, should therefore be taken into consideration.

With regard to the challenges for the supervisor, the Bank of Italy has created an innovation hub that allows a dialogue with the entities that make available new technologies associated with financial services (both the so-called fintech and financial institutions that intend to innovate), so that they can confirm that their products and services comply with the regulations in force.

As far as conduct supervision is concerned, a more substantial approach should be pursued by reinforcing aspects of organisational frameworks and business culture. In the future, the use of big data in supervision should also be considered and could lead to real-time monitoring.

The Bank of Italy is developing a project involving the use of data from the social network Twitter to broaden the information, for example, concerning customer complaints. Other supervisory instruments, such as online mystery shopping, should be even more relevant. International cooperation is crucial, and European consumer protection cooperation regulation could be revised taking into account the developments of the digital ecosystem. In the end we believe that the Bank of Italy's banking conduct supervisory structure based on four pillars – strengthened and adjusted to this new context – remains adequate in the new context.

Fernando Tejada

Head of Market Conduct and Claims Department – Banco de España²⁹

Summary of the speech supported by PowerPoint presentation available at:
<https://www.bportugal.pt/sites/default/files/conferencebcs2-02.pdf>

It is not easy for central banks to reconcile banking conduct supervision with consumer protection, as these functions sometimes conflict with each other. The formula adopted by Banco de Portugal to reconcile the two tasks was smart and innovative, which is why the Bank of Spain has been following a very similar path.

It should be borne in mind at the outset that banking conduct supervision was not included in the scope of the Single Supervisory Mechanism³⁰ and remained the exclusive competence of the national supervisory authorities. For this reason, the Bank of Spain, as the entity that has competence in banking conduct supervision, has given a growing importance to this particular aspect of banking activity.

The Spanish banking conduct supervision model

Ensuring the protection of bank consumers is relevant to safeguard public confidence in the banking system and mitigate the risks associated with its loss, thereby promoting the smooth functioning and stability of the financial sector and the payment system. Since the Bank of Spain does not have an explicit mandate to protect consumers, its role is based on the protection of financial stability.

For the Bank of Spain, banking conduct supervision activities extend beyond checking compliance with transparency and consumer protection rules, and include the promotion of good market practices, the handling of requests for information and the resolution of consumer complaints, fair treatment of customers and reinforcement of self-regulation in advertising. Advertising has become increasingly important for the Bank of Spain, since this constitutes the first step in the process of acquiring banking products.

The planning of banking conduct supervision activities is particularly difficult because unexpected issues often arise that need to be addressed in a timely manner by the supervisor. This is particularly so because the matters covered by banking conduct supervision are very sensitive to public

29. The Market Conduct and Claims Department does the work of the Claims Service and incorporates expertise on matters concerning market conduct, transparency of information, good practices, information to consumers, financial education and conflict resolution.

30. The Single Supervisory Mechanism (SSM) is the banking supervision system that comprises the European Central Bank (ECB) and the national competent authorities of the participating countries, which include Banco de Portugal and Banco de España. Came into operation on 4 November 2014. The SSM has the following main aims: to ensure the safety and soundness of the European banking system, to increase financial integration and stability in Europe and to ensure consistent supervision.

opinion and even to courts. Customer complaints are one of the most important sources of information for the banking conduct supervisor, since they allow for the detection of misconduct by institutions and serve as an advanced indicator of potential problems.

As in the case of Banco de Portugal, the Bank of Spain also separated banking conduct supervision from prudential supervision through the creation in 2014 of the Market Conduct and Claims Department under the General Secretariat. The department is made up of three divisions: the Transparency and Best Practice Division, mainly focused on regulatory issues, the Banking Customer Relations Division, oriented to the needs of consumers, and the Division for Oversight of Institution's Conduct. The complaints management system is a responsibility shared between the first two divisions, and it is important to note that the Bank of Spain does not function as a pure alternative dispute resolution entity in this regard. The Bank Customer Relations Division is also responsible for financial education, which integrates the Financial Education Plan, developed in collaboration with the National Securities Market Commission, and some consumer oriented initiatives of the Bank of Spain, namely the management of the Bank Customer Website.

In 2017, the Bank of Spain's main activity areas for conduct supervision were mortgage credit and consumer credit, in particular car loans, in which there is a combination of two products – the acquisition of the car and the financing operation – which can be confusing to customers, particularly in terms of advertising. Advertising was also a priority during 2017, having been the target of a considerable number of enforcement actions.

The inspection process implemented by the Bank of Spain is divided into six stages:

1. **Conduct category.** Each financial institution is assigned a category each year, based on the type of institution and market share in certain segments;
2. **Conduct profile.** The definition of the profile of each institution depends on a set of parameters, differentiated by category. The parameters are based on information regularly reported by institutions and internally generated information, for example, statistics and content of complaints;
3. **Supervisory priorities by financial institution.** Priorities are defined through internal matrices that combine the category and profile of the institution, on the basis of which the type of monitoring to be carried out (individual or group basis) and the inspection cycle (3, 5 or 8 years) are determined;
4. **Supervisory programme.** The programme is created following the defined supervision priorities;
5. **Supervisory activities.** Corresponds to the implementation of the supervision programme and is subdivided into two groups of activities:
 - **surveillance**, consists of monitoring the activity of the institution, based on information regularly reported to the supervisor and other information from internal sources;
 - **inspection**, consisting of on-site inspections that involve direct contact with the institutions supervised.
6. **Supervisory measures.** Resulting from the findings of inspection reports, measures are applied that may include the issuance of observations and recommendations, notification of requirements and/or enforcement of sanction procedures. Sanctions vary according to severity and fines may be significant, since they are related to the volume of the institution's revenues.

Digitalisation: many questions, few answers

The digitalisation process carries with it important challenges for the banking conduct supervisor. The present moment is particularly peculiar, there are many questions and very few answers. The new digital reality implies new unquestionable benefits, but also entails new risks. The main concerns in this context are:

- the need to ensure that the risks present in the new context are adequately safeguarded by existing regulation and that the market itself is prepared to deal with them;
- whether the creation of new regulations is the most efficient way to mitigate the new risks;
- whether all FinTech activities should be under the focus of supervision or just a few and, if so, which;
- to know the nature of this supervisory entity, its scope of action and how to manage emerging responsibilities.

Spain does not yet have specific regulations for FinTech companies, and there is only some regulation for incumbent institutions, especially FinTech services that are usually regulated, such as electronic deposit takings, payment services and the issuance of electronic money. The activity of crowdfunding platforms has been regulated since 2015. Conversely, there is no regulation regarding technologies such as virtual currencies (e.g. Bitcoin) and services based on Distributed Ledger Technology (e.g. Blockchain).

The main challenges of digitalisation are the promotion of the competence, the freedom of establishment that increases the attractiveness of new projects, innovation, inclusion, the benefits of digital and the emergence of simple solutions, while maintaining the supervisory control of regulated activities and preserving, in particular, the same level playing field, financial stability and consumer protection.

At this juncture, it is still premature to draw conclusions about the new reality, but a set of general principles may already be identified. First of all, the approach to FinTech must be subject to the principle of technological neutrality. In addition, a set of binding rules applicable to all participants must be implemented, and it is essential in this context to maintain dialogue with industry and to promote cooperation with other national authorities, as well as with international entities. At the same time, the introduction of flexibility (proportionality) in the action should be assessed and solutions adjusted on a case-by-case basis should be adopted, depending on the type of services concerned and the jurisdictions involved. Finally, the development of financial literacy initiatives should be strengthened, always maintaining them as one of the primary values of banking conduct supervision.

Maria Lúcia Leitão

Head of Banking Conduct Supervision Department – Banco de Portugal³¹

Summary of the speech supported by the PowerPoint presentation available at:
<https://www.bportugal.pt/sites/default/files/conferencebcs2-03.pdf>

The development of banking conduct supervision is a constant challenge, under constant construction, which needs solid foundations. This mandate was assigned to Banco de Portugal based on three pillars: regulatory power, supervisory power and sanctioning power. The exercise of supervisory power has become increasingly important, accompanying the strengthening of the regulatory framework applicable to retail banking markets.

Within the increasingly complex pillar of oversight, Banco de Portugal's Banking Conduct Supervision Department has several teams involved in verifying the performance of institutions, using different yet complementary instruments.

Initially, the purpose of oversight was to ensure the transparency of information; later, it began to cover the harmonisation of commercial practices. More recently, Banco de Portugal has also been entrusted with supervising more intrusive standards, such as products' appropriateness for the characteristics and needs of bank customers, the sales incentives that may lead to improper practices and the knowledge and skills of the employees of the institutions involved in offering banking products on the market. As of 2018, Banco de Portugal began to include credit intermediaries in the perimeter of banking conduct supervision as well as payment initiation service providers (initiators) and providers of account information services (aggregators), through the transposition into Portuguese legislation of the Second Payment Services Directive (PSD2).

Banco de Portugal's banking conduct supervision, which focuses on retail banking products (accounts, deposits, payment services and credits), has been adapting its oversight tools in line with a vast regulatory framework that has been strengthened. The instruments adopted fall into four areas: **systematic monitoring, inspections, complaints management and thematic analyses**, and apply to all stages of the bank customer's relationship with the institution: before and during the conclusion of the contract and during the term of the contract.

In each contractual stage, the supervision instruments used by Banco de Portugal are diverse and include the following:

- **Before the conclusion of the contract.** Systematic monitoring of compliance with the duties of transparency of information in advertising and the accuracy of the information contained in the Key Information Document of structured deposits. By means of off-site inspections, the price lists and Standardised Information Sheets (SIS) published on the institutions' websites are inspected and the pre-contractual information provided to customers, compliance with the duty to provide assistance and compliance with the bundling rules are assessed through 'mystery shopper' on-site inspections. Complaints analysis is also used to evaluate all these issues;
- **When the contract is concluded.** Systematic monitoring of compliance with the maximum rates in consumer credit agreements entered into and reported on a monthly basis by credit institutions. Through inspections of central services, the content of contracts entered into is

31. The mission of the Banking Conduct Supervision Department is to regulate and supervise the conduct of financial institutions subject to Banco de Portugal's supervision in the area of relations with its customers, in the marketing and distribution of retail banking products and services, and in the development of information and financial education for bank customers.

monitored and applicable rules are evaluated, including compliance with the maximum rates on consumer credit and, in this type of contract, the duty to report information to Banco de Portugal. Complaints analysis is, again, an important instrument for evaluating these matters;

- **During the term of the contract.** Off-site inspections, through the duty of institutions to report information to Banco de Portugal, evaluating the information they provide to customers, namely in the statements and invoice-receipts. Through inspections of central services, compliance with the rules on early repayment, the exercise of the right of revocation and the procedures associated with arrears are assessed. Once again, complaints analysis is used for the inspection of all these matters.

Thematic analyses, which include assessment of the impact of new regulation, also support Banco de Portugal's regulatory performance. Banco de Portugal evaluated the transposition into Portuguese legislation of the second consumer credit directive and every year it conducts sectoral reviews of the various retail banking markets, which it publishes in the **Retail Banking Market Monitoring Report**.

In the performance of its duties of public accountability on its activity as banking conduct supervisor, Banco de Portugal publishes all the oversight activities carried out, namely through reports of annual and semi-annual activities (e.g. the **Banking Conduct Supervision Report** and the **Summary of the Banking Conduct Supervision Activities**³²).

