



## **1. General principles of regulation and supervision of consumer protection**

## **2. How to regulate and supervise the technological innovation in financial sector**

# Consumers' Protection

## Let's talk about financial market

Age

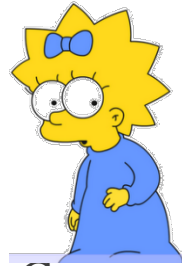
Childhood

Teenage

Adult

Retirement

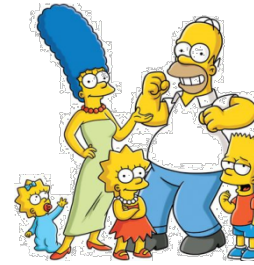
Events in life



Games  
Wishes



Wishes  
Studies  
Fun



Family  
House  
Jobs  
Holidays



Retirement  
Nephews

Unexpected events in life include losing the job, accidents, illness

----- Common elements – importance of financial planning -----

- Incomes -      - Expenses -      - Risk -      - Responsibilities -      - Wishes -

**Authorities should protect consumers, to fulfil their well-being, classical or digital!**

# What rights do we protect?

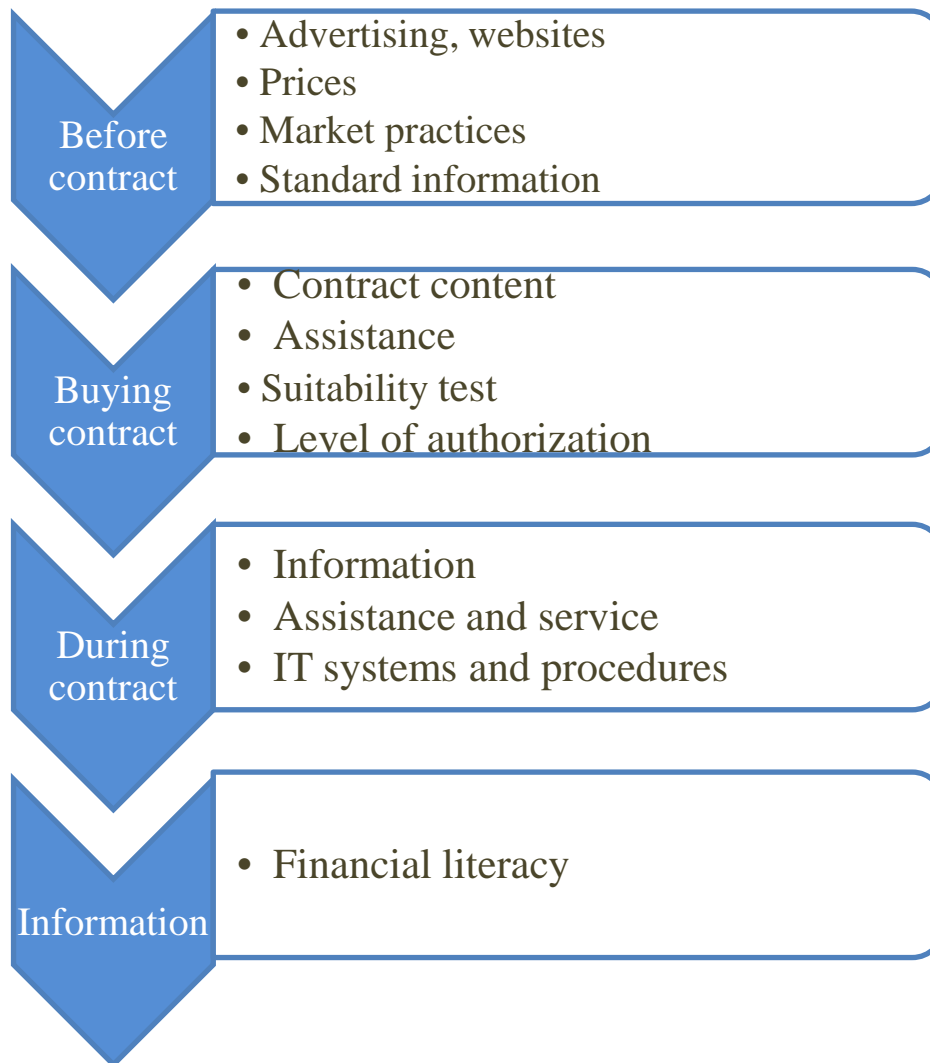
- **the right to be informed** –transparency, to allow access to information of interest in order to adopt rational decisions etc.
- **the right to know their rights and obligations** - to provide information dedicated to consumers and to conduct informational and educational campaigns, clear and formulated in a language close to them (simple and concise).
- **the right to negotiate and pay a fair price**, to compare prices between prices - ensuring that no monopoly or abuse, fraud, lack of transparency, misleading advertising, malpractice, etc. cases appear or unauthorized activities occur.
- **the right to receive assistance** - providing assistance to consumers through an accessible and free of cost system.
- **the right to complaint** and access to a dispute resolution system - restoring legality and normality situations.

