

# **Consumer protection requirements and supervisory activities - KNF's model**

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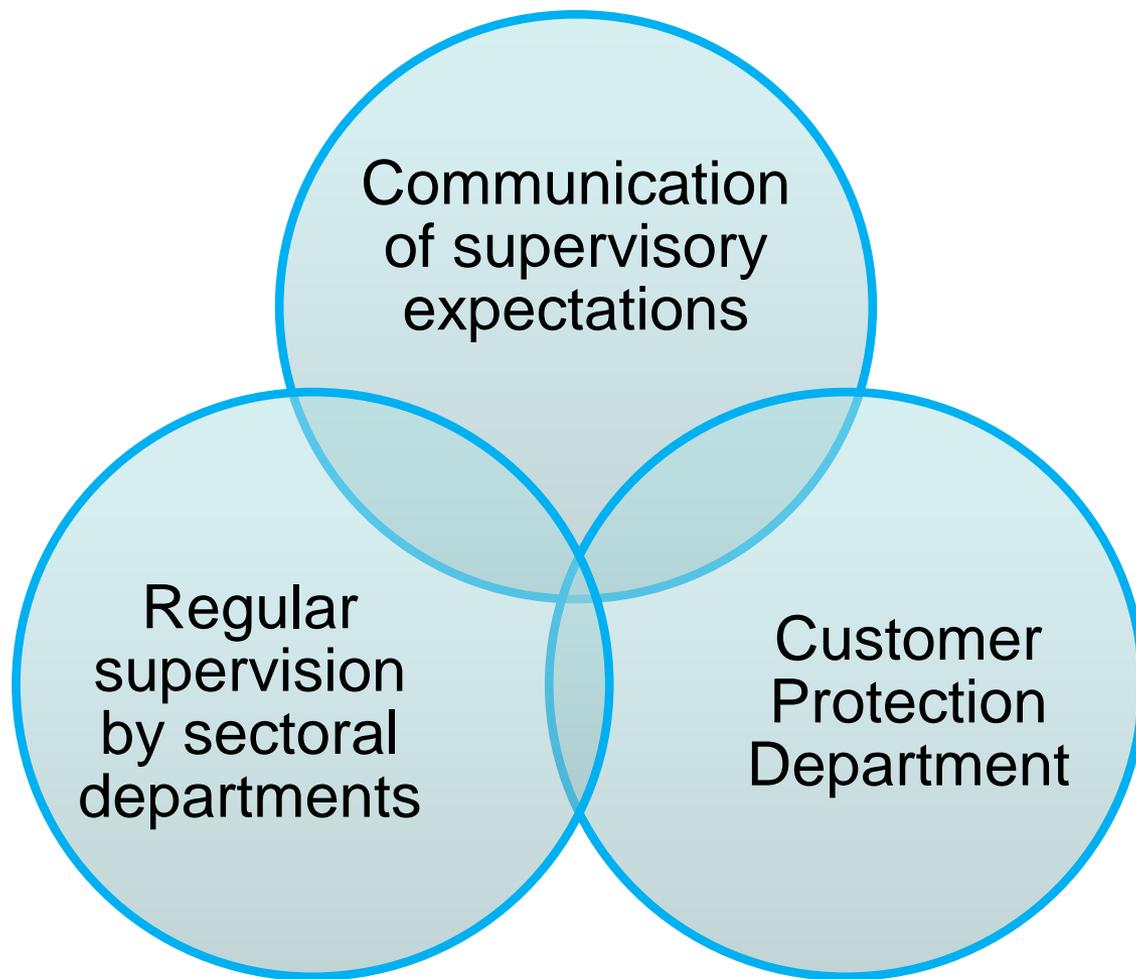


# A few words on the KNF

- integrated supervisor (all segments of the financial market)
- sectoral (most) and cross-sector departments
- one of the statutory objectives: protection of legitimate interests of market participants
- many areas are regulated by the Office of Competition and Consumer Protection rather than by the KNF



# Three complementary mechanisms





# Communication of supervisory expectations

## First: KNF interpretations

- serve to operationalise high-level provisions of legal acts
- give financial institutions clarity as to what the regulator expects
- where relevant, take into account guidelines of the ESAs
- are not legally binding in themselves but their goal is to **interpret** legal provisions rather than to create autonomous norms
- examples of issues: investment advice, forex, bancassurance





# Communication of supervisory expectations

## Second: KNF recommendations

- set out rules that are complementary to those stipulated in legal acts and operate **independently**
- set out guidelines on best practices
- provide for detailed obligations *inter alia* in the area of consumer protection
- express supervisory expectations and have no legally binding power, but are generally observed by institutions
- examples of issues: loan agreements, fx loans, bancassurance

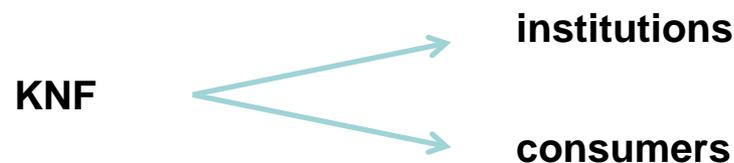
KNF  institutions



# Communication of supervisory expectations

## Third: education activities

- for institutions: seminars aimed at enhancing understanding of their obligations
- for institutions: letters highlighting activities that may constitute a breach of consumer protection law
- for consumers: campaigns aimed at increasing awareness of risk in the financial market, incl. free communication through public media
- example: joint campaign on retail loans with the Office of Competition and Consumer Protection and five other public bodies