Banking conduct supervision is a challenge under constant construction

In the current digital ecosystem, the supervisor is challenged by the expansion of the use of digital channels in the marketing of banking products and services. Digitalisation entails new challenges and opportunities. It is therefore necessary to ensure compliance with the regulatory framework and guarantee customer rights by using new methods and tools. Banco de Portugal has thus defined a strategy based on the evaluation and response to five major challenges:

1. **Monitoring technological evolution.** Banking conduct supervision has stimulated dialogue with industry (e.g. incumbent institutions, technological innovators or sector associations) to learn about the options and technological choices that affect the distribution of banking products and services. The dilution of borders, a result of the digitalisation of these products and services, calls for a transnational approach in these matters, which is why Banco de Portugal has participated in several international working groups. In addition, it has stepped up training and sharing of knowledge (multi-disciplinary and agile teams), as well as the recruitment of staff specialised in the technological areas.
2. **Monitoring the market for products and services.** At the end of 2016, a survey was carried out to assess the types of products and services provided by institutions through digital channels, the levels of adoption and use by customers, the growth prospects, limitations and possible obstacles to the provision of these products, the manner in which institutions ensured compliance with safety standards and in what way risks were being mitigated. In 2018, a second survey is due to be carried out, which will assess the developments that have taken place in the meantime.
3. **Removing barriers.** The supervisor should seek to bring the regulatory framework into line with technological innovation, removing barriers without compromising security, information

32. These and other publications can be found at: <https://www.bportugal.pt/publications/banco-de-portugal>.

transparency and the rights of bank customers. Recently [in 2017], Banco de Portugal started allowing current accounts to be opened exclusively through digital channels, establishing the necessary technical requirements for the use of assisted videoconferencing.

- 4. Ensuring technological neutrality.** The supervisor must guarantee the same rights to customers regardless of the channel they use to acquire banking products and services – ‘same business, same risks, same rules, same supervision’. At the beginning of 2018, Banco de Portugal defined as a priority the supervision of the provision of consumer credit through internet banking and apps. In this context, a duty was established to report information on the contracting process, the form of compliance with information duties and the security mechanisms adopted, in relation to the loans that institutions will provide through these channels (Circular Letter/2018/00000004)³³. The information gathered is analysed in an open dialogue with institutions, evaluating compliance with the regulations in force. This joint reflection leads to the definition of best practice in the provision of products and services through digital channels, incorporating the lessons of behavioural economics. Among the recommendations that Banco de Portugal has been communicating are: to ensure that customers’ doubts are properly clarified, for example, through FAQs, telephone helplines or chatbots in order to comply with the duty of assistance; to ensure the provision and visualisation of pre-contractual and contractual information documents, with mechanisms that force customers to scroll down, the possibility of downloading the documents and, at the end, the ticking of an ‘I have read and accepted’ tick-box; to remove pre-defined options by default, such as the application of charges and the taking out of insurance; to guarantee the possibility of exercising the rights of free revocation and early repayment in the same digital channel.

Banco de Portugal has defined rules for evaluating the creditworthiness of bank customers (Notice of Banco de Portugal No 4/2017),³⁴ which must also be complied with in digital channels. However, bearing in mind the specific nature of these channels, for loans equal to or less than 10 times the guaranteed monthly minimum wage, it has allowed institutions to carry out the creditworthiness assessment via indirect methods (scoring or big data models).

- 5. Promoting digital financial education and information.** Banco de Portugal has defined as a strategic priority the strengthening of digital financial education and information provided to bank customers.³⁵

The new digital ecosystem and technological innovation bring many challenges to banking conduct supervisors, but also opportunities. Banco de Portugal intends to develop SupTech solutions in conjunction with the teams working on IT systems.

33. Available at <https://www.bportugal.pt/cartacircular/cc201800000004> (Portuguese-language only).

34. Accessible at <https://www.bportugal.pt/aviso/42017> (Portuguese-language only).

35. See the speeches of Panel III – Financial education: young people in the digital age.

Address on the importance of financial education for young people



João Costa, Secretary of State, Ministry of Education.

João Costa

Secretary of State, Ministry of Education

"Good afternoon everyone!

I would like to start by thanking Luis Máximo dos Santos in person for the invitation to participate in this event. I would like to take the opportunity to greet my colleague from the Government, the Deputy Minister, Pedro Siza Vieira, Teresa Leal Coelho, and especially Manuel Pereira, for being the living proof that much of what I am about to say is not a pipe dream, but rather something that is happening in certain schools. That is where we have been able to implement some of the policy measures that will be central to developing financial literacy in all our schools.

I would also like to greet all those in Banco de Portugal who are working in partnership with the Ministry of Education and the Directorate-General for Education so that we can do more in this area. I have said many times, when we come to schools, that if the Ministry says "we have a project for you", they look at us sideways, because in principle everything that comes from the Ministry is bad. But if it is another institution, a foundation, another organisation, things are often well received. And just as well it is like that; just as well that we can network to bring more education to everyone.

And in this greeting that I now extend to all those present, I would like to praise this initiative. And above all, from this opportunistic and self-interested perspective, I would like to congratulate you for bringing education and young people to this conference, to this discussion, to the panels that are about to follow. In fact, we know that if we do not reach young people, the future will not change. When they ask me, "But why this area of education for citizenship?", I answer that it is key because it is the area with the greatest potential.

There are two absolutely clear examples of the influence that education for citizenship in schools can have on behaviours and attitudes, and here we are talking specifically about the attitudes of adults themselves. There are many adults who, through environmental education, began to separate recycling at home. It was their children who got them started, by taking small containers home. I always give the example of myself. I stopped smoking because I couldn't stand my children saying, "Dad you're going to die," and, "It's bad for your health." I couldn't tell them that it wasn't true what they were told at school, so I said I would quit, because school has this capacity and this role.

Today, we have a discussion, which is not national, it's a discussion that is taking place on a global scale, about what it is to succeed in school. We all want students to be successful at school. I don't know anyone from any social or political background, from any race, or from any country, who does not say, "Yes, I want students to be successful at school." But we don't always agree on what it is to be successful.

This is a debate that is taking place all over the world. It is taking place in different organisations, in large forums, in different meetings and sessions, both in academia and in intergovernmental spaces. Which, in the end, leads us to this question: 'We have a school that has to generate success, but what do we mean by success?' Take the example of a student who, in the Portuguese case, went through 12 years of compulsory schooling. We can say that he finished school, but did he fulfil his mission? This is a very disturbing or pressing question today, because we are undergoing rapid changes that are difficult to follow. We, who work in education, always feel that the weight is on the shoulders of education. But education is also trying to keep up with this very fast and very voracious change. A change in terms of knowledge.

.....
 "Our relationship with knowledge has changed because we have never had so much information available so quickly. But that does not mean that we have so much knowledge available quickly."

There is this overriding difference between what is information and what is knowledge and how we transform information into knowledge.

I tell this story many times: once, at a conference at the University of Lisbon on technologies in education, I thought I was going to speak to teachers, but I had an audience of students before me. And I asked them, "Who has a machine in their pocket connected to the Internet?" About 90%. And I said: 'While I'm speaking, look up who the third son of King D. João II was and what his name was. And the first one to find it must raise his or her hand'. They took 2 minutes and 18 seconds. Fortunately, there was a student in the auditorium who had the wrong answer, which allowed me to deliver an aside on the role of teachers: "You can't live without teachers", "machines can't do away with man". Then I carried on talking and, 15 or 20 minutes later, I said to them, "Now tell me truthfully. Who can still remember?" And the answer was only half. This information, that is so quickly available, is also very discardable and requires us to know what information we need, even when our batteries have gone flat and when we're not connected to a network. This is one of the challenges we're facing right now.

However, we're also facing the challenge, not only of this relationship with knowledge, which is changing, but also, and today this is almost a cliché, of living in a moment of deep uncertainty. Today, we don't know exactly what professions we are training for. What we do know, with the growth of technology, with growing automation, with digitalisation, is that all studies say that most of the jobs that exist today will not exist 20 or 30 years from now. And we're training children and young people for jobs that we cannot even imagine. And all we need to do is to go back 10 or 15 years and many of the things that we consider perfectly normal today – to have a phone in our pocket that we use to pay for the parking ticket, for the car that is half an hour away – seemed like science fiction. But this we have already integrated as perfectly normal. Therefore, this debate around what it means for a student to be successful is urgent, it is a debate that we also wanted to launch here in Portugal, which led to the creation of the *Student Profile After Completing Compulsory Schooling*,³⁶ which has some principles and basic values, and identifies areas of competence that schools should educate students in. Areas of competence that we cannot connect to this or that specific subject, but rather areas of cross-cutting competence that are now recognised as the most important, whether in the academic world or in the business world, or even in an artistic career. We are talking about areas such as the mastery of various scientific, technological languages, the ability to communicate effectively, aesthetic and artistic sensibility, this ability to see beyond the obvious, and – let me say this here, in Banco de Portugal – to see that not everything has to make a profit. This magnificent restoration, which certainly cost a lot of money, serves to dazzle us, and to show that it is good to feel good about what is beautiful. We have identified the ability to think critically and creatively as an area of competence to develop problem-solving.

“Sometimes we have a school that is too focused on the right answer, and students don't know which question they have to find the answer to. And when we live in this time of uncertainty, it becomes increasingly important to know how to ask, rather than how to answer. Because sometimes the right question is what will lead us to find the right answer.”

These competences should include autonomy and personal development, creative thinking. When we talk, even in relation to professional education, with entrepreneurs and ask them what their industry needs, the first thing that comes up is creativity and the capacity to deal with new situations. And we're not talking about a routine answer, where we expect the student to say exactly what she learnt that day and then to forget it, because that's the knowledge that merely touches the surface, that doesn't stick and evaporates. And we need knowledge that translates into meaningful learning and knowledge that builds on this ability to act upon the world.

We have also included in the Student Profile a fundamental dimension: well-being. For many years, well-being was seen only as a requirement for learning: if students do not feel well, they cannot learn. And it continues to be true. We have students who come to school hungry, or from violent homes, etcetera. These students are less able to engage in the learning process than

36. This document can be consulted at https://dge.mec.pt/sites/default/files/Curriculo/Projeto_Autonomia_e_Flexibilidade/perfil_dos_alunos.pdf (Portuguese-language only).

others. But today, and this is a trend all over the world, we identify well-being not only as a prerequisite for learning, but as a learning goal. It is the school's mission to build a society and a world in which we feel good, in which we feel good with each other and are capable of making decisions that are themselves promoters of well-being. This student profile is based on several principles. One of them has a humanist basis, which does not mean neglecting the entire scientific and technological dimension associated with learning; what it means is that if science is not at the service of humanism, it fails in its mission. We have all seen great technological advances being made in the field of killing more quickly and effectively. Just look at what happened during World War II. Therefore, when we say that we have a profile with a humanist basis, there is a very clear intention here to say that knowledge serves to promote the dignity of the human person in the first place. Another of the principles that I will refer to at the end of my address, is the principle of inclusion.

“If school does not reach everyone, if school doesn’t ensure this success for everyone, then it does not fulfil its mission.”

We will indeed be in a bad place, and are in a bad place, when we have a school that leaves out a very significant segment of the population, which is the most deprived segment.

It was in this context that we developed the National Strategy of Education for Citizenship³⁷, among several educational policies that translate into greater autonomy for schools, and more flexibility in the development of the curriculum. We reintroduced the area of citizenship and development – here obviously from the point of view of personal development and simultaneously as sustainable development. What does this mean? It means, first of all, that education for citizenship is not peripheral. We fail to comply with the basic law of the educational system if we have a school that teaches history, geography, mathematics and physics, but then says, “We’ll teach citizenship if we have time, if we feel like it; citizenship is optional.” In other words – and allow me to use the first person singular – for me, this is just as serious as saying that mathematics is optional, that it will only be taught if there is enough time.

No, citizenship is part of the school's mission. And by citizenship, we are talking about an education that provides knowledge, that transforms information into knowledge in many areas. And in a moment I am going to explain what I mean by many areas, which has to do with attitudes and values. In other words, it is of no use to me to know everything about financial literacy if, despite that, I am unable to manage my small budget through the choices I make, if I am unable to know how to make the right choices. We are talking about skills and knowledge that, if not transformed into action, are sterile.

When I referred to many areas, we are actually talking about a re-focusing of fields – and this can also be seen on an international level. We have, for example, PISA, which not only tests fields like language literacy, mathematics or science, but also financial literacy. Portugal will participate in the next PISA cycle on financial literacy, on collaborative problem-solving. So these are the so-called innovative areas, because they are recognised as areas that are key to success.