# Yin & Yang of consumer protection

- **Preventive actions vs Reactive actions;**
- **Classical protection vs Business conduct supervision;**
- **A value chain model applied, by an integrated, functional and efficient organizational framework;**
- **Smart regulation and supervision starting from innovative public policies and strategies in an innovative new world;**
- **Prudential Regulation vs Conduct Regulation.**

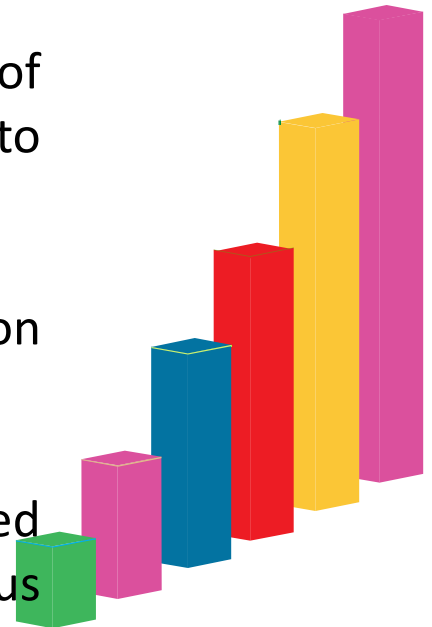


# When are we acting?



# Objectives of regulating the Business Conduct

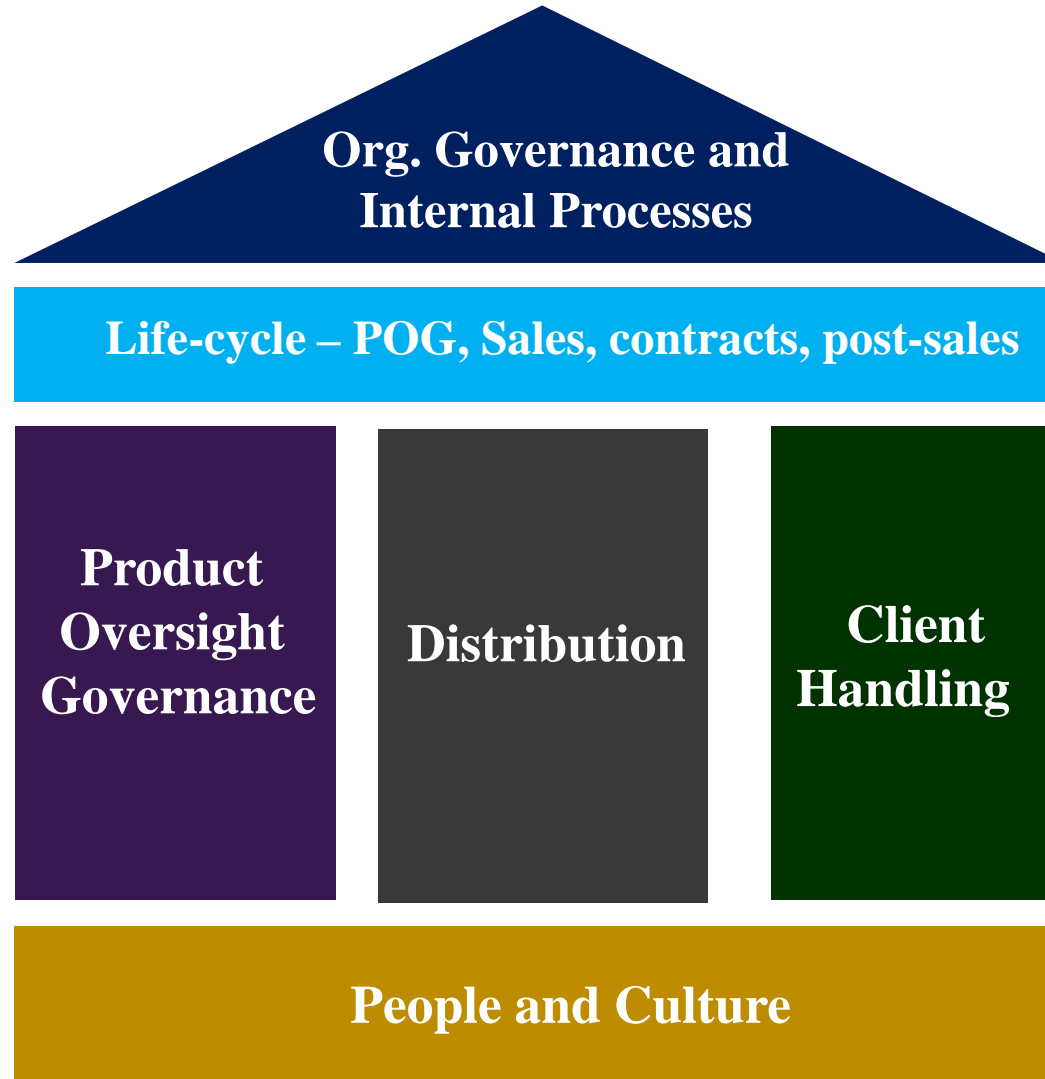
- Reducing consumer detriment by a more efficient consumer protection
- Ensuring fair treatment and protecting the rights of consumers throughout the life cycle of insurance products and related contracts
- Establish a system of components for the management of risks that can affect customers / consumers, in order to ensure fair conduct
- Conduct supervision is systematic, prospective, based on risk analysis.
- Applying the principles of proportionality, qualified reasoning and documentation at all stages, for a continuous process of conduct supervision