# Communication of supervisory expectations

## Fourth: public warnings

→ communicating to the public information on legal actions taken against entities that offer financial services without an appropriate license, through the KNF web site and communiques in the media

**KNF**  **consumers**



# Regular supervision by sectoral departments

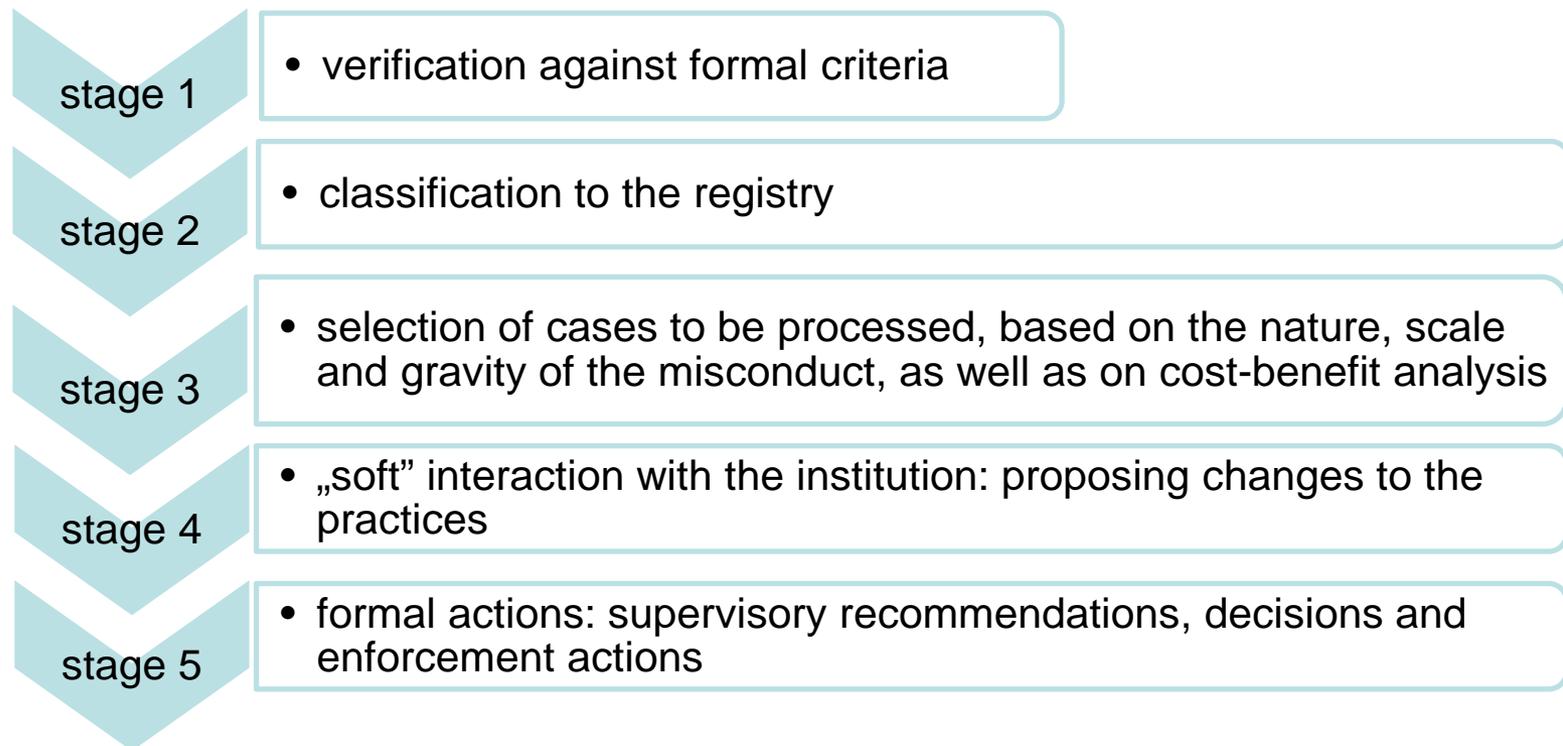
- carried out by banking, insurance and capital market supervision departments
- mostly during inspections
- includes verification of procedures, information systems, and documentation of transactions, as well as interviews with compliance officers and with persons responsible for contacts with clients
- focused on most risky areas



# Customer Protection Department

## First: complaints from clients

More than 10 000 complaints have been filled with the KNF last year.





# Customer Protection Department

## Second: market surveillance

- identification and analysis of problematic market phenomena, particularly across sectors
- analysis of standard contracts used by institutions
- monitoring of advertisements
- monitoring of innovations in the financial market



taking supervisory actions: from inspections through supervisory recommendations through sanctions



# Conciliatory Court

- supported by the KNF but independent in its decisions
- allows for conciliatory resolution of cases arising among financial markets participants, mainly between supervised firms and their clients
- two modes: mediation and arbitration
- very limited application: financial institutions usually don't consent to this form of resolving disputes
- 2013 saw a revision of the Court's statute to increase involvement of firms in nomination of arbitrators and mediators
- an alternative: Banking Consumer Arbitrage supported by the Polish Bank Association



# Summary

- Consumer protection function is executed by the KNF in three ways: through detailed communication with firms and clients, through ordinary sectoral supervision and through dedicated Customer Protection Department.
- Consumer protection is not a primary task of the KNF as there is a separate authority for these matters.
- As concluded by the Supreme Audit Office, the KNF properly exercises its powers in the area of consumer protection, but these powers are rather limited.



**Thank you.**

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