37. The National Strategy of Education for Citizenship (ENEC) constitutes a reference document to be implemented in the 2017/2018 school year in public and private schools that are part of the Autonomy and Curriculum Flexibility Project, in convergence with the Profile of Students Who Complete Compulsory Schooling and with Essential Learning. It can be consulted here: http://www.dge.mec.pt/sites/default/files/Projetos_Curriculares/Aprendizagens_Essenciais/estrategia_cidadania_original.pdf.

When we speak of citizenship, we are talking about literacies in multiple disciplines; we are also talking about an inclusive perspective on education. A while ago a friend of mine told me that “citizenship is the family’s responsibility, not the school’s”. And this is the simplest example of a school that simply reproduces social inequalities and does not correct them. And all we need to do is to take an example that has nothing to do with the concrete example of financial literacy, such as gender equality. We know that the average age of a murderer whose crime is classified as domestic violence is 40 years, so this means that he was educated under a democracy. We also know that most aggressors grow up in an environment of violence. So if we do not break the cycle, if there is no one at school – and school is the last hope – who says that this is not right, this dependence on the family will only lead to the continuation of certain behaviours. This applies to gender equality, to environmental education, and to human rights, and it applies to financial literacy.

“If I grow up in an unregulated environment, in an environment of overindebtedness, in an environment where I don’t know how to relate to credit, where I do not know what savings are, if no one helps me open my eyes to this, I will merely replicate the environment that I grew up in.”

It is in this sense that the area of citizenship and development is very clearly an instrument for inclusion and an instrument for the consolidation of democracy.

“When we take citizenship into schools, we are taking democracy and we are ensuring that school can be an instrument of social mobility.”

And here this area of citizenship cuts not only across the area of inclusion, but also the instruments of flexible curriculum management. And therefore, we do not want the area of citizenship to be yet another subject in which the teacher says a few things, the students take notes, spew them out on the test day and then forget about them completely. We want it to be an area that comes alive, that is worked on through projects, through multiple resources, and in partnerships like this one promoted by Banco de Portugal. And not only Banco de Portugal, but also CMVM and several other institutions are involved in initiatives such as this one championed by Manuel Pereira – the Todos Contam project for example.

What we want to do is make citizenship come alive and not just list facts that easily become discarded. Therefore, in the strategy and development of this area of citizenship in schools, we would prefer this to happen through partnerships between schools and other institutions, through projects, through a strategy defined by the school itself. Last year we had citizenship as a pilot experience, but this year the development of the citizenship area has become compulsory for all 1st, 5th, 7th and 10th grades; in pilot schools, this also applies to the 2nd, 6th, 8th and 11th grades as of this year.

What we want is for citizenship to be an area that focuses on active learning, on interdisciplinarity. Whenever we work on a citizenship topic, we go beyond the strict boundaries that exist among disciplinary areas.

“Financial literacy is not a problem of the economy. It is as much a problem of the economy as it is of morality, political philosophy, or human rights, as it cannot be understood without understanding history.”

Here we are, I would not say celebrating, but marking, ten years since the crisis. There were many voices saying that before the financial crisis, there was a values crisis. It is precisely in this mixture of knowledge that these matters gain relevance. When we think about climate change, it is not a problem of chemistry or biology, geology or geography, it is also a problem of choices in social terms, of choices in economic terms, of choices in philosophical terms. So, this is precisely what we want to happen in terms of citizenship. We want them to be crosscutting areas, par excellence. We have invited the Network of School Libraries to discuss the National Strategy of Education for Citizenship, because the school library is the perfect context to foster interdisciplinarity. And literacy is citizenship. One of the main indicators of the development of our democracies is the level of society's literacy, so from the outset we felt that we could not develop a strategy for citizenship education by leaving school libraries, and incidentally, the National Reading Plan, out of the picture. And this is exactly what flexibility means – allowing these projects to merge freely, capitalising on these good partnerships, on these resources, without being ultra-prescriptive. The day after tomorrow another financial literacy workbook will be presented to the third school stage, a truly remarkable achievement from Lúcia Leitão and her team, in partnership with the Directorate-General of Education.

I would just like to finish off with a word about purpose. Why are we doing all this? I do not know if you recall that two years ago there was a debate about whether school should generate happy people or competent people. There was a big debate about whether a surgeon should be competent or happy. At the time, I heard the opinion of two people in this discussion and I had the opportunity to tell them: “If I need to have surgery, I hope the surgeon is competent, for the sake of my health, but I also don't want to catch an infection in hospital because he's crying over me because he's depressed”. This idea that there is either happiness or competence is a little silly because I'm only happy if I consciously have the knowledge and competence to make decisions about my life and the lives of others consciously.

“I am only happy if I am well equipped with the knowledge that allows me to act freely, and for that, individually or collectively we must be able to participate actively in public discourse, without having a narrow outlook, focused exclusively on my individuality.”

In order to respond to this enormous challenge, we have already had enough of signing commitments to the sustainability agenda, now is the time to take action. And we cannot say that this is not a school matter. The issue of the eradication of poverty, the issue of financial equality, which cuts across these dimensions, is about the survival of the planet.

I remember, some time ago at an international meeting that I participated in and in which we were discussing this, the representative of Australia, with a lot of bonhomie, said, "Fortunately this is only for 2030, we have time." To which I replied, "Take it easy, we all grew up watching Space 1999, so 2030 seems a long way off, but students who start school this year will graduate from 12th grade in 2030. So this is not a distant future, it is the present. The topics of sustainability will have to be resolved by those who are in school today, so that we adults and older people can have a future and they can have a present and their children can have more balanced prospects than those we face.

This area of citizenship is very difficult. I had a little notebook in which I wrote down on the last page all the organisations that came to see me and said, "School should provide training on...". I had 38 topics on my list and there wasn't a single one about which I could say, "This isn't relevant". These ranged from healthy eating, human rights, road safety, etcetera. Some even called for not just a topic, but a specific disciplinary subject. But everyone also said that students spend too much time at school. And I would say, "So what do we cut out on in order to put this in?" And they replied, "Cut down on all the rest!" So, in this area of citizenship we feel that the blanket is always short; we want to cover everything, but there are only 12 years of compulsory schooling. We almost had to extend compulsory schooling up to the age of 60 to cover all these subjects. There is a positive side to this, that society recognises that school is able to convey these important messages. It is very important to recognise this. There is a very difficult side to implementation, because it works like this, more or less: if tomorrow a statistic about debt comes out, someone, probably one of you, is going to be on the news saying that this falls under the scope of school; if school does not provide training on financial literacy this will not be solved. And we all nod our heads. The next day a statistic on childhood obesity comes out. Someone from another sector will go on television saying, "School should do something about this. If students are not educated about food..." The day after that, out comes a statistic on road accidents and someone says, "This has to do with school." And all of a sudden, school has the world's problems to solve. And, as I said, just as well. For this reason, we had to make certain choices. We had to include mandatory topics in all school levels, topics that must be worked on throughout the 12 years of schooling. And schools can define their own strategy, they can define the level in which they will insert these topics. We have been creating benchmarks in partnership with various entities, with various governmental and nongovernmental organisations, so that schools have guidance on how to address these issues. We are currently training a coordinator in the area of citizenship for each school – there are 811 coordinators throughout the country – who will then train students in each of their schools.

It is very interesting because, for example, in this specific area of financial literacy, there are voices saying, "This is a heinous thing of the capitalists. That topic is not as important as other topics." To which I always reply, "No, it is probably a fundamental topic, to ensure inclusivity." Because otherwise we will continue to reproduce the same difficulties, the difficulties of those who are less able to act through their own individual management. This topic is crucial for guaranteeing what we are celebrating this year – the 70th anniversary of the Universal Declaration of Human Rights.

.....

I would like to thank Banco de Portugal for its collaboration. Unfortunately, I will not be able to stay, but I wish you an excellent conference and you can count on us!"

Panel III Financial education: young people in the digital age



From left to right, Pedro Andersson, Isabel Alçada, Manuel Pereira and Annamaria Lusardi.

Moderator

- Pedro Andersson, journalist, SIC

Speakers

- Annamaria Lusardi, Denit Trust Chair of Economics and Accountancy at George Washington University School of Business; Academic Director, Global Financial Literacy Excellence Center (GFLEC); Chair of the OECD/International Network on Financial Education's Research Committee
- Manuel Pereira, Director of the General Serpa Pinto (Cinfães) Group of Schools
- Isabel Alçada, President of the 'Todos Contam' Competition and Advisor on Education to the President of the Republic

Topics under discussion

This third panel is dedicated to young people in the digital age. Portuguese youth is vulnerable, both because young people have little experience in dealing with money and have just started their working lives, on lower incomes. In contrast, they are the most technologically qualified.

The increased ease of access to financial products and services provided by digital channels increases the importance of youth empowerment for the proper management of personal finances and the tools available in those channels. For the conduct supervisor, young people are thus a priority target audience for financial information and training initiatives.

Annamaria Lusardi

Denit Trust Chair of Economics and Accountancy at George Washington University School of Business; Academic Director, Global Financial Literacy Excellence Center (GFLEC)³⁸; Chair of the OECD/International Network on Financial Education's Research Committee³⁹

Summary of the speech supported by PowerPoint presentation available at:
<https://www.bportugal.pt/sites/default/files/conferencebcs3-01.pdf>

The availability of new technologies associated with financial services (fintech) can affect the way in which young people make financial decisions. In the digital age, financial literacy is even more important but: (i) How well-equipped are young people to deal with this new digital finance environment?; (ii) How financially literate are young people?; (iii) Does fintech help the younger generations to improve their financial decisions?

The Programme for International Student Assessment (PISA), carried out by the OECD every three years, has included, since 2012, a financial literacy module, which makes it possible to measure the levels of financial literacy of young people. Portugal participated in the financial literacy assessment in 2018 and has already announced its participation in 2021, the year in which there will be new questions related to the digital economy.

The PISA data allows us to assess the extent to which students at the end of compulsory education have acquired the knowledge and skills necessary for full participation in society. Financial literacy is a key aspect to achieve this goal.

The findings of the 2015 PISA test show that about 22% of students in OECD countries do not have basic financial skills and that only 12% score at the highest level of financial literacy⁴⁰, having answered the most difficult questions correctly. The socio-economic status of students influences their levels of financial literacy; this much was evident in all the countries that participated in the study. This is one reason why schools have a key role to play in promoting financial literacy: by allowing everyone to have access to financial education, they are contributing to a more egalitarian society. The commitment of the Ministry of Education is therefore vital to promote the financial education of the younger generations.

The critical importance of financial education in schools is also evident when looking at recent data on financial literacy from the USA⁴¹. The data show had less than 25% of people up to the age of 35 understand three basic financial concepts (compound interest, inflation and risk diversification), despite the fact that up until that age many important financial decisions have already been made. Even considering older respondents, up to the age of 60, less than 40% display

38. Launched in 2011 at the George Washington University School of Business in Washington, D.C. Since then, it has pioneered breakthrough tools to measure financial literacy, developed and advised on educational programs, and crafted policy guidelines aimed at advancing financial knowledge in the United States and around the globe. The GFLEC envisions a world in which individuals have the financial knowledge they need to fully participate in the economy and build secure futures. In working toward that vision, GFLEC has positioned itself as the world's leading incubator for financial literacy research, policy, and solutions.

39. Created in 2008, the OECD International Network on Financial Education (INFE) promotes and facilitates international co-operation between policy-makers and other stakeholders on financial education issues worldwide. It serves as a platform to collect data on financial literacy, develop analytical and comparative reports, research, and develop policy instruments.

40. Five levels of financial literacy characterizes the PISA financial literacy assessment.

41. Investor Education Foundation, 'Financial Capability in the United States', 2016 <http://gflec.org/wp-content/uploads/2016/07/NFCS-2016-Final-Report-2.pdf>.

knowledge of these basic concepts. While learning seems limited, learning from mistakes is inefficient and costly, so it is important that learning occurs before financial decisions are made, that is, at school.