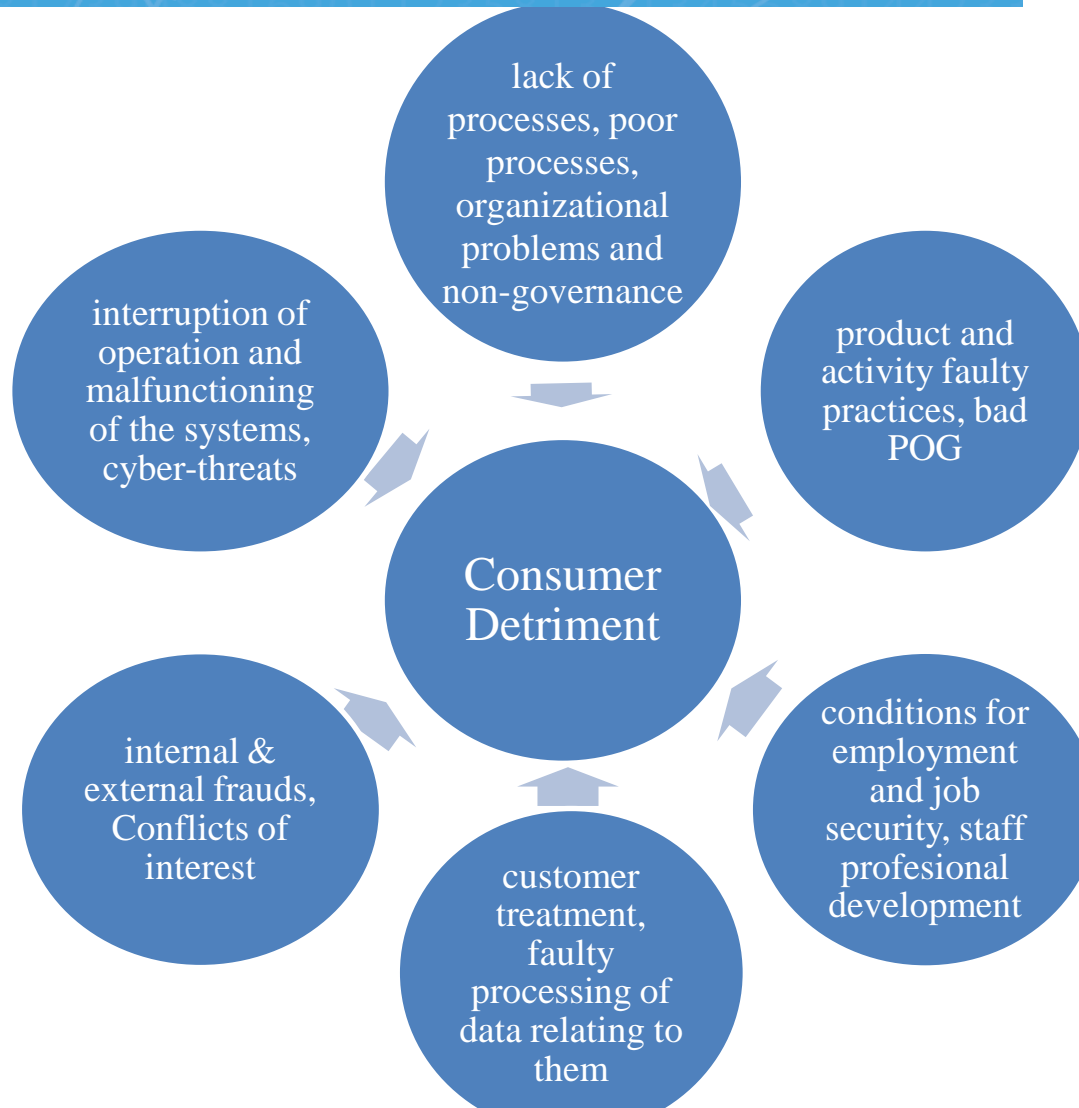
# Goals for a consumer protection through Business Conduct Regulation

