



## **GSR16 Best Practice Guidelines on Collaborative Regulation for Digital Financial Inclusion**

As the digital economy unfolds, digital financial inclusion is likely to prove one of the most transformative applications it brings about. Banking the unbanked, like connecting the unconnected, is a major milestone towards universal growth and prosperity. At the nexus of technology and finance, digital financial inclusion can be a powerful drive towards achieving the

Sustainable Development Goals.

The digital marketplace is constantly evolving and calls for new regulatory regimes. The fifth generation of ICT regulation is coming out of age, unleashing the potential of collaboration to set an enabling environment for innovation and investment. Collaboration among all the various government agencies involved in overseeing the digital economy is essential to ensure that regulatory frameworks are consistent, predictable, fair and effective. Collaborative regulation can and will lead digital financial inclusion onwards and upwards, boosting entrepreneurship and e-trade while enabling e-government services and sustainable living styles.

We, the regulators participating in the 2016 Global Symposium for Regulators, recognize that there is no single, comprehensive blueprint for best practice, but agree that country experiences can be enlightening and guide us towards regulatory excellence. In the increasingly complex and dynamic ICT ecosystem, it is important to agree on common principles and put forward clear and simple rules.

We have, therefore, identified and endorsed these regulatory best practice guidelines to facilitate access to and the development of digital financial services for everyone.

### **Unleashing the potential of two-sided markets**

- We recognize that the introduction of m-payments creates a significant opportunity to spread useful and responsible services for the unbanked or underbanked people. Innovative two-sided platforms enable digital financial services such as mobile banking, mobile money micro finance, mobile commerce and international remittance services. While regulation is not a goal in itself, various regulatory measures can be considered to leverage the potential of such platforms for digital financial inclusion.
- Holistic and balanced privacy and data protection legal frameworks need to be enacted, in accordance with internationally-agreed core principles. In order to enhance trust in new financial digital services, it is equally important to broaden the enforcement powers of the ICT regulator and strengthen sanctions in the case of fault, fraud or abuse.
- Clear and straightforward rules and procedures for consumer protection of users of digital financial services should be implemented, in particular for terms and conditions of online contracts, the use of personal data by service providers, tariffs for services and quality of service. Transparent, fast and effective mechanisms for handling consumer complaints should be made available and enforced.
- Interoperability among operators and service providers is essential for reaping the benefits of digital financial services. Regulatory measures geared towards interconnection, USSD access and tariff issues related to digital finance could enable interoperable services at the national level and globally.

- Regulatory measures for reducing the cost of digital transactions and mobile payments can be put in place.
- In view of weighing the impact of current regulations and revising them accordingly, we consider that ongoing monitoring and periodic assessment of the state of digital financial services are needed. Likewise, the views and experiences of all stakeholders should be taken into account and assessed. Adequate revision of regulatory policies should then be carried out.

#### **Coining new regulatory approaches**

- We believe that adopting suitable regulatory framework and policies related to digital financial services will encourage services providers to reach out to the unserved and underserved.
- New regulations for digital financial services should be based on a functional approach. The regulatory agencies involved in the various aspects of such services need to reassess their regulatory objectives and examine how they can best be achieved, regardless of technology or legacy market structures.
- Furthermore, regulations shouldn't allow different regulatory treatment or a two-track regulatory approach for incumbents and new players, both from the ICT and the finance sector.
- A lighter licensing regime may be generally appropriate to allow digital financial services to thrive. Innovative licensing schemes for market entry, including provisional and temporary licences, can be envisaged.
- We reiterate that all regulators should consider transposing international best practices and guidelines for digital financial inclusion at the national level.

#### **Addressing overlaps between sectors**

- We believe that the various regulators need to collaborate to tackle issues related to digital financial inclusion, from their inception to adoption to ensuring consumer redress. The ICT regulator and the authorities regulating financial services as well as the dedicated competition and consumer protection authorities should know and fulfill their respective powers and responsibilities. Where their mandates overlap, specific mechanisms could be considered to ensure the interplay (such as memoranda of understanding or less formal agreements). Good governance principles and practical solutions should be leveraged for a truly collaborative approach to regulation.
- A sound national framework for collaborative regulation goes a long way towards creating working synergies and effectively enabling new services. Such a framework could include:
  - Harmonization of the Telecommunications/ICT Act with the relevant financial legislation and regulatory policies as well as with those in critical cross-cutting areas such as consumer protection, cybersecurity, privacy and data protection.
  - Ongoing dialogue and regulatory cooperation regarding competition between financial and telecom service providers as well as over-the-top players.

- Periodic open consultations and meetings with stakeholders, public and private, to monitor policy implementation.
  - A harmonization of legal and regulatory requirements for digital financial services at the regional or sub-regional level can have a multiplier effect on innovation and investment in national markets. The issue needs to be brought to the agenda of Regulatory Associations and Regional Economic Communities in view of facilitating the spread and benefits of digital financial inclusion in developing regions.
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