In the Millennial generation, Fintech does not replace financial education

In the digital age, one may wonder whether the use of fintech can lead to appropriate financial decisions, replacing the need for financial literacy. Our research conducted on American millennials⁴² concludes that young people who use mobile phones to make payments are less, not more, likely to display savvy financial behaviour. Specifically, those who use mobile payments are more likely to overdraw their checking account, pay more fees when using their credit cards, borrow from alternative financial services (e.g. use pawn shops and borrow using payday loans) and withdraw money from their retirement accounts. Millennials who use mobile payments also tend to have lower levels of financial literacy. However, we also find that mobile payment users who have high levels of financial literacy are less likely to engage in poor or costly financial behaviour. According to our research, financial literacy and fintech are complements rather than substitutes, i.e. new technologies associated with the use of financial services do not replace the importance of financial education, rather than enhance the need for it.

Another study of American Millennials that we conducted⁴³ using more recent data also concludes that they have very low levels of financial literacy and that, despite being frequent users of fintech, they are not well equipped to use technology in a savvy way. For example, 40% of Millennials use mobile phones to make payments. But their financial literacy levels, measured by looking at as many as 8 areas of personal financial management, are very low and are linked to poor use of financial technology. This study also concludes that financial literacy and fintech are complements, not substitutes, since mobile payment users with high levels of financial literacy display more savvy financial behaviour, for example in managing their bank account (and how often they overdraw their account) and in tracking their spending.

In a nutshell, financial literacy is a core competency, as important as reading or writing, and without which it is not possible to participate fully in the current digital economy. Everyone deals with financial issues and financial literacy is part of human capital. Financial issues are so complex that people cannot simply learn by themselves, they need to have financial education.

An encompassing definition of financial literacy can be summarized as follows: ‘financial literacy is a vision for the future’. The important question we need to ask ourselves in a digital economy is “which future do we want to build?”

42. Annamaria Lusardi, Carlo de Bassa Scheresberg, Melissa Avery, ‘Millennium Mobile Payments Users: a Look into their Personal Finances and Financial Behaviour’, Global Financial Literacy Excellence Center, 2016 (<http://gflec.org/wp-content/uploads/2018/04/GFLEC-Insight-Report-Millennial-Mobile-Payment-Users-Final.pdf>).

43. Paul J. Yakoboski, Annamaria Lusardi, Andrea Hasler, ‘Millennial Financial Literacy and Fin-tech Use: Who Knows What in the Digital Era – New Insights from the 2018 P-Fin Index’, TIAA Institute and Global Financial Literacy Excellence Center, 2018 (http://gflec.org/wp-content/uploads/2018/09/TIAA-Institute-GFLEC_Millennial-P-Fin-Index_September-2018.pdf).

Manuel Pereira

Director of the General Serpa Pinto (Cinfães) Group of Schools⁴⁴

"First of all, I would like to publicly thank you for the opportunity I've been given here to present the group of schools where I work, the General Serpa Pinto (Cinfães) Group of Schools, and the municipality that we are part of.

Cinfães is a municipality that stretches from the highest points of the Montemuro mountain range to the green banks of the Douro River, thus forming a space of many contrasts, ranging from villages corralled between valleys and hills, with a subsistence economy linked to the production of cattle, and riverside villages, whose survival is based on small-scale agricultural production, fruit production and small-scale river fishing. It has about 20,000 inhabitants and comes in last place in all the rankings in the research on the economic or social success of all the municipalities of the country. In fact, all indicators suggest a deprived municipality with a low employment rate and the lowest per capita income.

The workforce is mainly directed towards civil construction and therefore is subject to unpredictable seasonal conditions, be they of an economic, geographical or political nature. It is sensitive, responding to disparate needs, often making families temporarily dysfunctional or with just one parent.

In general terms, this is the profile of an entire community that sends its children to our schools and systematically requires the creation of differentiated strategic educational plans, which monitor the students' progress at school and within the family unit, or the constant monitoring of dysfunctional families that deteriorate to the point where they frequently implode, with all the underlying social or educational damage that is necessarily reflected in the essential learnings and behaviours and, at the extreme, in the educational and social success of the students.

This is the social profile of an entire community that has become accustomed to creating opportunities from difficulties. A community that has clung to the earth, whose horizons are always limited by the nearest mountain. This is the portrait of a community that legitimately influences any educational articulation project or plan and that naturally invites the school to build bridges that go beyond the closest horizon. It invites school to be less short-sighted and more forward-looking.

Therefore educational projects must be developed in the full knowledge of the reality and of the community of which it is part, so as to obtain safe gains and maximise key functional skills. It has to meet the real needs of the stakeholders. This is how the need arose to implement several specific training projects, among them the Financial Education project in the Group of Schools General Serpa Pinto (Cinfães).

Involve the community, conquer the future

We all realised that it was necessary to educate children and young people about the need to live according to the available resources, and that we had to save money in case of situations of diminished capacity or financial availability. Therefore, even before the financial crisis

44. The group of schools in the municipality of Cinfães covers the schools of 12 of the 17 parishes of this municipality in the district of Viseu. The group consists of nine pre-primary schools, 15 schools of the 1st stage and Escola E B 2, 3 General Serpa Pinto, Cinfães, which is the host school.

exploded in 2007-2008, we began to define lines of action that could contribute to the development and application among our students of approximation and motivation strategies in this area. We began by applying to a Community programme for a Financial Education project partnering with other European schools, then called the Comenius programme. The project was approved and coordinated by our group of schools, with schools from nine European countries as partners.

Over a period of two years, all of the schools developed work proposed by our project in the field of Financial Education. The work allowed the exchange of experiences among schools and also made it possible to learn about diverse realities as well as specific strategies developed by each school and each participating country. These were times of shared learning, embodied in regular meetings, where the activities carried out and the joint planning of others were evaluated. The project was remarkably successful among the partners and was even praised publicly by political bodies of the city of Warsaw in Poland. Even after the project had been concluded, all partner schools continued to develop activities in this area, which greatly promoted the project, and our school.

In developing our group's activity plan, we have continued to prepare motivating work plans in the area of financial education, involving all age groups, from pre-school students to all basic school students, including students with special educational needs.

The projects we have developed are essentially aimed at instilling in our students, from an early age, the importance of the value of work, while at the same time impressing upon them the idea that money is a consequence of work and that they can only have money for the work they carry out. We teach simple ideas and principles, through situations that were experienced and even constructed, where students are presented with opportunities to put knowledge into practice in simple economic and commercial areas. Of course, we cannot overlook the practical knowledge gained in the community, through visits to commercial establishments or banks, or through guided interviews. Learning about money and how to manage it, understanding its value, and realising that each object has a specific value, directly associated with several factors such as production, demand and supply, has been one of the matrix drivers of our work over the years.

Naturally, the community, especially the family, was called upon to collaborate in our goal of creating a shield capable of protecting us from financial and economic shocks and to guarantee new capacities that sustain socially and economically healthier lives. Parents and educators were invited to participate in the most diverse situations, such as fairs, the preparation of catalogues of products or prices, or even study visits, changing attitudes in the area of Financial Education. Preparing family budgets in accordance with financial availability, defining savings, investment, or loan mechanisms or learning to use banking or other products were areas that were also experienced in terms of training.

Parallel to this, we worked together with parents to bring about a culture of granting allowances to students, ensuring that they accompanied them in the regular management of the funds given. Since then, the municipality has been collaborating in these activities to promote a new order and a new vision in relation to the careful management of resources.

Everyone counts, everyone learns

In 2012, the group accepted the challenge proposed by the Todos Contam competition and applied for a project which received the appreciation of the National Council of Financial Supervisors (CNSF) within the scope of the National Plan for Financial Education⁴⁵ and which won a prize. The same happened in subsequent years, with the presentation of new projects for different age groups. The only year it did not happen was 2016, but the group and the community feel very proud of the success of participating in the Todos Contam competition, promoted by the CNSF.

The advent of the Todos Contam competition, together with the pressure of new technologies in the lives of our students, gave us the opportunity we needed to generalise the application of new motivation and articulation strategies in the area of financial education.

Motivating projects were prepared by a multidisciplinary team, made up of teachers, educators and students who every year put forward a plan to be developed throughout the school year. This plan is based fundamentally on the previous one and built on the basis of the evaluation of the work done, always integrating new values and new activities.

Within the curricular area of civic and environmental education, now Citizenship and Development, and cutting across all curricular areas, each and every opportunity is used to deal with key contents of various areas and especially the area of Financial Education. The Financial Education workbooks, which support students and teachers in addressing the topics defined in the Financial Education benchmark for the various education levels, are a fundamental support for the different curricular contexts and since their emergence have become a valuable support to teachers who thus have supporting documentation to assist them in an organised and systematic manner.

Educating for financial health is to educate for a more democratic society

With the Todos Contam competition, the National Plan for Financial Education and the CNSF are helping schools involve their students in a programme to renew their core learning in the area of Financial Education and to develop the skills necessary for their training as individuals. They help us to be the main players in a country that we want to be more modern, more sustainable, and more economically responsible. A country that is able to predict storms and crises in a timely manner and is prepared for the pressure of contingent economic and political factors in a future where they will also have a say.

Referring specifically to the previous school year, there were a number of key activities that involved the entire community. The project we presented was aimed at the first Stage of Basic Education and involved the entire community associated with it. I am referring to villages, families, students, teachers and assistants.

45. The National Plan for Financial Education is an instrument that recognises the importance of financial inclusion and education, defines the general guiding principles for its promotion, and supports the implementation of initiatives at national level. The Plan is a medium and long-term project where the guidelines defined for 2016-2020 continue and reinforce the strategy pursued in the first five years of implementation, between 2011 and 2015. The Plan has an integrated and coordinated vision of initiatives, recognising that improving knowledge and influencing the attitudes and behaviours of the population in this area is possible only with the involvement of a broad set of partners. The partnerships established with ministries and public bodies, business and financial associations, consumer associations, trade unions and universities allow the adaptation of financial training to the needs of specific target audiences and provide the necessary territorial coverage. Available at <https://www.todoscontam.pt/pt-pt/missao-e-objetivos> (Portuguese-language only).

During the year several activities were carried out, including plays, fairs or lectures that aimed to involve the community more. We wanted a greater contribution from all those involved and so we also decided that the annual carnival parade would be dedicated to the topic of financial education. It was a memorable journey. All classes and all schools in the group wore costumes or simply carried posters about the need to save and make good use of money. Thousands of people crowded the streets, and it was clear that the message had been clearly understood.

Carnival parade dedicated to financial education



<https://www.bportugal.pt/sites/default/files/conferencebcs3-02.mp4>

The school went out into the streets and invited everyone to rethink their habits of consumption, savings or waste. After all, in addition to Financial Education and in parallel with it, one of the goals of our Todos Contam project was to develop several projects in the field of tax education. We want our students to learn to save, but we also want them to learn to contribute by paying their taxes in a responsible manner in the future. Another path, but the same goals.

Of course we do not expect to change the world, much less leave the impression that we do something that others do not. In fact, there are many schools working in this area in an exemplary way. Educating for the value of work, for saving or for prevention is to help prepare a future where everyone has an obligation to contribute to a more informed, more supportive and more resilient country. Educating for the prevention of such acutely negative economic crises in an enlarged society, crises that are so destructive of family equilibrium, is to educate for a more prosperous future. Educating for financial health is educating for a more democratic and equal society, where everyone has the same opportunities and where there will be more jobs, more education and more responsible freedom.

In the words of Miguel Torga, from his well-known poem Sisyphus, "I will not rest, until I have done all the rest." It may seem presumptuous, but that's what we feel. We know that it's a job that can only bear fruit in the long term. But we're not going to give up working so our children and young people can have a better future than the one they sometimes seem doomed to have. After all, and still in the words and spirit of Miguel Torga, "Only the madness where we lucidly recognise ourselves is ours".