- ✓ Best practices in governance, operational risk management, an appropriate organizational culture;
- ✓ Assessing how companies identify and manage consumer risks in the context of business strategies, business models, and internal processes;
- ✓ An adequate, transparent and consistent information flow between companies and clients;
- ✓ Identification and limitation of potentially incorrect elements of contracts
- ✓ Limit fraudulent practices by companies and their personnel;
- ✓ Correct implementation of distribution, limiting conflicts of interest, a good implementation of POG from the creation, testing and change, remuneration systems, professional competences for specialists and management;
- ✓ European market supervision convergence.





# Classical sources of consumer detriment



# Sources of consumer detriment generated by financial technologies

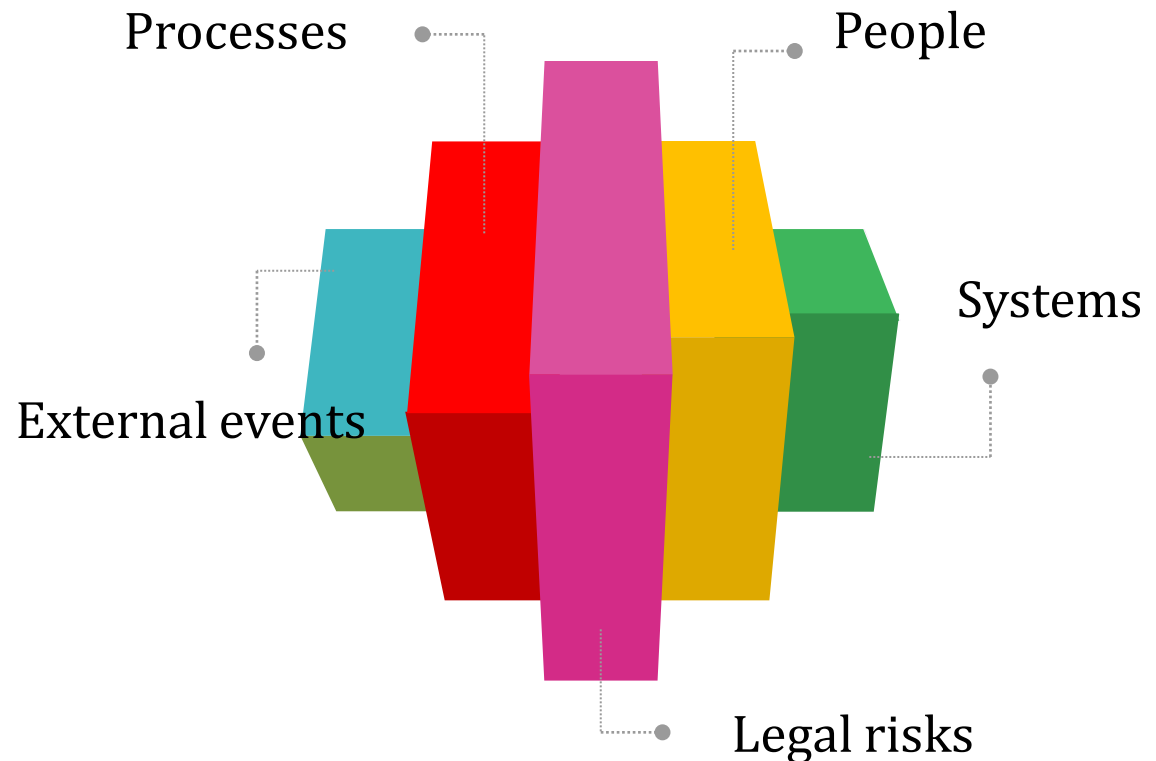


Analyzing post-loss & causal factors, all faulty events that **had a good chance of being prevented or detected if ...**

...Aggregate, analyze and escalate **Key Risk Indicators (KRIs) providing 'closer to real time information' using ...**

... **Innovative technologies** for prevention, structured & unstructured data analytics, pattern recognition, AI, etc.