Isabel Alçada

President of the contest Todos Contam competition and Advisor on Education to the President of the Republic

"I would like to thank Banco de Portugal, represented by Luis Máximo dos Santos, Vice Governor, for the invitation to participate in this Conference on Banking Conduct Supervision. I would also like to greet Pedro Siza Vieira, Minister of Economy, as well as all those present. I eagerly accepted the invitation because I have followed with interest the many and varied initiatives of the National Plan for Financial Education, especially in the area related to School Education.

Right from the outset, the National Plan for Financial Education, launched in 2011, included children and young people as a target audience. With the intention of reaching this audience, Lúcia Leitão contacted the Ministry of Education and a partnership was set up for schools to become actively involved in the financial education of their students. The first step was to establish the Core Competencies for Financial Education. You probably already know about the core competencies. They were drawn up in partnership with the National Council of Financial Supervisors, in which Banco de Portugal played a key role, and with stakeholders from the Ministry of Education. Rosália Silva, who is present here today, was part of the team of the Ministry of Education.

Why do I consider the Core Competencies for Financial Education important? Because it corresponds to the objective of improving the knowledge, but also the financial behaviour, of children and young people, as well as adults, by including different types of financial education in the training action of schools.

A benchmark for Financial Education

And what do these core competencies provide? In the first place, they offer teachers, who are therefore involved in financial education, a guideline to avoid working aimlessly, since they define the scope, content and strategies to be adopted. Beyond that, and perhaps this is what is essential, they propose to schools the adoption of the principles of the National Plan of Financial Education: quality, accuracy, impartiality. Quality in the presentation of actions and materials. Accuracy, because scientific accuracy is required in the approach to the contents, regardless of the educational level. Impartiality, because, since financial activity is carried out by commercial institutions, it is crucial that there be impartiality in the way financial education is developed, separating it from the commercial interest of the institutions that are willing to support it. Another equally relevant point in the core competencies is the requirement of disclosure, to allow the public to access the educational contents, with analysis of what is done and what can in fact be achieved.

As brilliantly stated by João Costa, Secretary of State for Education, financial education forms part of the principles that guide education for citizenship. However, it does not necessarily reach all schools. Surely the question will arise: but if we consider it so important, why has it not become compulsory? For the reason that João Costa touched on here: if we included yet another compulsory subject in curricula that are already bursting at the seams, it would probably be dealt with in a more or less routine manner, without reaching the desired goal. In fact, the idea is for financial education to be effectively adopted, because education professionals recognise the need for financial literacy. For this reason, financial education, as an area of citizenship education, has been progressively embraced and its dissemination has been gradual.

Just a few minutes ago, Manuel Pereira, Director of the School of Cinfães, presented the project of his group of schools, developed over several years. The project was created by the director with his team of teachers following the recognition of the need to provide their students with this type of training, and right from the start involved the families and the community itself. This has led not only to genuine learning, with the acquisition of financial knowledge, but also to experimentation with how this knowledge can change behaviours.

We know how our behaviour is often the result of automatic responses. Often we are led to act in a certain way by mere impulse. If we integrate knowledge into the way we act, for example, when faced with the desire to consume, we will be better equipped to act correctly, which in the financial area becomes very important. Thanks to the financial education issues that have been worked on in school projects, children, young people and adults can improve their financial behaviour and act in a more prudent and informed manner.

Based on a set of topics and guidelines and always with the support of the Ministry of Education, the National Plan for Financial Education has challenged schools to develop projects in the area of financial education. These projects can all be found in the Todos Contam website. This website contains information, ideas, proposals and a considerable amount of resources for educational training. In addition to the website's offering, Financial Education Workbooks were published with exercises and activities directed at the first or second stage. The workbook for the third stage will be launched tomorrow. These books were designed to be used in the classroom and also as a backup for financial projects.

To ensure the interest and preparation of teachers, the National Plan for Financial Education carried out many training initiatives, supported by an e-learning system that was also created within the framework of the plan's activities.

And finally I would like to mention the launch of the Todos Contam competition, which I have followed more closely over the last few years, as a member of the jury. This year will be the seventh competition. The goals of the competition are clear: to challenge schools to integrate financial education activities in the development of their training in a structured and sustainable manner; to invite teachers to come together to reflect on what financial education is all about, consulting the Todos Contam website; to suggest that they carry out internal training initiatives, among the teaching staff and school leaders, with or without the support of specialists; to challenge them to create projects that are adapted to their students and to their educational community, stimulating, well-grounded, and consistent projects that may interest and engage students, parents, and the community.

This is what has happened over these past seven years. Many schools have participated in the competition. It does not cover all schools, or all groups of schools, but the quality of the participation has been significant. Special reference must be made to the Cinfães group of schools that has participated every year. But the fact that many groups do not compete does not mean that they don't carry out financial education. In this area of financial education, projects are the most structured and structuring achievements, but I believe there are other initiatives that we don't know about because schools haven't organised them as projects and haven't sent them in to the competition.

Addressing financial literacy with digital resources

From year to year, the projects and activities have included more and more digital resources, prepared by teachers, but often by the students themselves. It is commonplace to say that children and young people are the ones most at ease with digital resources. We know how attractive the internet is for young people. Mobile phones are today a powerful computer that is close at hand in all situations, both for young people and adults. And this instrument holds such vast potential for information that it's absurd not to use it as a training resource.

In our country, there have been debates about the question of the presence of mobile phones in the classroom. The debate is pertinent because communication via mobile phone is so enticing that it easily captures the attention and concentration of students for matters outside the classroom. In any case, if we know how attractive the digital world is and how young people are the segment of the population that has the most capacity to use the instruments at their disposal, we must consider ways to create educational digital resources, because in the absence of training materials, many others of a merely playful nature will emerge.

In order for financial education to reach more young people directly, it is essential that we provide training tools that are very close to them. Several studies have shown that if books are not readily available, new generations will read less, as there will be many other easily accessible means that end up winning the preference of our youth. So we need to have books close to children. And we can take advantage of the availability of mobile phones to provide accurate, credible, useful and, if possible, attractive information. It is perfectly compatible. In a world in complete transformation, where digital is so present and creates so much unpredictability, the idea of using digital resources in financial education is a good bet, which should be developed through multiple action, successively encompassing all schools across the country.

I'm not minimising the risks that can arise with the ease of access to the digital world. Some of them have already been mentioned here by Annamaria Lusardi who referred to our inability to anticipate and understand the risks of digital in financial practices. Banco de Portugal has just launched an initiative in the area of risk prevention and has just published a brochure to alert not only young people but also adults to the danger of reckless use of the internet.

As an author of books for young people, allow me this aside. I have written some books touching on the subject of Financial Education. The title of the last one, which will be published in November, is Digital Trap. It will form part of the Insurance and Citizenship collection, published by the Portuguese Association of Insurers, and aims precisely to provide young people, teachers and families with reading materials with information to protect them from the risks lurking in the digital world.

To end, I would like to encourage the National Plan for Financial Education to continue the excellent work it has done, to once again congratulate the promoters of the National Council of Financial Supervisors and to hope that the initiatives to be launched in the field of financial training are more and more widely embraced, both among young people and adults. Thank you."

The Vice-Governor of Banco de Portugal, Luís Máximo dos Santos, symbolically presented the Director of the Group of Schools General Serpa Pinto (Cinfães), Manuel Pereira, with a number of copies of the brochure '*5 dicas para ficares mais seguro online*' (5 tips to be safer online).

This brochure is part of the materials of the digital financial education campaign '*#ficaadica*', promoted by Banco de Portugal on Instagram and on the Bank Customer Website to raise awareness of school-age young people over the care to be taken when using digital channels to access banking products and services.



Brochure '*5 dicas para ficares mais seguro online*', available on the Bank Customer Website at:
<https://cliente bancario.bportugal.pt/en/material/5-tips-staying-safer-online-toptip>

Closing address



Pedro Siza Vieira, Deputy Minister.

Pedro Siza Vieira

Deputy Minister⁴⁶

"Vice-Governor of Banco de Portugal, Chairwoman of the Parliamentary Committee on Budget, Finance and Administrative Modernisation, Chairman of the Supervisory Authority for Insurance and Pension Funds, Chairman of the Portuguese Banking Association, board members of financial institutions, guests, ladies and gentlemen.

First and foremost, I would like to thank you for your invitation to attend this session and to close this conference on banking conduct supervision. The importance of this topic was emphasised in the previous speech of the Vice-Governor and the work done in this area over the past years by Banco de Portugal is impressive in its extent and depth. And it is also true that this is a good time to talk about banking conduct supervision. Ten years ago, on the morning of 15 September 2008, the Manhattan bankruptcy court ruled that Lehman Brothers Bank was insolvent. This was not the beginning of the financial crisis, but that moment will remain in our memories because it was the first time, and in a very significant context, that an institution too big to fail was declared insolvent.

Even today we are living with the consequences of this. Public institutions had to intervene decisively in the financial sector, central banks had to grow liquidity in the market, the governments of western countries became indebted not only to sustain demand but also to support a banking sector in bankruptcy. This created huge problems of recession, of unemployment. Large inequalities came about, public sector indebtedness was substantially increased, public policies were created to react to the situation that had been created, which in turn led to discomfort and voter dissatisfaction and generated political solutions that are now also manifest.

46. From 15 October 2018, Pedro Siza Vieira became the Minister of Economy in the XXI Constitutional Government.

It is impossible to exaggerate the importance of what happened on that morning of 15 September 2008. And at the origin of this insolvency are liquidity problems of a large financial institution, unable to meet the commitments it had in the short term. We may think that this is the origin of the problem, but if we think about the problem of this institution and of many others, behind it are problems of excessive risk tolerance, behaviours and conduct that precisely encourage risk.

The history of the insolvency of Lehman Brothers and the events leading up to it can and probably do serve as a case study in schools of why market conduct supervision exists. Complex products originated and distributed without their investors fully understanding the effects; the mix of activities between investment banking and the investment of own resources, for their own account, by a large institution; perverse incentives to risk taking by the remuneration systems of managers and employees of financial institutions; fragile governance systems with excessive concentration of power in large institutions, discouraging controls and disregarding the attitude towards risk, in search of immediate profitability; and finally a supervisor attitude that admitted and assumed that the market would naturally correct any excessive behaviour. These are, therefore, problems of conduct of the institutions which constitute the causes of excessive risk-taking, which are accumulated throughout the system, which are the origin of that event and of the entire crisis, the effects of which we are still experiencing.

In our country we also know of examples of problems of banking institutions' conduct. Portuguese institutions have run into difficulties and gone into insolvency, intervention had to take place, the problems had to be resolved, and once again, the origin of these problems had to do with misconduct. There were cases of the selling of opaque products. Cases of governance problems. Cases of clear conflict of interest in decision-making, causing enormous destruction of value, enormous destruction of capital and savings in a country so deprived of it. And once again huge sacrifices were demanded of our population. In Portugal, as in the rest of the Western world, problems of conduct in the banking system and in the various institutions are problems that deserve the attention of all.

It is therefore normal that, in the aftermath of this crisis, the attention of the political system and the major political decision-makers has focused on the issues of regulation and supervision of the financial system. After the emergency interventions, it was necessary to prepare the future, learning from the lessons of the past. That is why, first of all, there was international reflection on the solvency of banks, on their ability to afford sufficient capital buffers to absorb the risks they assumed and also their liquidity needs. It is normal to have regulated the ways of solving and liquidating financial institutions.

But since there are always problems of conduct, it is also normal for legislators, the political system and supervisors to be concerned precisely with problems of bank conduct, with increased attention to issues that have to do with the governance of institutions, the remuneration and qualifications of decision-makers and workers in the financial system, but also the protection of consumers in the origination and distribution of savings products. And finally, in the financial education and literacy of savers and citizens in general.

.....
 “We are therefore living in a context in which the demands on market conduct supervision and oversight of banks’ conduct necessarily take on greater importance.”