Identify possible or effective losses from inadequate or failed:



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# How?

Creating FinTech HUBs at the level of national authorities

for

A controlled development of the new innovative technological products or services

to

- assure market stability
- protect the consumer/user

- ❑ **European Insurance and Occupational Pensions Authority (EIOPA) set-up a FinTech (InsurTech) Task Force**
- ❑ **It covers technology-enabled innovation, regardless of the nature or size of the provider of the services.**
- ❑ **Activities:**
  - **RegTech - Using innovations in regulation and supervision itself**
    - Analyzing and sustain regulation related to aspects of technological innovation from the perspective of a controlled development
    - Licensing requirements and regulatory barriers to financial innovation
    - To establish a structured framework where NCAs and FinTech firms would regularly exchange experiences and provide guidance in the area of financial innovation including applicable European regulatory requirements.
    - Big Data
    - Distributed ledger technology (DLT) / Blockchain
    - Cloud Computing
    - Convergence on supervision of algorithms
    - Insurance value chain and new business models arising from FinTech
    - Innovation Facilitators
    - Sustaining the establishment of an European Innovation Hub in insurance and pensions



## ☐ Romanian Financial Supervision Authority (ASF) set-up an InsurTech HUB

### OBJECTIVES



- Presenting the best practices in the field;
- Stimulating innovative technologies favorable to consumers; developing regulation and supervisory resources and the development of the insurance market;
- Monitoring of innovative technologies development from the perspective of:
  - the current regulations and those required to be applied in the future;
  - the conduct of companies that promote such solutions and
  - the conduct of entities that use innovation technologies and solutions.
- Supporting innovative technologies development in a controlled and consumer-friendly manner with the protection of their rights and interests from the perspective of digital identity, dematerialized assets and personal data.

## ACTIVITIES

- Proposals to support innovative technologies in insurance, including the required regulation;
- Providing ASF's support to insurance undertakings, technology companies and hubs to understand and enforce the regulation;
- Supporting the application of innovative technologies;
- Facilitating collaboration with the insurance / reinsurance market entities to exchange information on technological issues that support better regulation;
- Publishing information, recommendations.

## MEMBERS

- ASF;
- Insurance undertakings;
- Insurance intermediaries;
- Relevant insurance and IT associations
- Interested IT companies

## InsurTech Platform

<https://insurtech-hub.asfromania.ro>

The platform has the following features:

- Facilitate the exchange of information and ideas, specific to the field of technological innovations, between information technology companies, ASF and insurance undertakings;
- Implementing a knowledge warehouse on the use of emerging technologies in the insurance sector;
- Assessing of insurance market needs that can be addressed through the use of technology (questionnaires, case studies);
- Collecting InsurTech project proposals, validating them by ASF and promoting them, as appropriate, to the insurance undertakings and intermediaries.

## Idea stage

- Promote the generation of ideas

## Compliance stage

- Facilitate the process of compliance

## Implementation stage

- Test how the idea works in practice

## Expansion stage

- Facilitate expansion to all market

- **Networks or forums**
  - Exchange ideas for applications and initiate research
  - Share emerging trends
  - Facilitate synergies (e.g. incumbents and start-ups)
  - Identify regulatory barriers
- **Support units**
  - Encourage innovation in a specific area
- **Hackathons**
  - Brainstorming to solve specific market problems

- **Innovation hubs**

- Support to identify relevant regulation
- Support in how to comply with regulatory requirements
- Hub and spoke model
- Dedicated advisers

- **Regulatory sandboxes – THE MAIN REGULATION TOOL**
  - Test new ideas in a controlled environment
  - Provide feedback to adapt an idea or a regulation
  - Entry requirements include that an idea is innovative and that the consumers will benefit from it
- **Types of flexibilities offered**
  - Temporary license or exemption
  - Non-applicability of certain rules
  - Tailored regulations
- **Consumer protection maintained**
  - Suitability rules
  - Access to redress
  - Qualification requirements



## Mandate of oversight body

- How does promoting innovation fit?

## Keeping up with innovation

- Knowledge, identifying barriers and how regulations should apply

## Structural issues

- Financial institutions-focused regulation, local ownership, paper requirements

## Institutional culture

- How to promote a culture of innovation outside of hubs?

## Consistency

- Interpretation of regulation, variety of InsurTech

## Capacity

- Demand for regulatory support may exceed supply

## Capacity

- Resources and networks
- International approach

## Consistency

- Consistency in the application of regulation
- International cooperation to limit regulatory arbitrage

## Culture

- Organizational support and buy-in
- Adaptability to change

**THANK YOU!**

**Q&A**



**A.S.F.**

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