This also creates problems. Banks are now much more regulated and supervised. In order to carry out their activity, they need more capital and more liquidity. At the same time, they are confronted with a market in which interest rates are historically low, making it even more difficult to produce results to compensate for the capital they so need. The pressure on results increases. And so, even today, many years after that morning in September 2008, we continue to hear of behaviours that are unacceptable, surprising and illicit.

News like this is not among us, but stories from other countries reach us about market manipulation, manipulation of interest rates, creation of ghost customer accounts, cross-subsidisation in the various activities. These are problems which, therefore, continue to crop up and deserve attention, both from the managers of institutions and from supervisors. Market conduct supervision is thus a key issue in the proper functioning of a financial system. It is a key issue in the proper functioning of an economy, because it is not only the basis of the soundness and robustness of our institutions, but also of the confidence of consumers, savers and investors.

In Portugal, the task of banking conduct supervision rests with Banco de Portugal. It has fallen under Banco de Portugal's purview since 2008, and is a particularly demanding task, for reasons we already know. The Bank has taken on more responsibilities, it has more entities to supervise, it has to apply far more extensive rules, far more complex rules, it has to have a much closer, proactive and intrusive attitude towards those it supervises. It needs more resources and a different attitude than the one that traditionally tended to be that of bank supervisors. And in this task, it has to avoid falling into one of two extremes that can easily be those in which a supervisor stands. It has to avoid putting itself in that situation of simply checking formal compliance with rules and requirements, a situation in which the supervision task is exhausted by a bureaucracy that imposes costs and imposes purely and simply formal attention of those it supervises, without really safeguarding the interests that supervision must safeguard. But it also has the opposite risk, of an evaluation of the behaviour and culture of institutions based on simple rules of competences and on indeterminate general concepts, generating legal uncertainty, inhibiting innovation and the ability to do business. It is therefore a difficult task, which must be entrusted to experienced supervisors who are able to perform this duty.

The Government understands this need and this difficulty. In its programme, it committed itself to strengthening the soundness and independence and reorganisation of its regulatory and supervisory duties. It has, of course, translated into legislative activity, both when it proposes and when it intervenes in the legislative process, all the issues that are currently on the agenda, of European or national origin, which have an impact on market conduct supervision. But it also has a proposal to reform the architecture of the financial supervisory system that still upholds the idea that there are sectoral supervisors and that the market conduct supervision of the banking system falls under Banco de Portugal. Desirably in better interaction and greater coordination with other supervisors of the financial system, but relying on its experience, its capacity, its staff and its resources.

Therefore, I would once again like to congratulate Banco de Portugal for its ability to reflect, to learn and to provide training in matters that are decisive, such as those of market conduct supervision. I would also like to congratulate it for its investment in the financial education and financial literacy of our population, particularly that of our young people.

“In the world we live in, the ability to assess risks, to make the best choices in the application of savings, in terms of access to credit, is also a fundamental condition for achieving life projects and access to prosperity.”

In this regard, I would also like to applaud the fact that this conference included a session on the financial education of young people, and I congratulate, in particular, those who are directly involved in the development and support of educational communities. Thank you very much. I wish you every success in your task.”



Luís Máximo dos Santos, Vice-Governor of Banco de Portugal.

Luís Máximo dos Santos

Vice-Governor of Banco de Portugal

“Allow me to begin my address by greeting and thanking the following for being present: the Minister of State, Pedro Siza Vieira; the Chairman of the Committee on Budget, Finance and Administrative Modernisation of the Portuguese Parliament, Teresa Leal Coelho; the Chairman of the Portuguese Insurance and Pension Funds Supervisory Authority, José Almaça; the Vice-Chair of the Portuguese Securities Market Commission, Filomena Oliveira; and the chairs and directors of the financial institutions represented. I also give my heartfelt thanks to all the speakers for having accepted Banco de Portugal's invitation to join us at this Conference and enrich it with their excellent speeches.

I would also like to give a special mention to those participants from central banks, banking conduct and government authorities of other countries, namely South Africa, Germany, Belarus, Brazil, Croatia, Spain, Italy and Malta. We are very pleased to have welcomed you. I hope that the work of our Conference has corresponded to your expectations and permit me to assume that it has, given the exceptional quality of the interventions.

Ten years ago, the world was plunged into a major financial crisis centred on the United States and Europe. It has been considered the greatest economic and financial crisis since 1929. This time international cooperation and the actions taken by public authorities, namely central banks, prevented the onset of a Great Depression like that of the 1930s.

However, we did not escape a Great Recession which had tremendous consequences at an economic and social level, seriously affecting the lives of many millions of people and the effect of which are still felt today.

Also ten years ago, the Portuguese legislator – by way of Decree-Law No 1/2008 of 3 January 2008 – recognised that the legal framework hitherto in existence was clearly insufficient to adequately protect the interests of bank customers. The new legislation was designed to enable more active intervention by the supervisory authority, aiming to reinforce powers of oversight, decision and sanction. Quoting the preamble of the aforementioned decree-law, it enshrines “conduct supervision of the credit institutions and financial companies, within the framework of the powers of Banco de Portugal, providing the latter with the competences that enable it to carry on effective

action to ensure compliance with conduct regulations, be it via out-of-court procedures or customer complaints.”

But this Conference was not intended to mark past events regardless of how important they may be.

As we all know, the Conference programme is aimed at the problems of the present and near future and the new challenges they create. Its main objective is to reflect on these challenges collectively, obtain the contributions of players in other experiences nationally and internationally, some of whom do not necessarily have coinciding interests or points of view, but who – I am sure – share the common objective of contributing to a market in retail banking products that is efficient and innovative as well as characterised by a high level of compliance with consumer rights.

If it is true that this Conference does not aim to commemorate past events, it would be very unfair on this occasion not to pay recognition to the teams that, under the leadership of Lúcia Leitão, ensured Banco de Portugal’s mission of banking conduct supervision, and which became a separate department in 2011. It is worth highlighting that this role is exclusively carried out at the national level, which makes it even more important.

“As we know, the financial crisis profoundly shook the confidence of society in general in banking institutions. This meant that the essence of the business of banking itself was affected. Restoring confidence in the financial sector therefore became a public priority, taken up by political actors, regulators, supervisors and of course by the institutions themselves.”

A great many of the problems resided precisely in the existence of serious shortcomings in the conduct of institutions with their customers; the result of unsuitable or inoperative governance systems and a deeply wrong institutional culture.

In fact, the crisis came to expose the risks faced by bank customers even more clearly, especially at the level of credit, and the consequence of such risks to the financial system and economic activity in general.

The acquisition of products unsuited to customers’ risk profile and financial capacity, especially in terms of mortgage credit, generated a significant number of default situations, with a strong impact on households’ economic situation and the quality of financial institutions’ asset quality.

Retail banking products, traditionally simple and easy to understand, grew in complexity, incorporating characteristics that increased their risk, making them more difficult to understand and assess, thus accentuating the asymmetry of information between customers and institutions. In a context of greater access to credit by households and the management of their savings through the banking markets, exposure to these risks and their effects became even more dangerous.

The financial crisis and its consequences made it inevitable that these issues took on great importance in the agendas of legislators and supervisors. Their discussion was intensified in various international fora, leading to the systematisation of recommendations as to which best practices should be adopted in the sale of banking products and the preparation of regulatory legislative initiatives.

“This additional regulation has led to a process of change in the scope of intervention and way in which the retail banking market supervisor acts, with frequent discussion of the transition to a new paradigm in conduct supervision.”

In this new paradigm, as well as the traditional concerns related with the transparency of information and conduct obligations that the institutions are obliged to observe in their relationship with customers, banking conduct supervision intervenes in new areas.

The conduct supervisor acts upstream in the contracting process, by assessing compliance with the internal procedures adopted by the institutions within the scope of the creation and distribution of banking products and services, guaranteeing the suitability of such products and services and their chosen distribution channels, to the characteristics, needs and aims of their respective target markets.

Rules have been created for the institutions to implement approval and monitoring mechanisms for the remuneration policies of their employees involved in the preparation, sale and granting of mortgage credit and the credit intermediaries with whom they have contracts, aiming to prevent the occurrence of conflicts of interest.

Complementarily, specific knowledge and skills requirements have been established which the aforementioned staff must possess. These aim to ensure that, in addition to the information that is provided to bank customers, the institutions' employees possess a level of knowledge and skills that enable them to provide the required information to customers so that the latter understand the characteristics and risks of the products they aim to contract.

At another level, and considering the impact of their role in the credit market, the supervision perimeter of credit intermediaries has also been widened through the regulation and supervision of their activity through the recognition of the importance of their role in ensuring the responsible contracting of credit.

From 1 January 2018, credit intermediaries have been included in requirements for access to and the exercise of credit intermediation as well as duties of conduct and provision of obligatory information to consumers.

In parallel, the promotion of financial education has been recognised as an essential component in conduct supervision action, aiming to guarantee in the medium term, a public more empowered to make financial decisions. It is not enough to act from the product supply side. It is also necessary to act from the demand side.

Accompanying this evolution, the conduct supervision strategy adopted by Banco de Portugal is based on three vectors, which constitute the themes of this Conference's panels:

- The regulatory framework that covers and regulates the conditions to sell the products and services of retail banks;
- The requirement for institutions to comply with this regulatory framework, through oversight and the promotion of best practices; and
- The financial education of bank customers.

Ten years on from the financial crisis, it is evident that the conditions under which banking conduct supervision is carried out are profoundly different.

The regulatory framework has been greatly reinforced, requiring a more intrusive and complex supervision. There is a new regulatory approach that grants supervisors a greater margin of discretion in their activity, contrasting with even greater responsibility and level of demand. Public scrutiny is also more intense.

However, even more important is the fact that all this has taken place in a context of profound and accelerated transformation of the retail banking markets thanks to technological innovation and a multiplication of marketing channels.

The progressive digitalisation of the commercialisation channels of retail banking products and services has brought about new products and services, frequently through new entities, and new business models.

The growing supply of financial products and services online or through mobile applications, the entry of new actors in the market (such as Fintechs or social media companies), as well as the use of new technologies (blockchains and big data) are not only changing the relationship companies have with their customers as creating new challenges for supervisors.

It is important to highlight that the new technological tools can and should also be used as a facilitator of regulatory compliance, thus reducing their cost to the institutions.

In reality, supervisors have to give themselves the human and technological resources necessary to undertake effective supervision in a digital environment. Only then are they able to promote trust in the use of digital channels and contribute to a responsible supply by institutions. It is fundamental that either the marketing of innovative banking products and services, or that carried on in an innovative mould, does not jeopardise compliance with the regulatory framework or leave the bank customer unprotected. Guaranteeing security is perhaps the greatest challenge because of the difficulties it creates and for being a decisive factor in creating confidence.

It is not difficult to recognise that the current stage of the financial sector's development is extraordinarily demanding for banking institutions; so many are the challenges to be overcome: some the result of a past we all want to leave behind, others the result of a future that arrives every day. Knowing whether current regulatory measures are right or whether they are overzealous is a legitimate discussion and will always result in contradictory conclusions.

According to a famous aphorism, "If you think that education is expensive, consider the cost of ignorance!" I believe that the same logic can be applied to regulation: it is true that it has costs that are sometimes very high, but an absence of or insufficient regulation can have a much higher cost, as the 2008 crisis demonstrated, in the first place to the banking institutions themselves.

Is it better to pay the costs necessary to comply with more demanding regulation or carry the costs – no less elevated – with sanctions, litigation, loss of reputation and business?

The strongest argument that the banking sector can provide in favour of reducing the intensity of regulation is that the sector itself takes on an unequivocal commitment, perceived as such by the customer, to adopt a culture oriented towards regulatory compliance and customer satisfaction.

The culture of an institution must be rooted in exemplary management, valuing and rewarding suitable behaviours and penalising incorrect ones. Simple things that are in reality sometimes difficult to achieve.

Institutional culture is an immaterial concept which cannot be regulated. It must be understood as a central priority and not as an impressive adornment. It must be absorbed and seen as natural. It must be carried out systematically and coherently. It must be implicit in the business plan. And it must be extended, without exception, to every area of the institutions, as we all know examples of inadequate sectorial conduct that in itself led to collapse. It must be considered for the specificities of the institution. Therefore, despite the similarity between these proposals, institutional cultures do not have to be identical.

A strong institutional culture, based on solid values, protects banks, including from failures in governance. It can even be considered a risk reduction mechanism.

The creation of an institutional culture is a task for the boards of banks and not for regulators and supervisors, although they can have a supporting role in creating a suitable culture.

Changing the culture of an institution is a difficult, long-term task. An old Dutch adage says that trust arrives on foot but leaves on horseback. It is even worse these days: trust can be lost at digital speed, but for it to return, it continues to take a long time.

Conduct failings are obviously not exclusive to the financial sector. The problem is that the consequences are more damaging.

Ten years after the financial crisis, the most enlightened protagonists from the financial sector have understood well how conduct failings can be costly at various levels. This is why it is in their interest and that of the institutions they manage to travel unambiguously towards recovering trust and rejecting the culture that was the basis for the 2008 crisis.

We all hope that this happens as we will all benefit. There cannot be economic development without a strong banking sector. The proof of this is precisely what happens when it fails.

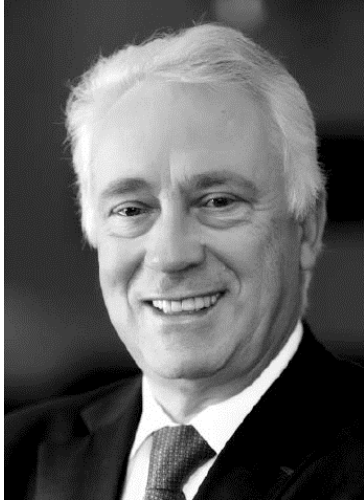
We are therefore following a common path from different positions. To be successful each of us has to complete their mission. On behalf of Banco de Portugal, I reaffirm our total commitment to fulfilling the public mission entrusted to us.

Thank you very much."





Annex Curricula



Carlos da Silva Costa

Governor

Governor since 7 June 2010.

He is a member of the Governing Council and of the General Council of the European Central Bank, the General Board of the European Systemic Risk Board and the Financial

Stability Board Regional Consultative Group for Europe. He is the Chairman of the National Council of Financial Supervisors.

He is honorary Vice-President of the European Investment Bank (EIB), Visiting Full Professor at the Portuguese Catholic University of Portugal – Porto and at the University of Aveiro, and Chairman of the Consultative Council at the Católica Porto Business School.

He graduated in Economics from the Faculty of Economics of the University of Porto (1973).

From October 2006 to May 2010 he was Vice-President of the EIB, with responsibility for EIB funding and for EIB financing operations in Portugal, Spain, Belgium, Luxembourg, Latin America and Asia.

Member of the Market Participants Consultative Panel at the Committee of European Securities Regulators (2008-10).

Vice-Chair of the European MANUFUTURE High-Level Group (2005-06).

From April 2004 to September 2006 he was Executive Director of Caixa Geral de Depósitos, Chairman of the Board of Directors of Caixa Geral de Aposentações, Chairman of the Board of Directors of Banco Nacional Ultramarino, S. A., Macao, and President of Banco Caixa Geral (Spain). From January to August 2005 he was also a Board Member of Unibanco Holdings, S. A., Brazil.

General Manager of Millennium BCP (2000-March 2004) and member of the Board of Directors of the Euro Banking Association (2001-03).

From 1993 to end-1999 he was Head of Cabinet of European Commissioner João de Deus Pinheiro, in charge of Communication, Culture and Audiovisual policies (1993-94) and EU cooperation policy with Africa, the Caribbean and the Pacific (1995-99).

Coordinator of the Economic and Financial Affairs Department in the Portuguese Permanent Representation to the European Union and member of the EU Economic Policy Committee (1986-92).

From 1988 to 1992 he was a member (in a personal capacity) of the Portuguese Higher Council for the Reform of the Financial System – 1992. This Council released the *White Paper on the Financial System*, which formed the basis for a comprehensive reform of the legal framework governing the Portuguese financial system.

Non-executive member of the Board of Directors of Statistics Portugal (1990-92).

From 1981 to 1985 he was Head of the Research Department on the Portuguese Economy of Banco Português do Atlântico, having joined this bank in January 1978.

Lecturer at the Faculty of Economics of the University of Porto (1973-86) and Professor of a post-graduate course at the Centre for European Studies of the Catholic University of Portugal – Porto (1986-2000).

He was distinguished with the honour of 'Grand Officer of the Order of Prince Henry the Navigator'.



Pedro Siza Vieira

Minister in the Cabinet of the Prime Minister

He has read Law in the Law School of the University of Lisbon (1987).

Pedro Siza Vieira was teaching assistant at the Law School of the University of Lisbon, assistant professor at Universidade Autónoma de Lisboa and visiting professor at Universidade Católica Portuguesa and Universidade Nova de Lisboa.

He was also a lecturer in post-graduate studies and courses promoted by several institutions, including Universidade Nova de Lisboa, Oporto Law School of Universidade Católica Portuguesa, and Law School of Coimbra University, in subjects such as public procurement, administrative litigation, arbitration, banking law, project finance and insolvency.

As a lawyer, he was a partner at Morais Leitão, J. Galvão Teles e Associados, Sociedade de Advogados and a partner at Linklaters LLP between 2002 and October 2017, and as served as the Managing Partner of the firm's Lisbon office between 2006 and 2016.

He was in the arbitrations panel of the Centre for Commercial Arbitration of the Portuguese Chamber of Commerce and Industry, the Commercial Arbitration Institute of the Oporto Commercial Association, Concórdia (Conciliation, Conflicts Mediation and Arbitration Centre), the Mediation and Arbitration Centre of the Portuguese Chamber of Commerce in Brazil and CREL (Extrajudicial Dispute Resolution Centre of the Ministry of Justice and Human Rights of Angola).

He was a member of the board of directors of the Portuguese Association of Law Firms and president of the Portuguese Arbitration Association.

Pedro Siza Vieira has been a member of several working groups for the elaboration of legislative proposals, including the Law of Urban Planning and Building, the Civil Liability of the State and Other Public Bodies and the Portuguese Arbitration Law.

He was a member of the High Counsel of the Administrative and Fiscal Courts and member of the Executive Committee of the Task Force for the Capitalization of Companies.



João Costa

Secretary of State of Education

Secretary of State of Education since November 2015.

João Costa is a Full Professor of Linguistics at the Lisbon NOVA School of Social Sciences and Humanities.

He graduated in Linguistics from the University of Lisbon, and completed his PhD in Linguistics at Leiden University, in the Netherlands. During his studies, he was a visiting scholar at the MIT.

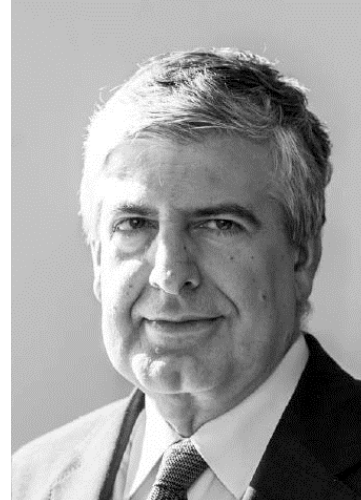
His area of research/teaching chiefly focuses on theoretical syntax, language acquisition and language development disorders, and he has also worked in the field of educational linguistics. He has written several books and dozens of articles, and acts as member of the scientific and editorial council at a number of major journals and committees.

He has been a guest lecturer at several universities in Brazil, the Netherlands, Spain, France and Macau.

Up to November 2015 he was the Dean of the Lisbon NOVA School of Social Sciences and Humanities.

Up to November 2015 he chaired the Scientific Council for Social Sciences and the Humanities at Fundação para a Ciência e Tecnologia (the Portuguese national funding agency for science, research and technology).

He was a member of the Scientific Council of the National Reading Plan, the Scientific Council of the International Portuguese Language Institute and the Advisory Council for the Portuguese Language and Culture of Instituto Camões.



Luís Máximo dos Santos

Vice-Governor

Member of the Board of Directors of Banco de Portugal since June 2016 and appointed Vice-Governor in September 2017.

Chairman of the Board of Directors of Banco Espírito Santo, S. A. (2014-16), appointed by Banco de Portugal, and President of the Liquidation Commission of Banco Privado Português, S. A. (2010-16), appointed by Tribunal do Comércio de Lisboa (Lisbon Commercial Court), on a proposal from Banco de Portugal.

Master's degree and graduate in Law (Legal-Economic Sciences) by the Faculty of Law of the University of Lisbon.

He lectured at the Faculty of Law of the University of Lisbon and also lectured in the postgraduate programmes in European Studies and Financial Markets at the European Institute and the Institute for Economic, Financial and Tax Law, respectively, both at the Faculty of Law of the University of Lisbon.

He was a tax arbitrator at the Centro de Arbitragem Administrativa (CAAD), (Administrative Arbitration Board).

He participated in various working groups under the auspices of the Ministry of Finance: he chaired the Working Group for the Re-evaluation of Tax Benefits (2005), and was a member of the Working Group for the Revision of the Local Finances Law (2005-06), the Coordination Structure for Tax Reform (2000-01) and the Commission Studying the Taxation of Financial Institutions and Products (1997-98).

He was a member of the Supreme Judicial Council (2000-09) and the Supreme Council of the Administrative and Tax Courts (1997-99). Furthermore, he was a lawyer for the Portuguese Republic and represented the Portuguese Government in various proceedings at the Court of Justice of the European Union.

He joined the editorial boards of several scientific publications.

Author of several works (articles and monographs) published in areas of his expertise.

Distinguished with an award granted by the German Foundation Alfred Toepfer Stiftung, with head office in Hamburg, awarding works related to European Integration, on the occasion of granting of the Robert Schuman Award to His Excellency the President of the Portuguese Republic, in 1987.



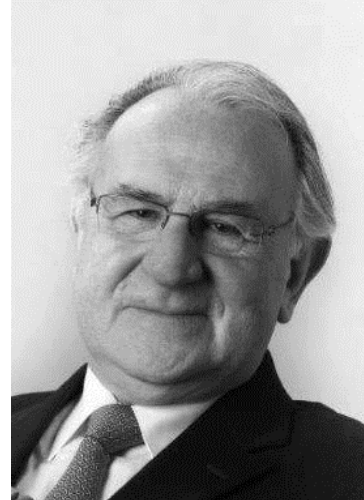
Pedro Duarte Neves

Speaker Panel I

As of June 2017 has chaired the EBA's Committee on Consumer Protection and Financial Innovation. He acted as Alternate Chairperson from July 2013 to June 2018 and, over the past few years, chaired a number of European groups on economic and financial matters in the scope of the Financial Stability Board, the European Banking Authority and the Joint Committee of the European Supervisory Authorities.

Pedro Duarte Neves was Vice-Governor of Banco de Portugal from June 2006 to September 2017. During that period, he also chaired the Management Committee of the Deposit Guarantee Fund, the Management Committee of the Resolution Fund and the National Council for Audit Supervision. He chaired the National Communications Authority (Autoridade Nacional de Comunicações – ANACOM) from September 2004 to June 2006. As of September 2017 he acts as Adviser for the Board of Directors of Banco de Portugal.

Pedro Duarte Neves is a Visiting Professor at Católica Lisbon School of Business & Economics. His articles were published in scientific journals, such as *The Journal of Econometrics*, *Economics Letters* and *Economic Modelling*. He has also published several articles in the Economic Bulletin of Banco de Portugal, focusing on various topics related to the Portuguese economy. He completed his PhD in Economics at Université Catholique de Louvain, and undertook research at the University College London, the Institute for Fiscal Studies and the Center for Operations Research and Econometrics.



Fernando Faria de Oliveira

Speaker Panel I

He graduated in Mechanical Engineering from Instituto Superior Técnico (1965).

He launched his professional career at SOREFAME in 1965, and was subsequently a Member of the Board of Directors of Siderurgia Nacional, S. A. Between 1983 and 2002 he acted as Executive Director and Vice-Chairman of the Board of Directors of IPE – Investimentos e Participações Empresariais, S. A., and subsequently at Hospitais Privados de Portugal, S. A.

From June 2005 to December 2007 he chaired the Executive Committee of Banco Caixa Geral (Spain). He was (Executive) Chairman of the Board of Directors of Caixa Geral de Depósitos between January 2008 and July 2011 and Chairman between July 2011 and June 2013.

He was a non-executive member of the Board of Directors at CELBI – Celulose da Beira Industrial (1987-88), TAP Air Portugal, SGPS, S. A. (1998-2006), ICEP (1986-88), and of the General and Supervisory Boards at EDP – Energias de Portugal, S.A. (2008-11), inter alia.

As of 2012 he chairs the Board of Directors of the Portuguese Banking Association and, by extension, is a Member of the Advisory Board of Banco de Portugal, and a Board Member at the European Banking Federation.

He performed governmental functions for several Governments, as: Secretary of State for Exports (1990-93), Under-Secretary of State to the Deputy Prime Minister (1985), Secretary of State for Finance and the Treasury (1988-89), Under-Secretary of State and of Finance (1989-90) and Minister for Trade and Tourism (1990-95).

He was awarded a number of foreign honours, in Spain, Brazil, Italy, Japan, Morocco, Chile and Hungary. In April 2014 he was distinguished with the Grand Cross of the 'Order of Prince Henry the Navigator'.



Vinay Pranjivan

Speaker Panel I

He graduated in Economics from ISEG – Lisbon School of Economics & Management (1998).

He has a Master's Degree in Business Economics and Competition from ISCTE – Business School (2017), with a thesis entitled *Financial innovation and alternative finance: A comparative analysis of the objectives of regulation and its impact on lending based crowdfunding in France and in the UK*.

He is an expert in consumer protection in financial services.

He provides expert services to DECO, the Portuguese Association for Consumer Protection, on topics related to the use of financial services.

He represents DECO at FSUG – Financial Services User Group, established by the European Commission.

Between 2013 and 2016 he worked at the EBA as policy expert in consumer protection and financial innovation.

Previously, he spent 8 years at DECO-Proteste as an expert in consumer protection on banking products matters.



Teresa Moreira

Speaker Panel I

She has acted as Head of the Competition and Consumer Policies Branch at UNCTAD – UN Conference on Trade and Development since 5 October 2016. She was Director-General of the Portuguese Consumer Directorate-General from January 2010 to September 2016, and Board Member of the Portuguese Competition Authority, when it was first established (March 2003-March 2008). Previously, she acted as Director-General and Deputy Director-General for International Economic Relations in the Ministry of Finance (1996-2003), and held senior positions at then called Directorate-General for Competition and Prices.

She worked for 20 years as Visiting Assistant Professor at the Faculty of Law of the University of Lisbon, lecturing on Economic Law, most notably International Economic Law and European Law, as well as European Competition Law and European Economic Law, on the postgraduate courses organised by the European Institute and the Institute for Economic, Financial and Tax Law at the Faculty of Law.

Teresa Moreira graduated in Law and holds a Master's Degree in European Law (European Competition Law) from the Faculty of Law of the University of Lisbon.



Fernando Coalho

Moderator Panel I

As of July 2012 is Deputy Head of the Banking Conduct Supervision Department of Banco de Portugal. Previously, he coordinated the Banking Conduct Regulation Area at the Banking Supervision Department of Banco de Portugal. He represents Banco de Portugal at the Sub-Committee on Consumer Protection and Financial Innovation of the Joint Committee of the European Supervisory Authorities.

Fernando Coalho started to work in 1991, at the Economics and Research Department of Portugal Telecom, and subsequently worked in the financial market area. He coordinated the Issuing and Markets unit at the Portuguese Treasury and Debt Management Agency and worked as a macroeconomist at Banco de Portugal and the Ministry of Finance. He acted as Consultant to the Technical Budget Support Unit at the Assembly of the Republic, when it was first established.

He graduated in Economics and has a Master's Degree in Applied Economics from Lisbon NOVA University.

Magda Bianco

Speaker Panel II



Works at the Bank of Italy as Head of the Consumer Protection and Anti-Money Laundering Directorate since 2014, after a number of years at the Research Department, which she joined in 1989. She was Economic Counsellor for the Minister of Justice and is currently Consultant on economic policies for the President of the Republic.

She coordinated projects and published articles on corporate governance, the economics of civil justice, market regulation, gender issues. She has taught in various Italian Universities. She is currently coordinator of the Equal Opportunities Commission of the Bank of Italy.



Fernando Tejada

Speaker Panel II

He is the Director of the Market Conduct and Claims Department at Banco de España since July 2013.

He joined the Banco de España as an Economist in 1987. Since then he has developed an intensive activity in a series of responsibility and management positions in different areas.

His current duties relate to regulation and supervision of banks' conduct, transparency and good practices; oversight of advertising; redress mechanisms; and financial education.

Highly experienced in the international arena, he currently participates in some regular fora, i.e. Governing Council, FinCoNet, G20; Technical Committee, International Network on Financial Education, OECD; CEMLA Financial Literacy and Inclusion Committee; and Latin American and the Caribbean (LAC) Regional Network of the OECD International Network on Financial Education.

Since 2010 he is an active member of the Permanent Financial Literacy Group within the Spanish Financial Education Plan.

Graduate in Economics and Business Administration (Universidad Autónoma de Madrid, June 1982); Management Programme (IESE, June 2006) and Leadership & Change Management Programme (IESE, June 2014).



Maria Lúcia Leitão

Speaker Panel II

She is Head of the Banking Conduct Supervision Department, Central Bank of Portugal (Banco de Portugal).

With a background in Economy and European Studies, Maria Lúcia Leitão is since its inception (in 2011) the Head of Banking Conduct Supervision Department at the Banco de Portugal following her appointment as Deputy Head of Banking Supervision Department in 2007.

Maria Lúcia Leitão is also the Chair of the Steering Committee of the Portuguese National Strategy for Financial Education lead by the three financial supervisory authorities.

Maria Lúcia Leitão actively participates in several international fora dedicated to financial consumer protection and financial education. At the international level, Lúcia Leitão is Vice-Chair of the International Financial Consumer Protection Organisation (FinCoNet) and she is a member of the Advisory Board of OECD/INFE (International Network on Financial Education). At the European level, she participates as a member in the Standing Committee on Consumer Protection and Financial Innovation of the EBA (European Banking Authority). She also participates in the G20/OECD Task Force on Financial Consumer Protection. She also participated in the Joint Committee of the European Supervisory Authorities (ESAs).

Maria Lúcia Leitão also participates at international gatherings invited by organizations such as the G20/GPFI, United Nations Conference on Trade and Development (UNCTAD), World Bank and Child and Youth Finance International.



Bruno Proença

Moderator Panel II

He is the Head of the Communication and Museum Department of Banco de Portugal, which is in charge of the institution's external and internal communication, as well as of managing the Money Museum and social responsibility policies. Before joining at Banco de Portugal in 2014, he was a journalist for 15 years, having worked as Executive Director of *Diário Económico*. He also taught at ISCSP-UTL to Master's students in Journalism, and is currently in charge of a number of seminars as part of courses for business professionals at AESE/IESE.



Annamaria Lusardi

Speaker Panel III

She is the Denit Trust Endowed Chair of Economics and Accountancy at the George Washington University School of Business (GWSB). Moreover, she is the founder and academic director of GWSB's Global Financial Literacy Excellence Center (GFLEC). Previously, she was the Joel Z. and Susan Hyatt Professor of Economics at Dartmouth College, where she taught for twenty years. She has also taught at Princeton University, the University of Chicago Harris School of Public Policy, the University of Chicago Booth School of Business, and Columbia Business School. From January to June 2008, she was a visiting scholar at Harvard Business School. She holds a Ph.D. in Economics from Princeton University and a BA in Economics from Bocconi University in Milan, Italy.

Dr. Lusardi has won numerous research awards. Among them is a research fellowship from the University of Chicago Harris School of Public Policy, a faculty fellowship from the John M. Olin Foundation, and a junior and senior faculty fellowship from Dartmouth College. She was also awarded the 2018 Oscar and Shoshana Trachtenberg Prize for Faculty Scholarship, the 2017 Skandia Research Award on Long-Term Savings (in Sweden), the 2015 Financial Literacy Award from the International Federation of Finance Museums (in China), the 2014 William A. Forbes Public Awareness Award from the Council for Economic Education, and the 2013 William E. Odom Visionary Leadership Award from the Jump\$tart Coalition for Personal Financial Literacy.

Dr. Lusardi chaired the Programme for International Student Assessment (PISA)'s Financial Literacy Expert Group. She currently chairs the OECD/International Network on Financial Education's Research Committee. She was recently appointed by the Italian Minister of Economy and Finance as Director of the Financial Education Committee in charge of designing the national strategy for financial literacy in Italy. In 2009, she served as a faculty advisor for the Office of Financial Education of the U.S. Treasury. On September 2018, she received an honorary degree of Doctor of Science (Economics and Business Administration) from the University of Vaasa in Finland.



Manuel Pereira

Speaker Panel III

He has a background in primary school teaching, and is specialised in School Management and Administration recognised as equivalent to a graduate course. He heads the Agrupamento de Escolas General Serpa Pinto de Cinfães and the national association for school leaders (ANDE, the acronym in Portuguese).

Agrupamento de Escolas General Serpa Pinto de Cinfães received prizes in five out of six editions of the Todos Contam (Everybody Counts) competition. The competition is promoted by the National Plan for Financial Education, which every school year picks the best projects on financial education across schools.

This Agrupamento was recognised for its projects for the 1st and 2nd stages of basic education, and received two special prizes from the jury: one to reward a project for students with special needs, and the other to honour the continuity of a project that has been implemented for a number of school years across stages of education. In the latest edition, the Agrupamento received the continuity prize bestowed upon multi-annual projects that have participated in three consecutive editions of the Todos Contam competition.



Isabel Alçada

Speaker Panel III

She is a writer, a teacher and a researcher.

She graduated in Philosophy from the University of Lisbon in 1974 and earned a Master's Degree in Sociology from Boston University in 1984. She completed a PhD in Educational Sciences from NOVA University Lisbon in 2016.

Throughout her career, she focused on teaching, teacher training, and held various positions in the field of education: she taught at the Lisbon School of Education, coordinated the team which launched the School Library Network Program, and worked as Commissioner for the National Reading Plan. She chaired the Serralves Foundation and served as Minister of Education for the 18th Constitutional Government.

She is a researcher at CITI-UNL and chairs the Associação para o Voluntariado de Leitura (Reading Volunteer Association).

She is a Board Member at the European Cultural Foundation.

Together with Ana Maria Magalhães, she has written books for children and young people.

She was distinguished with the honour of 'Grand Officer of the Order of Prince Henry the Navigator' by the President of the Republic in 2006.

She is currently an Adviser on Educational matters to the President of the Republic.

Since 2012 she has worked with the National Plan for Financial Education, and chairs the jury panel of the Todos Contam (Everybody Counts) competition.



Pedro Andersson

Moderator Panel III

He has been a journalist for over 20 years. He worked as a journalist for TSF radio between 1997 and 2001, when he was invited to found SIC Notícias, together with other journalists. He currently works as chief journalist at SIC TV network, where he is in charge on a segment of personal finances called Contas-poupança ('savings accounts'), which has been broadcasted on a weekly basis for 8 years.

He wrote two books on personal finances, called *Contas-poupança – Viva melhor com o mesmo dinheiro* (2016) and *Contas-poupança – Poupe ainda mais, Invista melhor* (2018).

